

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended July 28, 2012

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 0-18225

CISCO SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

77-0059951
(IRS Employer
Identification No.)

170 West Tasman Drive
San Jose, California
(Address of principal executive offices)

95134-1706
(Zip Code)

Registrant's telephone number, including area code: (408) 526-4000

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

Title of Each Class:
Common Stock, par value \$0.001 per share

Name of Each Exchange on which Registered
The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer * (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on January 27, 2012 as reported by the NASDAQ Global Select Market on that date: \$105,101,493,544

Number of shares of the registrant's common stock outstanding as of September 5, 2012: 5,290,061,557

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's 2012 Annual Meeting of Shareholders, to be held on November 15, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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This Annual Report on Form 10-K, including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Item 1A. Risk Factors,” and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

PART I

Item 1. Business

General

We design, manufacture, and sell Internet Protocol (“IP”) based networking and other products related to the communications and information technology (“IT”) industry and provide services associated with these products and their use. We provide a broad line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Our products are designed to transform how people connect, communicate, and collaborate. Our products are installed at enterprise businesses, public institutions, telecommunications companies and other service providers, commercial businesses, and personal residences.

We conduct our business globally and manage our business by geography. As we strive for faster decision making with greater accountability and alignment to support our emerging countries and our five foundational priorities, as discussed later, beginning in fiscal 2012, we organized our business into the following three geographic segments: The Americas; Europe, Middle East, and Africa (“EMEA”); and Asia Pacific, Japan, and China (“APJC”). In fiscal 2011, we organized our business into four segments: United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. The Emerging Markets segment then consisted of Eastern Europe, Latin America, the Middle East and Africa, and Russia and the Commonwealth of Independent States. As a result of the geographic segment change in fiscal 2012, countries within the former Emerging Markets segment were consolidated into either the EMEA segment or the Americas segment, depending on their respective geographic locations. We have reclassified the geographic segment data for prior years to conform to the current year’s presentation. For revenue and other information regarding these segments, see Note 16 to the Consolidated Financial Statements.

We were incorporated in California in December 1984, and our headquarters are in San Jose, California. The mailing address of our headquarters is 170 West Tasman Drive, San Jose, California 95134-1706, and our telephone number at that location is (408) 526-4000. Our website is www.cisco.com. Through a link on the Investor Relations section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”): our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available free of charge. The information posted on our website is not incorporated into this report.

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As part of our business focus on the network as the platform for all forms of communications and IT, our products and services are designed to help our customers use technology to address their business imperatives and opportunities—improving productivity and user experience, reducing costs, and gaining a competitive advantage—and to help them connect more effectively with their key stakeholders, including their customers, prospects, business partners, suppliers, and employees. We deliver networking products and solutions designed to simplify and secure customers’ network infrastructures. We also deliver products and solutions that leverage the network to most effectively address market transitions and customer requirements—including in recent periods, virtualization, cloud, collaboration, and video. We believe that integrating multiple network services into and across our products helps our customers reduce their operational complexity, increase their agility and reduce their total cost of network ownership. As a result of the re-categorization of our product offerings in fiscal 2012, our products and technologies are grouped into the following categories: Switching, Next-Generation Network (“NGN”) Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other Products. In fiscal 2011, our product categories consisted of Routing, Switching, New Products, and Other Products.

Network architectures, built on core routing and switching technologies, are evolving to accommodate the demands of increasing numbers of users, network applications and new network-related markets. These new markets are a natural extension of our core business and have emerged as the network has become the platform for provisioning, integrating and delivering an ever-increasing array of IT-based products and services.

Strategy and Focus Areas

We began in fiscal 2011, and had largely completed by the end of fiscal 2012, realigning our sales, services and engineering organizations in order to simplify our operating model, drive faster innovation, and focus on our five foundational priorities:

- Leadership in our core business (routing, switching, and associated services) which includes comprehensive security and mobility solutions

- Collaboration

- Data center virtualization and cloud

- Video

- Architectures for business transformation

We believe that focusing on these priorities best positions us to continue to expand our share of our customers’ information technology spending.

We continue to undergo product transitions in our core business, including the introduction of next-generation products with higher price performance and architectural advantages compared with both our prior generation of products and the product offerings of our competitors. We believe that many of these product transitions are gaining momentum based on the strong year-over-year product revenue growth across these next-generation product families. We believe that our strategy and our ability to innovate and execute may enable us to improve our relative competitive position in many of our product areas even in uncertain or difficult business conditions and, therefore, may continue to provide us with long-term growth opportunities. However, we believe that these newly introduced products may continue to negatively impact product gross margins, which we are currently striving to address through various initiatives including value engineering, effective supply chain management, and delivering greater customer value through offers that include hardware, software, and services.

We continue to seek to capitalize on market transitions. Market transitions relating to the network are becoming, in our view, more significant as intelligent networks have moved from being a mere cost center issue—that is, where the focus is on reducing network operating costs and increasing network-related productivity—to becoming, additionally and increasingly, a platform for improved revenue generation as well as driving business agility and strategy execution.

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Market transitions for which we are primarily focused include those related to the increased role of virtualization/the cloud, video, collaboration, networked mobility technologies and the transition from Internet Protocol Version 4 to Internet Protocol Version 6. For example, a market in which a significant market transition is under way is the enterprise data center market, where a transition to virtualization / the cloud is rapidly evolving. There is a continued growing awareness that intelligent networks are becoming the platform for productivity improvement and global competitiveness. We believe that disruption in the enterprise data center market is accelerating, due to changing technology trends such as the increasing adoption of virtualization, the rise in scalable processing, and the advent of cloud computing and cloud-based IT resource deployments and business models. These key terms are defined as follows:

Virtualization: Refers to the process of creating a virtual, or nonphysical, version of a device or resource, such as a server, storage device, network or an operating system, in such a way that human users as well as other devices and resources are able to interact with the virtual resource as if it were an actual physical resource. For example, one type of virtualization is server or data center virtualization, which consists of aggregating the current siloed data center resources into unified, shared resource pools that can be dynamically delivered to applications on demand, thus enabling the ability to move content and applications between devices and the network.

The cloud: Refers to an information technology hosting and delivery system in which resources, such as servers or software applications, are no longer tethered to a user's physical infrastructure but instead are delivered to and consumed by the user "on demand" as an Internet-based service, whether singularly or with multiple other users simultaneously.

This virtualization and cloud-driven market transition in the enterprise data center market is being brought about through the convergence of networking, computing, storage, and software technologies. We are seeking to take advantage of this market transition through, among other things, our Cisco Unified Computing System platform and Cisco Nexus product families, which are designed to integrate the previously siloed technologies in the enterprise data center with a unified architecture. We are also seeking to capitalize on this market transition through the development of other cloud-based product and service offerings through which we intend to enable customers to develop and deploy their own cloud-based IT solutions, including software-as-a-service ("SaaS") and other-as-a-service ("XaaS") solutions.

The competitive landscape in the enterprise data center market is changing. Very large, well-financed, and aggressive competitors are each bringing their own new class of products to address this new market. We expect this competitive market trend to continue. With respect to this market, we believe the network will be the intersection of innovation through an open ecosystem and standards. We expect to see acquisitions, further industry consolidation, and new alliances among companies as they seek to serve the enterprise data center market. As we enter this next market phase, we expect that we will strengthen certain strategic alliances, compete more with certain strategic alliances and partners, and perhaps also encounter new competitors in our attempt to deliver the best solutions for our customers.

We believe that the architectural approach that we have undertaken in the enterprise data center market is adaptable to other markets. An example of a market where we aim to apply this approach is mobility, where growth of IP traffic on handheld devices is driving the need for more robust architectures, equipment and services in order to accommodate not only an increasing number of worldwide mobile device users, but also increased user demand for broadband-quality business network and consumer web applications to be delivered on such devices. A key term in this mobility-centered market transition is "BYOD," an acronym for "bring your own device," which, in the context of IT usage in companies, universities, and other organizations, refers to the growing trend of employees, customers, students and others associated with such entities to bring and use their own laptop computers, smartphones, tablets, or other mobile devices for their work or participation, instead of using equipment provided by the organization.

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With regard to this market transition, to help such organizations meet the demands of increasing BYOD usage, our product development strategy involves a comprehensive architectural approach that will allow for, among other things, a unified security policy across the whole organization; a simplified operations and network management structure that understands application performance from a user's perspective, enhances troubleshooting capability and lowers network operating costs; and an uncompromised user experience over the organization's entire wireless and wired network that embraces use of any kind of device. Our mobility-related products and solutions reflect this architectural-based approach.

Other market transitions for which we are focusing particular attention include those related to the convergence of video, collaboration, and networked mobility technologies, which we believe will drive productivity and growth in network loads and appear to be evolving even more quickly and more significantly than we had previously anticipated. Cisco TelePresence systems are one example of product offerings that have incorporated video, collaboration, and networked mobility technologies, as customers evolve their communications and business models. More generally, we are focused on simplifying and expanding the creation, distribution, and use of end-to-end video solutions for businesses and consumers.

Another market transition on which we are focusing is the move toward more programmable, flexible and virtual networks. This move to network programmability encompasses technologies such as software-defined-networking and is focused on moving from a hardware-centric approach for networking to a virtualized network environment that is designed to enable flexible, application-driven customization of network infrastructures. We believe the successful products and solutions in this market will combine application-specific-integrated-circuits ("ASICs") with hardware and software elements together to meet customers' total cost of ownership, quality, security, scalability and experience requirements. In our view, there is no single architecture that supports all customer requirements in this area. Our strategy is targeted to address a broad range of specific customer use cases.

Recently, we announced an additional set of network programmability capabilities with the announcement of the Cisco Open Network Environment, or Cisco ONE, including overlay network technology, application programming interfaces ("APIs") and network-operation tools called agents and controllers. In our view, this evolution is in its very early stages and presents an opportunity for Cisco. We intend to continue to drive internal innovation, partner for co-development and make strategic investments to lead this evolution.

For a discussion of the risks associated with our strategy, see "Item 1A. Risk Factors," including the risk factor entitled "We depend upon the development of new products and enhancements to existing products, and if we fail to predict and respond to emerging technological trends and customers' changing needs, our operating results and market share may suffer." For information regarding sales of our major products and services, see Note 16 to the Consolidated Financial Statements.

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Products and Services

Our current offerings fall into several categories:

Switching

Switching is an integral networking technology used in campuses, branch offices, and data centers. Switches are used within buildings in local-area networks (“LANs”) and across great distances in wide-area networks (“WANs”). Our switching products offer many forms of connectivity to end users, workstations, IP phones, access points, and servers and also function as aggregators on LANs and WANs. Our switching systems employ several widely used technologies, including Ethernet, Power over Ethernet, Fibre Channel over Ethernet (“FCoE”), Packet over Synchronous Optical Network, and Multiprotocol Label Switching. Many of our switches are designed to support an integrated set of advanced services, allowing organizations to be more efficient by using one switch for multiple networking functions rather than multiple switches to accomplish the same functions. Key product platforms within our Switching product category, in which we also include storage products, are as follows:

| Fixed-Configuration Switches | Modular Switches | Storage |
|--|--|-------------------------|
| Cisco Catalyst Series: Cisco Catalyst 2960 Series Cisco Catalyst 3560 Series Cisco Catalyst 3750 Series | Cisco Catalyst Series: Cisco Catalyst 4500 Series Cisco Catalyst 6500 Series | MDS Series: MDS 9000 |
| Cisco Nexus Series: Cisco Nexus 2000 Series Cisco Nexus 3000 Series Cisco Nexus 5000 Series | Cisco Nexus Series: Cisco Nexus 7000 Series | |

Fixed-configuration switches are designed to cover a range of deployments in small and medium-sized businesses. Our fixed-configuration switches are designed to provide a foundation for converged data, voice, and video services. They range from small, standalone switches to stackable models that function as a single, scalable switching unit.

Modular switches are typically utilized by enterprise and service provider customers. These products offer flexibility and scalability for these customers, which due to their large-scale network demands often need to deploy numerous, concurrent intelligent networking services without degrading overall performance.

Fixed-configuration and modular switches also include products such as optics modules which are shared across multiple product platforms.

During fiscal 2012, we introduced what we believe to be the industry’s most advanced and versatile portfolio of modular, fixed-configuration, blade, and virtual LAN switches for campus, branch, and data center deployments. Individually, these switches are designed to offer the performance and features required for nearly any deployment, from traditional small workgroups, wiring closets, and network cores to highly virtualized and converged corporate data centers. Working together, these switches are, in our view, the building blocks of an integrated network that delivers scalable and intelligent services protecting, optimizing, and growing as a customer’s business needs evolve. We also recently introduced a versatile and broad approach to network programmability, called Cisco ONE, aimed at helping customers drive the next wave of business innovation through trends such as cloud, mobility, social networking, and video. Cisco ONE is designed to enable flexible, application-driven customization of network infrastructures to help businesses realize objectives such as increased service velocity, resource optimization, and faster monetization of new services.

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NGN Routing

Routing technology is fundamental to the Internet, and this technology interconnects public and private IP networks for mobile, data, voice, and video applications. Our NGN Routing products are designed to enhance the intelligence, security, reliability, scalability, and level of performance in the transmission of information and media-rich applications. We offer a broad range of routers, from core network infrastructure and mobile Internet network for service providers and enterprises to access routers for branch offices and for telecommuters and consumers at home. Key product areas within our NGN Routing category are as follows:

| High-End Routers | Midrange and Low-End Routers | Other NGN Routing |
|---|--|---|
| Cisco Aggregation Services Routers (“ASR”): | Cisco Integrated Services Routers (“ISR”): | Optical Networking Products Other Routing Products |
| Cisco ASR 901/903 | Cisco ISR 800 | |
| Cisco ASR 1000 | Cisco ISR 1900 | |
| Cisco ASR 5000 | Cisco ISR 2900 | |
| Cisco ASR 9000 | Cisco ISR 3900 | |
| Cisco Carrier Routing Systems (“CRS”): | | |
| Cisco CRS-1 | | |
| Cisco CRS-3 | | |
| Cisco 7600 Series Routers | | |

During fiscal 2012, we experienced strong adoption of our latest edge and core routing platforms, Cisco ASR 9000 and Cisco CRS-3, respectively. We continue to provide further enhancements to our NGN Routing portfolio with the aim of supporting the next-generation Internet and enabling compelling new experiences for consumers, new revenue opportunities for service providers, and new ways to collaborate in the workplace.

Service Provider Video

Our end-to-end, digital video distribution systems and digital interactive set-top boxes enable service providers and content originators to deliver entertainment, information, and communication services to consumers and businesses around the world. Key product areas within our Service Provider Video category are as follows:

Set-Top Boxes

IP set-top boxes (both High-Definition (“HD”) and Standard Definition (“SD”))

Digital cable set-top boxes (both HD and SD)

Cable Modem CPE (Data, EMTA, and Gateways)

Cable Modem Termination Systems Products

Videoscape Software Products

Headend Equipment (Encoders, Decoders, and Transcoders)

On July 30, 2012, we acquired NDS Group Limited (“NDS”), a leading provider of video content security and software solutions designed to enable users to intuitively view, search and navigate digital content. NDS has a strong recurring revenue stream and we expect the acquisition of NDS to complement and accelerate the delivery of Cisco Videoscape, Cisco’s comprehensive platform that enables service providers and media companies to deliver next-generation entertainment experiences. With the NDS acquisition, we aim to broaden our opportunities in the service provider market and to expand our reach into emerging markets such as China and India, countries where NDS has an established customer presence.

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Collaboration

Our Collaboration portfolio integrates voice, video, data and mobile applications on fixed and mobile networks across a wide range of devices and endpoints including mobile phones, tablets, desktop and laptop computers, and desktop virtualization clients. Key products areas within our Collaboration category are as follows:

Unified Communications:

- IP phones

- Call center and messaging products

- Unified communications infrastructure products

- Web-based collaborative offerings (“WebEx”)

Cisco TelePresence Systems

During fiscal 2012, we continued the evolution of our Collaboration portfolio. We expanded the WebEx family of products to include WebEx Social, a cloud-based enterprise social platform; WebEx Meetings, a meeting place with file and social networking capabilities; and WebEx TelePresence, a cloud-based offering provided as a service. We introduced new additions to the Cisco TelePresence portfolio including the MX300 system, designed to extend Cisco TelePresence to more offices and meeting spaces; and the TX9000, a new three-screen immersive platform that is designed to deliver the highest quality video experience and industry-leading collaboration capabilities with advanced content sharing and interactive features.

Security

Security is a significant business concern and we believe it is a top investment priority for our customers. Security threats continue to escalate, resulting in the loss of revenue, intellectual property, and reputation. Cisco security solutions deliver identity, network and content security solutions designed to enable customers to reduce the impact of threats and realize the benefits of a mobile, collaborative, and cloud-enabled business. Our products in this category span firewall, intrusion prevention, remote access, virtual private networks (“VPNs”), unified clients, network admission control, web gateways, and email gateways. Our AnyConnect Secure Mobility Client solution enables users to access networks with their mobile device of choice, such as laptops and smartphone-based mobile devices, while allowing organizations to manage the security risks of networks. Our cloud-based web security service is designed to provide real-time threat protection and to prevent malware from reaching corporate networks, including roaming or mobile users. We focus on a proactive, layered approach to counter both existing and emerging security threats. We provide security solutions that are designed to be integrated, timely, comprehensive, and effective, helping to ensure holistic security for organizations worldwide.

During fiscal 2012, we introduced the Cisco ASA 5500-X Series Midrange Security Appliance, Cisco Security Manager 4.3, the IPS 4500 Series, and Prime Security Manager. We are also improving the security of all our product lines by securing the supply chain throughout the entire product lifecycle, from inception to disposal. A strong security focus is forefront across our engineering processes as we implement our products under what we refer to as the Cisco Secure Development Lifecycle process, an IT-based supply chain management process. Specific product security enhancements currently being designed into our platforms include Anchored Secure Boot technology and anti-tamper technology to store keys and provide functions to enhance the overall security of the platform.

Wireless

The Cisco Unified Wireless Network aims to harness the intelligence of the network to solve business problems, uniting high-performance wireless access across campus, branch, remote and outdoor environments. Our offerings include wireless access points (including the Cisco Aironet product family), controllers, antennas, and integrated management. Our offerings provide users with simplified management and mobile device troubleshooting features which are designed to reduce operational cost and maximize flexibility and reliability. We are also investing in custom chipsets to deliver innovative functions such as CleanAir proactive spectrum intelligence, ClientLink acceleration for mobile devices and VideoStream multicast optimization technology.

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Data Center

Our Data Center product category has been our fastest growing major product category for the past two fiscal years. Cisco Unified Computing System (“UCS”) and Server Access Virtualization form the core of the Data Center product category. Key product areas within our Data Center product category are as follows:

UCS

- Cisco UCS B-Series Blade Servers

- Cisco UCS C-Series Rack Servers

- Cisco UCS Fabric Interconnects

Server Access Virtualization

The UCS platform unites computing, network, storage access, and virtualization into a centrally managed and automated system. During fiscal 2012 we made significant expansions to the computing and high-performance virtual switching capability of UCS with the introduction of seven new server models and a new generation of fabric interconnects and virtualized interface cards. These innovations are designed to further our strategy of enabling customers to consolidate both physical and virtualized workloads with unique application requirements onto a single unified, scalable, centrally managed and automated system. Our strategy has resulted in a portfolio of standalone and converged infrastructure solutions designed to preserve customer choice, accelerate business initiatives, reduce risk, lower the cost of IT, and represent a comprehensive solution when collectively deployed.

Other Products

Our Other Products category primarily consists of Linksys home networking products, certain emerging technologies, and other networking products.

Service

In addition to our product offerings, we provide a broad range of service offerings, including technical support services and advanced services.

Technical support services help ensure that our products operate efficiently, remain available, and benefit from the most up-to-date system software that we have developed. These services help customers protect their network investments and minimize downtime for systems running mission-critical applications. A key example of this is our Cisco Smart Services offering, which leverages the intelligence from Cisco’s over fifty million devices and customer connections to protect and optimize network investment for our customers and partners.

Advanced services are services that are part of a comprehensive program that is designed to provide responsive, preventive, and consultative support of our technologies for specific networking needs. The advanced services program supports networking devices, applications, solutions, and complete infrastructures. Our service and support strategy seeks to capitalize on increased globalization, and we believe this strategy, along with our architectural approach, has the potential to further differentiate us from competitors.

Customers and Markets

Many factors influence the IT, collaboration, and networking requirements of our customers. These include the size of the organization, number and types of technology systems, geographic location, and the business applications deployed throughout the customer’s network. Our customer base is not limited to any specific industry, geography, or market segment. In each of the past three fiscal years, no single customer has accounted for 10% or more of our net sales. Our customers primarily operate in the following markets: enterprise, service provider, commercial, and public sector.

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Enterprise

Enterprise businesses are large regional, national, or global organizations with multiple locations or branch offices and typically employ 1,000 or more employees. Many enterprise businesses have unique IT, collaboration, and networking needs within a multivendor environment. We strive to take advantage of the network-as-a-platform strategy to integrate business processes with technology architectures to assist customer growth. We offer service and support packages, financing, and managed network services primarily through our service provider partners. We sell these products through a network of third-party application and technology vendors and channel partners, as well as selling directly to these customers.

Service Providers

Service providers offer data, voice, video, and mobile/wireless services to businesses, governments, utilities, and consumers worldwide. They include regional, national, and international wireline carriers, as well as Internet, cable, and wireless providers. We also group media, broadcast, and content-providers within our service provider market, as the lines in the telecommunications industry continue to blur between traditional network-based services and content-based and application-based services. Service providers use a variety of our routing and switching, optical, security, video, mobility, and network management products, systems, and services for their own networks. In addition, many service providers use Cisco data center, virtualization, and collaboration technologies to offer managed or Internet-based services to their business customers. Compared with other customers, service providers are more likely to require network design, deployment, and support services because of the scale and complexity of their networks, which requirements are addressed, we believe, by our architectural approach.

Commercial

Generally, we define commercial businesses as companies with fewer than 1,000 employees. The larger, or midmarket, customers within the commercial market are served by a combination of our direct salesforce and our channel partners. These customers typically require the latest advanced technologies that our enterprise customers demand, but with less complexity. Small businesses, or companies with fewer than 100 employees, require information technologies and communication products that are easy to configure, install, and maintain. These smaller companies within the commercial market are primarily served by our channel partners.

Public Sector

Public sector entities include federal governments, state and local governments, as well as educational institution customers. Many public sector entities have unique IT, collaboration, and networking needs within a multivendor environment. We sell to public sector entities through a network of third-party application and technology vendors and channel partners, as well as selling directly to these customers.

Sales Overview

As of the end of fiscal 2012, our worldwide sales and marketing departments consisted of 24,507 employees, including managers, sales representatives, and technical support personnel. We have field sales offices in 93 countries, and we sell our products and services both directly and through a variety of channels with support from our salesforce. A substantial portion of our products and services is sold through our channel partners, and the remainder is sold through direct sales. Our channel partners include systems integrators, service providers, other resellers, distributors, and retail partners.

Systems integrators and service providers typically sell directly to end users and often provide system installation, technical support, professional services, and other support services in addition to network equipment sales. Systems integrators also typically integrate our products into an overall solution. Some service providers are also systems integrators.

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Distributors hold inventory and typically sell to systems integrators, service providers, and other resellers. In addition, home networking products are generally sold through distributors and retail partners. We refer to sales through distributors and retail partners as our two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. These distributors and retail partners are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling prices, and participate in various cooperative marketing programs.

For information regarding risks related to our channels, see “Item 1A. Risk Factors,” including the risk factors entitled “Disruption of or changes in our distribution model could harm our sales and margins” and “Our inventory management relating to our sales to our two-tier distribution channel is complex, and excess inventory may harm our gross margins.”

For information regarding risks relating to our international operations, see “Item 1A. Risk Factors,” including the risk factors entitled “Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment”; “Entrance into new or developing markets exposes us to additional competition and will likely increase demands on our service and support operations”; “Due to the global nature of our operations, political or economic changes or other factors in a specific country or region could harm our operating results and financial condition”; “We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows”; and “Man-made problems such as computer viruses or terrorism may disrupt our operations and harm our operating results,” among others.

Our service offerings complement our products through a range of consulting, technical, project, quality, and maintenance services, including 24-hour online and telephone support through technical assistance centers.

Financing Arrangements

We provide financing arrangements for certain qualified customers to build, maintain, and upgrade their networks. We believe customer financing is a competitive factor in obtaining business, particularly in serving customers involved in significant infrastructure projects. Our financing arrangements include the following:

Leases:

- Sales-type
- Direct financing
- Operating

Loans

Financed service contracts

For additional information regarding these financing arrangements, see Note 7 to the Consolidated Financial Statements.

Product Backlog

Our product backlog at July 28, 2012, the last day of our 2012 fiscal year, was approximately \$5.0 billion, compared with product backlog of approximately \$4.5 billion at July 30, 2011, the last day of our 2011 fiscal year. The product backlog includes orders confirmed for products scheduled to be shipped within 90 days to customers with approved credit status. Because of the generally short cycle between order and shipment and occasional customer changes in delivery schedules or cancellation of orders (which are made without significant penalty), we do not believe that our product backlog, as of any particular date, is necessarily indicative of actual net product sales for any future period.

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Acquisitions, Investments, and Alliances

The markets in which we compete require a wide variety of technologies, products, and capabilities. The combination of technological complexity and rapid change within our markets makes it difficult for a single company to develop all of the technological solutions that it desires to offer within its family of products and services. We work to broaden the range of products and services we deliver to customers in target markets through acquisitions, investments, and alliances. We employ the following strategies to address the need for new or enhanced networking and communications products and services:

- Developing new technologies and products internally
- Acquiring all or parts of other companies
- Entering into joint-development efforts with other companies
- Reselling other companies' products

Acquisitions

We have acquired many companies, and we expect to make future acquisitions. Mergers and acquisitions of high-technology companies are inherently risky, especially if the acquired company has yet to ship a product. No assurance can be given that our previous or future acquisitions will be successful or will not materially adversely affect our financial condition or operating results. Prior acquisitions have resulted in a wide range of outcomes, from successful introduction of new products and technologies to an inability to do so. The risks associated with acquisitions are more fully discussed in "Item 1A. Risk Factors," including the risk factor entitled "We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results."

Investments in Privately Held Companies

We make investments in privately held companies that develop technology or provide services that are complementary to our products or that provide strategic value. The risks associated with these investments are more fully discussed in "Item 1A. Risk Factors," including the risk factor entitled "We are exposed to fluctuations in the market values of our portfolio investments and in interest rates; impairment of our investments could harm our earnings."

Strategic Alliances

We pursue strategic alliances with other companies in areas where collaboration can produce industry advancement and acceleration of new markets. The objectives and goals of a strategic alliance can include one or more of the following: technology exchange, product development, joint sales and marketing, or new-market creation. Currently, we have strategic alliances with the following companies or subsidiaries thereof:

Accenture Ltd; AT&T Inc.; Cap Gemini S.A.; Citrix Systems, Inc.; EMC Corporation; Fujitsu Limited; Intel Corporation; International Business Machines Corporation; Italtel SpA; Johnson Controls Inc.; Microsoft Corporation; NetApp, Inc.; Nokia Corporation; Nokia Siemens Networks; Oracle Corporation; SAP AG; Sprint Nextel Corporation; Tata Consultancy Services Ltd.; VCE Company, LLC; VMware, Inc.; Wipro Limited; Xerox Corporation; and others.

Companies with which we have strategic alliances in some areas may be competitors in other areas, and in our view this trend may increase. The risks associated with our strategic alliances are more fully discussed in "Item 1A. Risk Factors," including the risk factor entitled "If we do not successfully manage our strategic alliances, we may not realize the expected benefits from such alliances, and we may experience increased competition or delays in product development."

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Competition

We compete in the networking and communications equipment markets, providing products and services for transporting data, voice, and video traffic across intranets, extranets, and the Internet. These markets are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages. These market factors represent both an opportunity and a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in our new product markets. As we continue to expand globally, we may see new competition in different geographic regions. In particular, we have experienced price-focused competition from competitors in Asia, especially from China, and we anticipate this will continue.

Our competitors include Alcatel-Lucent; Arista Networks, Inc.; ARRIS Group, Inc.; Aruba Networks, Inc.; Avaya Inc.; Brocade Communications Systems, Inc.; Check Point Software Technologies Ltd.; Citrix Systems, Inc.; Dell Inc.; D-Link Corporation; LM Ericsson Telephone Company; Extreme Networks, Inc.; F5 Networks, Inc.; Fortinet, Inc.; Hewlett-Packard Company; Huawei Technologies Co., Ltd.; International Business Machines Corporation; Juniper Networks, Inc.; LogMeIn, Inc.; Meru Networks, Inc.; Microsoft Corporation; Motorola Mobility Holdings, Inc. (acquired by Google, Inc. in May 2012); Motorola Solutions, Inc.; NETGEAR, Inc.; Palo Alto Networks, Inc.; Polycom, Inc.; Riverbed Technology, Inc.; and Symantec Corporation; among others.

Some of these companies compete across many of our product lines, while others are primarily focused in a specific product area. Barriers to entry are relatively low, and new ventures to create products that do or could compete with our products are regularly formed. In addition, some of our competitors may have greater resources, including technical and engineering resources, than we do. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets. We also sometimes face competition from resellers and distributors of our products. Companies with which we have strategic alliances in some areas may be competitors in other areas, and in our view this trend may increase. For example, the enterprise data center is undergoing a fundamental transformation arising from the convergence of technologies, including computing, networking, storage, and software, that previously were siloed. Due to several factors, including the availability of highly scalable and general purpose microprocessors, application-specific integrated circuits offering advanced services, standards-based protocols, cloud computing and virtualization, the convergence of technologies within the enterprise data center is spanning multiple, previously independent, technology segments. Also, some of our current and potential competitors for enterprise data center business have made acquisitions, or announced new strategic alliances, designed to position them to provide end-to-end technology solutions for the enterprise data center. As a result of all of these developments, we face greater competition in the development and sale of enterprise data center technologies, including competition from entities that are among our long-term strategic alliance partners. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us.

The principal competitive factors in the markets in which we presently compete and may compete in the future include:

- The ability to provide a broad range of networking and communications products and services

- Product performance

- Price

- The ability to introduce new products, including products with price-performance advantages

- The ability to reduce production costs

- The ability to provide value-added features such as security, reliability, and investment protection

- Conformance to standards

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Market presence

The ability to provide financing

Disruptive technology shifts and new business models

We also face competition from customers to which we license or supply technology and suppliers from which we transfer technology. The inherent nature of networking requires interoperability. Therefore, we must cooperate and at the same time compete with many companies. Any inability to effectively manage these complicated relationships with customers, suppliers, and strategic alliance partners could have a material adverse effect on our business, operating results, and financial condition, and accordingly affect our chances of success.

Research and Development

We regularly seek to introduce new products and features to address the requirements of our markets. We allocate our research and development budget among our product categories, which consist of switching, NGN routing, collaboration, service provider video, wireless, security, data center, and other product technologies, for this purpose. Our research and development expenditures were \$5.5 billion, \$5.8 billion, and \$5.3 billion in fiscal 2012, 2011, and 2010, respectively. These expenditures are applied generally to all product areas, with specific areas of focus being identified from time to time. Recent areas of focus are tied to our foundational priorities and include, but are not limited to, our core routing and switching products and the Cisco Unified Computing System and other products related to the data center. Our expenditures for research and development costs were expensed as incurred.

The industry in which we compete is subject to rapid technological developments, evolving standards, changes in customer requirements, and new product introductions and enhancements. As a result, our success depends in part upon our ability, on a cost-effective and timely basis, to continue to enhance our existing products and to develop and introduce new products that improve performance and reduce total cost of ownership. To achieve these objectives, our management and engineering personnel work with customers to identify and respond to customer needs, as well as with other innovators of internetworking products, including universities, laboratories, and corporations. We also expect to continue to make acquisitions and investments, where appropriate, to provide us with access to new technologies. We intend to continue developing products that meet key industry standards and to support important protocol standards as they emerge, such as IP Version 6. Nonetheless, there can be no assurance that we will be able to successfully develop products to address new customer requirements and technological changes or that those products will achieve market acceptance.

Manufacturing

We rely on contract manufacturers for all of our manufacturing needs. During fiscal 2012, we completed the sale of our manufacturing operations relating to set-top boxes to a contract manufacturer located in Juarez, Mexico, in furtherance of our strategic objective to simplify our operating model. We presently use a variety of independent third-party companies to provide services related to printed-circuit board assembly, in-circuit test, product repair, and product assembly. Proprietary software on electronically programmable memory chips is used to configure products that meet customer requirements and to maintain quality control and security. The manufacturing process enables us to configure the hardware and software in unique combinations to meet a wide variety of individual customer requirements. The manufacturing process uses automated testing equipment and burn-in procedures, as well as comprehensive inspection, testing, and statistical process controls, which are designed to help ensure the quality and reliability of our products. The manufacturing processes and procedures are generally certified to International Organization for Standardization (ISO) 9001 or ISO 9003 standards.

Our arrangements with contract manufacturers generally provide for quality, cost, and delivery requirements, as well as manufacturing process terms, such as continuity of supply; inventory management; flexibility regarding capacity, quality, and cost management; oversight of manufacturing; and conditions for use of our intellectual property. We have not entered into any significant long-term contracts with any manufacturing service provider.

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We generally have the option to renew arrangements on an as-needed basis, primarily annually. These arrangements generally do not commit us to purchase any particular amount or any quantities beyond certain amounts covered by orders or forecasts that we submit covering discrete periods of time, defined as less than one year.

Patents, Intellectual Property, and Licensing

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyrights, trademarks, and trade secret laws. We have a program to file applications for and obtain patents, copyrights, and trademarks in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. We have obtained a substantial number of patents and trademarks in the United States and in other countries. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. Although we believe the protection afforded by our patents, copyrights, trademarks, and trade secrets has value, the rapidly changing technology in the networking industry and uncertainties in the legal process make our future success dependent primarily on the innovative skills, technological expertise, and management abilities of our employees rather than on the protection afforded by patent, copyright, trademark, and trade secret laws.

Many of our products are designed to include software or other intellectual property licensed from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products, we believe, based upon past experience and standard industry practice, that such licenses generally could be obtained on commercially reasonable terms. Nonetheless, there can be no assurance that the necessary licenses would be available on acceptable terms, if at all. Our inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse effect on our business, operating results, and financial condition. Moreover, inclusion in our products of software or other intellectual property licensed from third parties on a nonexclusive basis can limit our ability to protect our proprietary rights in our products.

The industry in which we compete is characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding patent and other intellectual property rights. There can be no assurance that our patents and other proprietary rights will not be challenged, invalidated, or circumvented; that others will not assert intellectual property rights to technologies that are relevant to us; or that our rights will give us a competitive advantage. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States. The risks associated with patents and intellectual property are more fully discussed in "Item 1A. Risk Factors," including the risk factors entitled "Our proprietary rights may prove difficult to enforce," "We may be found to infringe on intellectual property rights of others," and "We rely on the availability of third-party licenses."

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Employees

Employees are summarized as follows:

| | July 28, 2012 |
|--|---------------|
| Employees by geography: | |
| United States | 36,052 |
| Rest of world | 30,587 |
| Total | 66,639 |
| Employees by line item on the Consolidated Statements of Operations: | |
| Cost of sales ⁽¹⁾ | 14,125 |
| Research and development | 21,568 |
| Sales and marketing | 24,507 |
| General and administrative | 6,439 |
| Total | 66,639 |

⁽¹⁾ Cost of sales includes manufacturing support, services, and training.

We consider the relationships with our employees to be positive. Competition for technical personnel in the industry in which we compete is intense. We believe that our future success depends in part on our continued ability to hire, assimilate, and retain qualified personnel. To date, we believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future.

Executive Officers of the Registrant

The following table shows the name, age and position as of August 31, 2012 of each of our executive officers:

| <u>Name</u> | <u>Age</u> | <u>Position with the Company</u> |
|--------------------|------------|--|
| Frank A. Calderoni | 55 | Executive Vice President and Chief Financial Officer |
| John T. Chambers | 63 | Chairman, Chief Executive Officer, and Director |
| Mark Chandler | 56 | Senior Vice President, Legal Services, General Counsel and Secretary, and Chief Compliance Officer |
| Blair Christie | 40 | Senior Vice President, Chief Marketing Officer |
| Wim Elfrink | 60 | Executive Vice President, Emerging Solutions and Chief Globalisation Officer |
| Robert W. Lloyd | 56 | Executive Vice President, Worldwide Operations |
| Gary B. Moore | 63 | Executive Vice President, Chief Operating Officer |
| Pankaj Patel | 58 | Executive Vice President and Chief Development Officer, Global Engineering |
| Randy Pond | 58 | Executive Vice President, Operations, Processes and Systems |

Mr. Calderoni joined Cisco in May 2004 as Vice President, Worldwide Sales Finance. In June 2007, he was promoted to Senior Vice President, Customer Solutions Finance. He was appointed to his current position effective in February 2008. From March 2002 until he joined Cisco, Mr. Calderoni served as Senior Vice President and Chief Financial Officer of QLogic Corporation, a supplier of storage networking solutions. Prior to that, he was Senior Vice President, Finance and Administration and Chief Financial Officer of SanDisk Corporation from February 2000 to February 2002. Prior to that, he was employed by IBM Corporation where he held a number of executive positions. Mr. Calderoni also serves on the Board of Directors of Adobe Systems Incorporated.

Mr. Chambers has served as Chief Executive Officer since January 1995, as Chairman of the Board of Directors since November 2006 and as a member of the Board of Directors since November 1993. Mr. Chambers also served as President from January 31, 1995 to November 2006. He joined Cisco as Senior Vice President in January 1991 and was promoted to Executive Vice President in June 1994. Mr. Chambers was promoted to President and Chief Executive Officer as of January 31, 1995. Before joining Cisco, he was employed by Wang Laboratories, Inc. for eight years, where, in his last role, he was the Senior Vice President of U.S. Operations.

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Mr. Chandler joined Cisco in July 1996, upon Cisco's acquisition of StrataCom, Inc., where he served as General Counsel. He served as Cisco's Managing Attorney for Europe, the Middle East, and Africa from December 1996 until June 1999; as Director, Worldwide Legal Operations from June 1999 until February 2001; and was promoted to Vice President, Worldwide Legal Services in February 2001. In October 2001, he was promoted to Vice President, Legal Services and General Counsel and in May 2003, he was also appointed Secretary. In February 2006, he was promoted to Senior Vice President, and in May 2012 was appointed Chief Compliance Officer. Before joining StrataCom, he had served as Vice President, Corporate Development and General Counsel of Maxtor Corporation.

Ms. Christie joined Cisco in August 1999 as part of Cisco's Investor Relations team. From April 2000 through December 2003, Ms. Christie held a number of managerial positions within Cisco's Investor Relations function. In January 2004, Ms. Christie was promoted to Vice President, Investor Relations. In June 2006, Ms. Christie was appointed to Vice President, Global Corporate Communications. In January 2008, Ms. Christie was promoted to Senior Vice President, Global Corporate Communications. In January 2011, Ms. Christie was appointed to her current position.

Mr. Elfrink joined Cisco in 1997 as Vice President of Cisco Services in Europe. In November 2000 he was promoted to Senior Vice President, Cisco Services and took over global responsibility for the function, relocating to San Jose, California. Mr. Elfrink was appointed Chief Globalisation Officer in December 2006 and moved to Bangalore India to establish Cisco's Globalisation Centre East. In August 2007 he was named Executive Vice President. In February 2011, Mr. Elfrink was appointed to his current position, in which he heads three of Cisco's global initiatives: Cisco's Emerging Solutions and Emerging Countries initiatives, and Cisco's globalisation strategy.

Mr. Lloyd joined Cisco in November 1994 as General Manager of Cisco Canada. In October 1998, he was promoted to Vice President, EMEA (Europe, Middle East and Africa); in February 2001, he was promoted to Senior Vice President, EMEA; and in July 2005, Mr. Lloyd was appointed Senior Vice President, US, Canada and Japan. In April 2009, he was promoted to his current position.

Mr. Moore joined Cisco in October 2001 as Senior Vice President, Advanced Services. In August 2007, he also assumed responsibility as co-lead of Cisco Services. In May 2010, he was promoted to Executive Vice President, Cisco Services. In February 2011, Mr. Moore was appointed to his current position. Immediately before joining Cisco, Mr. Moore served for approximately two years as chief executive officer of Netigy Corporation, a network consulting company. Prior to that, he was employed by Electronic Data Systems where he held a number of executive positions.

Mr. Patel joined Cisco in July 1996 upon Cisco's acquisition of StrataCom, Inc., serving from July 1996 through September 1999 as a Senior Director of Engineering. From November 1999 through January 2003, he served as Senior Vice President of Engineering at Redback Networks Inc., a networking equipment provider later acquired by Ericsson. In January 2003, Mr. Patel rejoined Cisco as Vice President and General Manager, Cable Business Unit, and was promoted to Senior Vice President in July 2005. In January 2006, Mr. Patel was named Senior Vice President and General Manager, Service Provider and, additionally, in May 2011 became co-leader of Engineering. In June 2012, Mr. Patel assumed the leadership of Engineering. In August 2012, Mr. Patel was promoted to his current position.

Mr. Pond joined Cisco in September 1993 upon Cisco's acquisition of Crescendo Communications, Inc. In 1994, Mr. Pond assumed leadership of Cisco's Supply/Demand group. In 1994, he was appointed Director of Manufacturing Operations. He was promoted to Vice President of Manufacturing in 1995. In January 2000, Mr. Pond was promoted to Senior Vice President of West Coast and Asia operations. He was promoted to Senior Vice President, Worldwide Manufacturing Operations and Logistics in June 2001. In August 2003, he was promoted to Senior Vice President, Operations, Processes and Systems, and he was named Executive Vice President in August 2007. Before joining Cisco, Mr. Pond held the position of Vice President Finance, Chief Financial Officer, and Vice President of Operations at Crescendo Communications.

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Item 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

OUR OPERATING RESULTS MAY FLUCTUATE IN FUTURE PERIODS, WHICH MAY ADVERSELY AFFECT OUR STOCK PRICE

Our operating results have been in the past, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

- Fluctuations in demand for our products and services, especially with respect to telecommunications service providers and Internet businesses, in part due to changes in the global economic environment
- Changes in sales and implementation cycles for our products and reduced visibility into our customers' spending plans and associated revenue
- Our ability to maintain appropriate inventory levels and purchase commitments
- Price and product competition in the communications and networking industries, which can change rapidly due to technological innovation and different business models from various geographic regions
- The overall movement toward industry consolidation among both our competitors and our customers
- The introduction and market acceptance of new technologies and products and our success in new and evolving markets, including in our newer product categories such as data center and collaboration and in emerging technologies, as well as the adoption of new standards
- Variations in sales channels, product costs, or mix of products sold
- The timing, size, and mix of orders from customers
- Manufacturing and customer lead times
- Fluctuations in our gross margins, and the factors that contribute to such fluctuations, as described below
- The ability of our customers, channel partners, contract manufacturers and suppliers to obtain financing or to fund capital expenditures, especially during a period of global credit market disruption or in the event of customer, channel partner, contract manufacturer or supplier financial problems
- Share-based compensation expense
- Actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our Consolidated Financial Statements
- How well we execute on our strategy and operating plans and the impact of changes in our business model that could result in significant restructuring charges
- Our ability to achieve targeted cost reductions
- Benefits anticipated from our investments in engineering, sales and manufacturing activities
- Changes in tax laws, tax regulations and / or accounting rules

As a consequence, operating results for a particular future period are difficult to predict, and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations, and financial condition that could adversely affect our stock price.

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OUR OPERATING RESULTS MAY BE ADVERSELY AFFECTED BY UNFAVORABLE ECONOMIC AND MARKET CONDITIONS AND THE UNCERTAIN GEOPOLITICAL ENVIRONMENT

Challenging economic conditions worldwide have from time to time contributed, and may continue to contribute, to slowdowns in the communications and networking industries at large, as well as in specific segments and markets in which we operate, resulting in:

Reduced demand for our products as a result of continued constraints on IT-related capital spending by our customers, particularly service providers, and other customer markets as well

Increased price competition for our products, not only from our competitors but also as a consequence of customers disposing of unutilized products

Risk of excess and obsolete inventories

Risk of supply constraints

Risk of excess facilities and manufacturing capacity

Higher overhead costs as a percentage of revenue and higher interest expense

Instability in the global credit markets, including the continuing European economic and financial turmoil related to sovereign debt issues in certain countries, the instability in the geopolitical environment in many parts of the world and other disruptions, such as changes in energy costs, may continue to put pressure on global economic conditions. The world has recently experienced a global macroeconomic downturn, and if global economic and market conditions, or economic conditions in key markets, remain uncertain or deteriorate further, we may experience material impacts on our business, operating results, and financial condition.

Our operating results in one or more segments may also be affected by uncertain or changing economic conditions particularly germane to that segment or to particular customer markets within that segment. For example, during fiscal 2011 we experienced a decrease in spending by our public sector customers in almost every developed market around the world, and we continue to see decreases in spending within certain categories of our public sector customer market.

WE HAVE BEEN INVESTING IN PRIORITIES, INCLUDING OUR FOUNDATIONAL PRIORITIES, AND IF THE RETURN ON THESE INVESTMENTS IS LOWER OR DEVELOPS MORE SLOWLY THAN WE EXPECT, OUR OPERATING RESULTS MAY BE HARMED

We have been realigning and are dedicating resources to focus on certain priorities, such as leadership in our core routing, switching and services, including security and mobility solutions; collaboration; data center virtualization and cloud; video; and architectures for business transformation. However, the return on our investments in such priorities may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments (including if our selection of areas for investment does not play out as we expect), or if the achievement of these benefits is delayed, our operating results may be adversely affected.

OUR REVENUE FOR A PARTICULAR PERIOD IS DIFFICULT TO PREDICT, AND A SHORTFALL IN REVENUE MAY HARM OUR OPERATING RESULTS

As a result of a variety of factors discussed in this report, our revenue for a particular quarter is difficult to predict, especially in light of the recent global economic downturn and related market uncertainty. Our net sales may grow at a slower rate than in past periods or may decline, which occurred in fiscal 2009. Our ability to meet financial expectations could also be adversely affected if the nonlinear sales pattern seen in some of our past quarters recurs in future periods. We have experienced periods of time during which shipments have exceeded net bookings or manufacturing issues have delayed shipments, leading to nonlinearity in shipping patterns. In addition to making it difficult to predict revenue for a particular period, nonlinearity in shipping can increase

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costs, because irregular shipment patterns result in periods of underutilized capacity and periods in which overtime expenses may be incurred, as well as in potential additional inventory management-related costs. In addition, to the extent that manufacturing issues and any related component shortages result in delayed shipments in the future, and particularly in periods in which our contract manufacturers are operating at higher levels of capacity, it is possible that revenue for a quarter could be adversely affected if such matters occur and are not remediated within the same quarter.

The timing of large orders can also have a significant effect on our business and operating results from quarter to quarter, primarily in the United States and in emerging countries. From time to time, we receive large orders that have a significant effect on our operating results in the period in which the order is recognized as revenue. The timing of such orders is difficult to predict, and the timing of revenue recognition from such orders may affect period to period changes in net sales. As a result, our operating results could vary materially from quarter to quarter based on the receipt of such orders and their ultimate recognition as revenue.

Inventory management remains an area of focus. We experienced longer than normal lead times on several of our products in fiscal 2010. This was attributable in part to increasing demand driven by the improvement in our overall markets, and similar to what has happened in the industry, the longer than normal lead time extensions also stemmed from supplier constraints based upon their labor and other actions taken during the global economic downturn. Additionally, the earthquake and tsunami in Japan during the third quarter of fiscal 2011 and the flooding in Thailand in the first quarter of fiscal 2012 resulted in industry wide component supply constraints. Longer manufacturing lead times in the past have caused some customers to place the same order multiple times within our various sales channels and to cancel the duplicative orders upon receipt of the product, or to place orders with other vendors with shorter manufacturing lead times. Such multiple ordering (along with other factors) or risk of order cancellation may cause difficulty in predicting our sales and, as a result, could impair our ability to manage parts inventory effectively. In addition, our efforts to improve manufacturing lead-time performance may result in corresponding reductions in order backlog. A decline in backlog levels could result in more variability and less predictability in our quarter-to-quarter net sales and operating results. In addition, when facing component supply-related challenges, we have increased our efforts in procuring components in order to meet customer expectations which in turn contribute to an increase in purchase commitments. Increases in our purchase commitments to shorten lead times could also lead to excess and obsolete inventory charges if the demand for our products is less than our expectations.

We plan our operating expense levels based primarily on forecasted revenue levels. These expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue could lead to operating results being below expectations because we may not be able to quickly reduce these fixed expenses in response to short-term business changes.

Any of the above factors could have a material adverse impact on our operations and financial results.

WE EXPECT GROSS MARGIN TO VARY OVER TIME, AND OUR LEVEL OF PRODUCT GROSS MARGIN MAY NOT BE SUSTAINABLE

Our level of product gross margins declined in fiscal 2011 and to a lesser extent in fiscal 2012 and may continue to decline and be adversely affected by numerous factors, including:

- Changes in customer, geographic, or product mix, including mix of configurations within each product group

- Introduction of new products, including products with price-performance advantages

- Our ability to reduce production costs

- Entry into new markets or growth in lower margin markets, including markets with different pricing and cost structures, through acquisitions or internal development

- Sales discounts

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Increases in material, labor or other manufacturing-related costs, which could be significant especially during periods of supply constraints

Excess inventory and inventory holding charges

Obsolescence charges

Changes in shipment volume

The timing of revenue recognition and revenue deferrals

Increased cost, loss of cost savings or dilution of savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates

Lower than expected benefits from value engineering

Increased price competition, including competitors from Asia, especially from China

Changes in distribution channels

Increased warranty costs

How well we execute on our strategy and operating plans

Changes in service gross margin may result from various factors such as changes in the mix between technical support services and advanced services, as well as the timing of technical support service contract initiations and renewals and the addition of personnel and other resources to support higher levels of service business in future periods.

SALES TO THE SERVICE PROVIDER MARKET ARE ESPECIALLY VOLATILE, AND WEAKNESS IN SALES ORDERS FROM THIS INDUSTRY MAY HARM OUR OPERATING RESULTS AND FINANCIAL CONDITION

Sales to the service provider market have been characterized by large and sporadic purchases, especially relating to our router sales and sales of certain products in our newer product categories such as Data Center, Collaboration, and Service Provider Video, in addition to longer sales cycles. In the past, we have experienced significant weakness in sales to service providers over certain extended periods of time as market conditions have fluctuated. Sales activity in this industry depends upon the stage of completion of expanding network infrastructures; the availability of funding; and the extent to which service providers are affected by regulatory, economic, and business conditions in the country of operations. Weakness in orders from this industry, including as a result of any slowdown in capital expenditures by service providers (which may be more prevalent during a global economic downturn or periods of economic uncertainty), could have a material adverse effect on our business, operating results, and financial condition. For example, during fiscal 2009, we experienced a slowdown in service provider capital expenditures globally, and in fiscal 2011 we experienced a slowdown in certain segments of this market, including in capital expenditures by some service provider customers and in sales of our traditional cable set-top boxes in our then United States and Canada segment. Such slowdowns may continue or recur in future periods. Orders from this industry could decline for many reasons other than the competitiveness of our products and services within their respective markets. For example, in the past, many of our service provider customers have been materially and adversely affected by slowdowns in the general economy, by overcapacity, by changes in the service provider market, by regulatory developments, and by constraints on capital availability, resulting in business failures and substantial reductions in spending and expansion plans. These conditions have materially harmed our business and operating results in the past, and some of these or other conditions in the service provider market could affect our business and operating results in any future period. Finally, service provider customers typically have longer implementation cycles; require a broader range of services, including design services; demand that vendors take on a larger share of risks; often require acceptance provisions, which can lead to a delay in revenue recognition; and expect financing from vendors. All these factors can add further risk to business conducted with service providers.

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DISRUPTION OF OR CHANGES IN OUR DISTRIBUTION MODEL COULD HARM OUR SALES AND MARGINS

If we fail to manage distribution of our products and services properly, or if our distributors' financial condition or operations weaken, our revenue and gross margins could be adversely affected.

A substantial portion of our products and services is sold through our channel partners, and the remainder is sold through direct sales. Our channel partners include systems integrators, service providers, other resellers, distributors, and retail partners. Systems integrators and service providers typically sell directly to end users and often provide system installation, technical support, professional services, and other support services in addition to network equipment sales. Systems integrators also typically integrate our products into an overall solution, and a number of service providers are also systems integrators. Distributors stock inventory and typically sell to systems integrators, service providers, and other resellers. In addition, virtual home products are generally sold through distributors and retail partners. We refer to sales through distributors and retail partners as our two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. These distributors and retail partners are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling prices, and participate in various cooperative marketing programs. If sales through indirect channels increase, this may lead to greater difficulty in forecasting the mix of our products and, to a degree, the timing of orders from our customers.

Historically, we have seen fluctuations in our gross margins based on changes in the balance of our distribution channels. Although variability to date has not been significant, there can be no assurance that changes in the balance of our distribution model in future periods would not have an adverse effect on our gross margins and profitability.

Some factors could result in disruption of or changes in our distribution model, which could harm our sales and margins, including the following:

- We compete with some of our channel partners, including through our direct sales, which may lead these channel partners to use other suppliers that do not directly sell their own products or otherwise compete with them

- Some of our channel partners may demand that we absorb a greater share of the risks that their customers may ask them to bear

- Some of our channel partners may have insufficient financial resources and may not be able to withstand changes and challenges in business conditions

- Revenue from indirect sales could suffer if our distributors' financial condition or operations weaken

In addition, we depend on our channel partners globally to comply with applicable regulatory requirements. To the extent that they fail to do so, that could have a material adverse effect on our business, operating results, and financial condition.

THE MARKETS IN WHICH WE COMPETE ARE INTENSELY COMPETITIVE, WHICH COULD ADVERSELY AFFECT OUR ACHIEVEMENT OF REVENUE GROWTH

The markets in which we compete are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages. These market factors represent a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in newer product categories such as data center and collaboration and in our priorities. As we continue to expand globally, we may see new competition in different geographic regions. In particular, we have experienced price-focused competition from competitors in Asia,

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especially from China, and we anticipate this will continue. For information regarding our competitors, see the section entitled “Competition” contained in *Item 1. Business* of this report.

Some of our competitors compete across many of our product lines, while others are primarily focused in a specific product area. Barriers to entry are relatively low, and new ventures to create products that do or could compete with our products are regularly formed. In addition, some of our competitors may have greater resources, including technical and engineering resources, than we do. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets. We also sometimes face competition from resellers and distributors of our products. Companies with whom we have strategic alliances in some areas may be competitors in other areas, and in our view this trend may increase.

For example, the enterprise data center is undergoing a fundamental transformation arising from the convergence of technologies, including computing, networking, storage, and software, that previously were siloed. Due to several factors, including the availability of highly scalable and general purpose microprocessors, application-specific integrated circuits offering advanced services, standards based protocols, cloud computing and virtualization, the convergence of technologies within the enterprise data center is spanning multiple, previously independent, technology segments. Also, some of our current and potential competitors for enterprise data center business have made acquisitions, or announced new strategic alliances, designed to position them to provide end-to-end technology solutions for the enterprise data center. As a result of all of these developments, we face greater competition in the development and sale of enterprise data center technologies, including competition from entities that are among our long-term strategic alliance partners. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us.

The principal competitive factors in the markets in which we presently compete and may compete in the future include:

- The ability to provide a broad range of networking and communications products and services
- Product performance
- Price
- The ability to introduce new products, including products with price-performance advantages
- The ability to reduce production costs
- The ability to provide value-added features such as security, reliability, and investment protection
- Conformance to standards
- Market presence
- The ability to provide financing
- Disruptive technology shifts and new business models

We also face competition from customers to which we license or supply technology and suppliers from which we transfer technology. The inherent nature of networking requires interoperability. As such, we must cooperate and at the same time compete with many companies. Any inability to effectively manage these complicated relationships with customers, suppliers, and strategic alliance partners could have a material adverse effect on our business, operating results, and financial condition and accordingly affect our chances of success.

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OUR INVENTORY MANAGEMENT RELATING TO OUR SALES TO OUR TWO-TIER DISTRIBUTION CHANNEL IS COMPLEX, AND EXCESS INVENTORY MAY HARM OUR GROSS MARGINS

We must manage our inventory relating to sales to our distributors and retail partners effectively, because inventory held by them could affect our results of operations. Our distributors and retail partners may increase orders during periods of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. They also may adjust their orders in response to the supply of our products and the products of our competitors that are available to them, and in response to seasonal fluctuations in end-user demand. Revenue to our distributors and retail partners generally is recognized based on a sell-through method using information provided by them, and they are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling price, and participate in various cooperative marketing programs. Inventory management remains an area of focus as we balance the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology and customer requirements. When facing component supply-related challenges, we have increased our efforts in procuring components in order to meet customer expectations. If we ultimately determine that we have excess inventory, we may have to reduce our prices and write down inventory, which in turn could result in lower gross margins.

SUPPLY CHAIN ISSUES, INCLUDING FINANCIAL PROBLEMS OF CONTRACT MANUFACTURERS OR COMPONENT SUPPLIERS, OR A SHORTAGE OF ADEQUATE COMPONENT SUPPLY OR MANUFACTURING CAPACITY THAT INCREASED OUR COSTS OR CAUSED A DELAY IN OUR ABILITY TO FULFILL ORDERS, COULD HAVE AN ADVERSE IMPACT ON OUR BUSINESS AND OPERATING RESULTS, AND OUR FAILURE TO ESTIMATE CUSTOMER DEMAND PROPERLY MAY RESULT IN EXCESS OR OBSOLETE COMPONENT SUPPLY, WHICH COULD ADVERSELY AFFECT OUR GROSS MARGINS

The fact that we do not own or operate the bulk of our manufacturing facilities and that we are reliant on our extended supply chain could have an adverse impact on the supply of our products and on our business and operating results:

Any financial problems of either contract manufacturers or component suppliers could either limit supply or increase costs

Reservation of manufacturing capacity at our contract manufacturers by other companies, inside or outside of our industry, could either limit supply or increase costs

A reduction or interruption in supply; a significant increase in the price of one or more components; a failure to adequately authorize procurement of inventory by our contract manufacturers; a failure to appropriately cancel, reschedule, or adjust our requirements based on our business needs; or a decrease in demand for our products could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. Furthermore, as a result of binding price or purchase commitments with suppliers, we may be obligated to purchase components at prices that are higher than those available in the current market. In the event that we become committed to purchase components at prices in excess of the current market price when the components are actually used, our gross margins could decrease. We experienced longer than normal lead times on several of our products in fiscal 2010. The earthquake and tsunami in Japan during the third quarter of fiscal 2011 and the flooding in Thailand in the first quarter of fiscal 2012 resulted in industry-wide component supply constraints. Although we have generally secured additional supply or taken other mitigation actions when significant disruptions have occurred, if similar situations occur in the future, they could have a material adverse effect on our business, results of operations, and financial condition. See the risk factor above entitled “Our revenue for a particular period is difficult to predict, and a shortfall in revenue may harm our operating results.”

Our growth and ability to meet customer demands depend in part on our ability to obtain timely deliveries of parts from our suppliers and contract manufacturers. We have experienced component shortages in the past,

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including shortages caused by manufacturing process issues, that have affected our operations. We may in the future experience a shortage of certain component parts as a result of our own manufacturing issues, manufacturing issues at our suppliers or contract manufacturers, capacity problems experienced by our suppliers or contract manufacturers, or strong demand in the industry for those parts. A return to growth in the economy is likely to create greater pressures on us and our suppliers to accurately project overall component demand and component demands within specific product categories and to establish optimal component levels and manufacturing capacity, especially for labor-intensive components, components for which we purchase a substantial portion of the supply, or re-ramping manufacturing capacity for highly complex products. For example, during fiscal 2010, we experienced longer than normal lead times on several of our products. This was attributable in part to increasing demand driven by the improvement in our overall markets, and similar to what is happening in the industry, the longer than normal lead time extensions also stemmed from supplier constraints based upon their labor and other actions taken during the global economic downturn. If shortages or delays persist or worsen, the price of these components may increase, or the components may not be available at all, and we may also encounter shortages if we do not accurately anticipate our needs. We may not be able to secure enough components at reasonable prices or of acceptable quality to build new products in a timely manner in the quantities or configurations needed. Accordingly, our revenue and gross margins could suffer until other sources can be developed. Our operating results would also be adversely affected if, anticipating greater demand than actually develops, we commit to the purchase of more components than we need, which is more likely to occur in a period of demand uncertainties such as we are currently experiencing. There can be no assurance that we will not encounter these problems in the future. Although in many cases we use standard parts and components for our products, certain components are presently available only from a single source or limited sources, and a global economic downturn and related market uncertainty could negatively impact the availability of components from one or more of these sources, especially during times such as we have recently seen when there are supplier constraints based on labor and other actions taken during economic downturns. We may not be able to diversify sources in a timely manner, which could harm our ability to deliver products to customers and seriously impact present and future sales.

We believe that we may be faced with the following challenges in the future:

- New markets in which we participate may grow quickly, which may make it difficult to quickly obtain significant component capacity

- As we acquire companies and new technologies, we may be dependent, at least initially, on unfamiliar supply chains or relatively small supply partners

- We face competition for certain components that are supply-constrained, from existing competitors, and companies in other markets

Manufacturing capacity and component supply constraints could continue to be significant issues for us. We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to improve manufacturing lead-time performance and to help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. When facing component supply-related challenges, we have increased our efforts in procuring components in order to meet customer expectations which in turn contribute to an increase in purchase commitments. For example, the earthquake in Japan during the third quarter of fiscal 2011 resulted in industry wide component supply constraints, and an increase in our purchase commitments which was attributable to us securing supply components as we made commitments to secure our near term supply needs. Increases in our purchase commitments to shorten lead times could also lead to excess and obsolete inventory charges if the demand for our products is less than our expectations. If we fail to anticipate customer demand properly, an oversupply of parts could result in excess or obsolete components that could adversely affect our gross margins.

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For additional information regarding our purchase commitments with contract manufacturers and suppliers, see Note 12 to the Consolidated Financial Statements contained in this report.

WE DEPEND UPON THE DEVELOPMENT OF NEW PRODUCTS AND ENHANCEMENTS TO EXISTING PRODUCTS, AND IF WE FAIL TO PREDICT AND RESPOND TO EMERGING TECHNOLOGICAL TRENDS AND CUSTOMERS' CHANGING NEEDS, OUR OPERATING RESULTS AND MARKET SHARE MAY SUFFER

The markets for our products are characterized by rapidly changing technology, evolving industry standards, new product introductions, and evolving methods of building and operating networks. Our operating results depend on our ability to develop and introduce new products into existing and emerging markets and to reduce the production costs of existing products. We believe the industry is evolving to enable personal and business process collaboration enabled by networked technologies. As such, many of our strategic initiatives and investments are aimed at meeting the requirements that a network capable of multiple-party, collaborative interaction would demand, and the investments we have made and our architectural approach are designed to enable the increased use of the network as the platform for all forms of communications and IT. For example, in fiscal 2009 we launched our Cisco Unified Computing System, our next-generation enterprise data center platform architected to unite computing, network, storage access, and virtualization resources in a single system, which is designed to address the fundamental transformation occurring in the enterprise data center. Cisco Unified Computing System is one of several priorities on which we are focusing resources. Another example of a market transition we are focusing on is the move towards more programmable, flexible and virtual networks. In our view, this evolution is in its very early stages, and we believe the successful products and solutions in this market will combine ASICs, hardware, and software elements together.

The process of developing new technology, including technology related to more programmable, flexible and virtual networks, is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends our business could be harmed. We must commit significant resources, including the investments we have been making in our priorities to developing new products before knowing whether our investments will result in products the market will accept. In particular, if our model of the evolution of networking to collaborative systems does not emerge as we believe it will, or if the industry does not evolve as we believe it will, or if our strategy for addressing this evolution is not successful, many of our strategic initiatives and investments may be of no or limited value. For example, if we do not introduce products related to network programmability, such as software-defined-networking products, in a timely fashion, or if product offerings in this market that ultimately succeed are based on technology, or an approach to technology, that differs from ours, our business could be harmed. Furthermore, we may not execute successfully on our vision because of challenges with regard to product planning and timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors, some of which may also be our strategic alliance partners, providing those solutions before we do and loss of market share, net sales, and earnings. The success of new products depends on several factors, including proper new product definition, component costs, timely completion and introduction of these products, differentiation of new products from those of our competitors, and market acceptance of these products. There can be no assurance that we will successfully identify new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of our products or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive. The products and technologies in our newer product categories such as Data Center and Collaboration as well as those in our Other Products category that we identify as "emerging technologies" may not prove to have the market success we anticipate, and we may not successfully identify and invest in other emerging or new products.

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CHANGES IN INDUSTRY STRUCTURE AND MARKET CONDITIONS COULD LEAD TO CHARGES RELATED TO DISCONTINUANCES OF CERTAIN OF OUR PRODUCTS OR BUSINESSES AND ASSET IMPAIRMENTS

In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses. Any decision to limit investment in or dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our supply agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed, our loss contingencies may include liabilities for contracts that we cannot cancel with contract manufacturers and suppliers. Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances, and future goodwill impairment tests may result in a charge to earnings.

In fiscal 2012 we largely completed a process commenced in fiscal 2011 to lower our operating costs and to simplify our operating model and concentrate our focus on selected foundational priorities. We have incurred significant restructuring charges as a result of these activities. The changes to our business model may be disruptive, and the revised model that we adopt may not be more efficient or effective than the aspects of our business model that are being revised. At the same time, we believe the effect of these changes has provided a one-time productivity benefit that is not likely to be achieved on a regular basis. Our restructuring activities, including any related charges and the impact of the related headcount reductions, could have a material adverse effect on our business, operating results, and financial condition.

OVER THE LONG TERM WE INTEND TO INVEST IN ENGINEERING, SALES, SERVICE, MARKETING AND MANUFACTURING ACTIVITIES, AND THESE INVESTMENTS MAY ACHIEVE DELAYED, OR LOWER THAN EXPECTED, BENEFITS WHICH COULD HARM OUR OPERATING RESULTS

While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, service, marketing and manufacturing functions as we focus on our foundational priorities, such as leadership in our core routing, switching and services, including security and mobility solutions; collaboration; data center virtualization and cloud; video; and architectures for business transformation. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

OUR BUSINESS SUBSTANTIALLY DEPENDS UPON THE CONTINUED GROWTH OF THE INTERNET AND INTERNET-BASED SYSTEMS

A substantial portion of our business and revenue depends on growth and evolution of the Internet, including the continued development of the Internet, and on the deployment of our products by customers who depend on such continued growth and evolution. To the extent that an economic slowdown or economic uncertainty and related reduction in capital spending adversely affect spending on Internet infrastructure we could experience material harm to our business, operating results, and financial condition.

Because of the rapid introduction of new products and changing customer requirements related to matters such as cost-effectiveness and security, we believe that there could be performance problems with Internet communications in the future, which could receive a high degree of publicity and visibility. Because we are a large supplier of networking products, our business, operating results, and financial condition may be materially

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adversely affected, regardless of whether or not these problems are due to the performance of our own products. Such an event could also result in a material adverse effect on the market price of our common stock independent of direct effects on our business.

WE HAVE MADE AND EXPECT TO CONTINUE TO MAKE ACQUISITIONS THAT COULD DISRUPT OUR OPERATIONS AND HARM OUR OPERATING RESULTS

Our growth depends upon market growth, our ability to enhance our existing products, and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel. Acquisitions involve numerous risks, including the following:

- Difficulties in integrating the operations, systems, technologies, products, and personnel of the acquired companies, particularly companies with large and widespread operations and/or complex products, such as Scientific-Atlanta, WebEx, Starent, Tandberg and NDS Group Limited

- Diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions

- Potential difficulties in completing projects associated with in-process research and development intangibles

- Difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions

- Initial dependence on unfamiliar supply chains or relatively small supply partners

- Insufficient revenue to offset increased expenses associated with acquisitions

- The potential loss of key employees, customers, distributors, vendors and other business partners of the companies we acquire following and continuing after announcement of acquisition plans

Acquisitions may also cause us to:

- Issue common stock that would dilute our current shareholders' percentage ownership

- Use a substantial portion of our cash resources, or incur debt, as we did in fiscal 2006 when we issued and sold \$6.5 billion in senior unsecured notes to fund our acquisition of Scientific-Atlanta

- Significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition

- Assume liabilities

- Record goodwill and nonamortizable intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges

- Incur amortization expenses related to certain intangible assets

- Incur tax expenses related to the effect of acquisitions on our intercompany research and development ("R&D") cost sharing arrangement and legal structure

- Incur large and immediate write-offs and restructuring and other related expenses

- Become subject to intellectual property or other litigation

Mergers and acquisitions of high-technology companies are inherently risky and subject to many factors outside of our control, and no assurance can be given that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. Prior acquisitions have resulted in a wide range of outcomes, from successful introduction of new products and technologies to a

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failure to do so. Even when an acquired company has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that pre-acquisition due diligence will have identified all possible issues that might arise with respect to such products.

From time to time, we have made acquisitions that resulted in charges in an individual quarter. These charges may occur in any particular quarter, resulting in variability in our quarterly earnings. In addition, our effective tax rate for future periods is uncertain and could be impacted by mergers and acquisitions. Risks related to new product development also apply to acquisitions. Please see the risk factors above, including the risk factor entitled “We depend upon the development of new products and enhancements to existing products, and if we fail to predict and respond to emerging technological trends and customers’ changing needs, our operating results and market share may suffer” for additional information.

ENTRANCE INTO NEW OR DEVELOPING MARKETS EXPOSES US TO ADDITIONAL COMPETITION AND WILL LIKELY INCREASE DEMANDS ON OUR SERVICE AND SUPPORT OPERATIONS

As we focus on new market opportunities—for example, storage; wireless; security; transporting data, voice, and video traffic across the same network; and other areas within our newer products categories such as data center and collaboration, emerging technologies, and our priorities—we will increasingly compete with large telecommunications equipment suppliers as well as startup companies. Several of our competitors may have greater resources, including technical and engineering resources, than we do. Additionally, as customers in these markets complete infrastructure deployments, they may require greater levels of service, support, and financing than we have provided in the past, especially in emerging countries. Demand for these types of service, support, or financing contracts may increase in the future. There can be no assurance that we can provide products, service, support, and financing to effectively compete for these market opportunities.

Further, provision of greater levels of services, support and financing by us may result in a delay in the timing of revenue recognition. In addition, entry into other markets, such as our entry into the consumer market, has subjected and will subject us to additional risks, particularly to those markets, including the effects of general market conditions and reduced consumer confidence.

INDUSTRY CONSOLIDATION MAY LEAD TO INCREASED COMPETITION AND MAY HARM OUR OPERATING RESULTS

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. For example, some of our current and potential competitors for enterprise data center business have made acquisitions, or announced new strategic alliances, designed to position them with the ability to provide end-to-end technology solutions for the enterprise data center. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results, and financial condition. Furthermore, particularly in the service provider market, rapid consolidation will lead to fewer customers, with the effect that loss of a major customer could have a material impact on results not anticipated in a customer marketplace composed of more numerous participants.

PRODUCT QUALITY PROBLEMS COULD LEAD TO REDUCED REVENUE, GROSS MARGINS, AND NET INCOME

We produce highly complex products that incorporate leading-edge technology, including both hardware and software. Software typically contains bugs that can unexpectedly interfere with expected operations. There can be no assurance that our preshipment testing programs will be adequate to detect all defects, either ones in

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individual products or ones that could affect numerous shipments, which might interfere with customer satisfaction, reduce sales opportunities, or affect gross margins. From time to time, we have had to replace certain components and provide remediation in response to the discovery of defects or bugs in products that we had shipped. There can be no assurance that such remediation, depending on the product involved, would not have a material impact. An inability to cure a product defect could result in the failure of a product line, temporary or permanent withdrawal from a product or market, damage to our reputation, inventory costs, or product reengineering expenses, any of which could have a material impact on our revenue, margins, and net income.

DUE TO THE GLOBAL NATURE OF OUR OPERATIONS, POLITICAL OR ECONOMIC CHANGES OR OTHER FACTORS IN A SPECIFIC COUNTRY OR REGION COULD HARM OUR OPERATING RESULTS AND FINANCIAL CONDITION

We conduct significant sales and customer support operations in countries outside of the United States and also depend on non-U.S. operations of our contract manufacturers, component suppliers and distribution partners. Although sales in several of our emerging countries decreased during the recent global economic downturn, several of our emerging countries generally have been relatively fast growing, and we have announced plans to expand our commitments and expectations in certain of those countries. As such, our growth depends in part on our increasing sales into emerging countries. Our future results could be materially adversely affected by a variety of political, economic or other factors relating to our operations outside the United States, including impacts from the global macroeconomic environment and continuing challenges in Europe, any or all of which could have a material adverse effect on our operating results and financial condition, including, among others, the following:

- The worldwide impact of the recent global economic downturn and related market uncertainty, including the ongoing European economic and financial turmoil related to sovereign debt issues in certain countries
- Foreign currency exchange rates
- Political or social unrest
- Economic instability or weakness or natural disasters in a specific country or region; environmental and trade protection measures and other legal and regulatory requirements, some of which may affect our ability to import our products, to export our products from, or sell our products in various countries
- Political considerations that affect service provider and government spending patterns
- Health or similar issues, such as a pandemic or epidemic
- Difficulties in staffing and managing international operations
- Adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries

WE ARE EXPOSED TO THE CREDIT RISK OF SOME OF OUR CUSTOMERS AND TO CREDIT EXPOSURES IN WEAKENED MARKETS, WHICH COULD RESULT IN MATERIAL LOSSES

Most of our sales are on an open credit basis, with typical payment terms of 30 days in the United States and, because of local customs or conditions, longer in some markets outside the United States. We monitor individual customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay, and maintain reserves we believe are adequate to cover exposure for doubtful accounts. Beyond our open credit arrangements, we have also experienced demands for customer financing and facilitation of leasing arrangements. We expect demand for customer financing to continue, and recently we have been experiencing an increase in this demand as the credit markets have been impacted by the recent global economic downturn and related market uncertainty, including increased demand from customers in certain emerging countries. We believe customer financing is a competitive factor in obtaining business,

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particularly in serving customers involved in significant infrastructure projects. Our loan financing arrangements may include not only financing the acquisition of our products and services but also providing additional funds for other costs associated with network installation and integration of our products and services.

Our exposure to the credit risks relating to our financing activities described above may increase if our customers are adversely affected by a global economic downturn or periods of economic uncertainty. Although we have programs in place that are designed to monitor and mitigate the associated risk, including monitoring of particular risks in certain geographic areas, there can be no assurance that such programs will be effective in reducing our credit risks.

In the past, there have been significant bankruptcies among customers both on open credit and with loan or lease financing arrangements, particularly among Internet businesses and service providers, causing us to incur economic or financial losses. There can be no assurance that additional losses will not be incurred. Although these losses have not been material to date, future losses, if incurred, could harm our business and have a material adverse effect on our operating results and financial condition. A portion of our sales is derived through our distributors and retail partners. These distributors and retail partners are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling prices, and participate in various cooperative marketing programs. We maintain estimated accruals and allowances for such business terms.

However, distributors tend to have more limited financial resources than other resellers and end-user customers and therefore represent potential sources of increased credit risk, because they may be more likely to lack the reserve resources to meet payment obligations. Additionally, to the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

WE ARE EXPOSED TO FLUCTUATIONS IN CURRENCY EXCHANGE RATES THAT COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS AND CASH FLOWS

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. Historically, our primary exposures have related to nondollar-denominated sales in Japan, Canada, and Australia and certain nondollar-denominated operating expenses and service cost of sales in Europe, Latin America, and Asia, where we sell primarily in U.S. dollars. Additionally, we have exposures to emerging market currencies, which can have extreme currency volatility. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the United States where we sell in dollars, and a weakened dollar could increase the cost of local operating expenses and procurement of raw materials to the extent that we must purchase components in foreign currencies.

Currently, we enter into foreign exchange forward contracts and options to reduce the short-term impact of foreign currency fluctuations on certain foreign currency receivables, investments, and payables. In addition, we periodically hedge anticipated foreign currency cash flows. Our attempts to hedge against these risks may not be successful, resulting in an adverse impact on our net income.

OUR PROPRIETARY RIGHTS MAY PROVE DIFFICULT TO ENFORCE

We generally rely on patents, copyrights, trademarks, and trade secret laws to establish and maintain proprietary rights in our technology and products. Although we have been issued numerous patents and other patent applications are currently pending, there can be no assurance that any of these patents or other proprietary rights will not be challenged, invalidated, or circumvented or that our rights will, in fact, provide competitive advantages to us. Furthermore, many key aspects of networking technology are governed by industrywide standards, which are usable by all market entrants. In addition, there can be no assurance that patents will be

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issued from pending applications or that claims allowed on any patents will be sufficiently broad to protect our technology. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States. The outcome of any actions taken in these foreign countries may be different than if such actions were determined under the laws of the United States. Although we are not dependent on any individual patents or group of patents for particular segments of the business for which we compete, if we are unable to protect our proprietary rights to the totality of the features (including aspects of products protected other than by patent rights) in a market, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time, and effort required to create innovative products that have enabled us to be successful.

WE MAY BE FOUND TO INFRINGE ON INTELLECTUAL PROPERTY RIGHTS OF OTHERS

Third parties, including customers, have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. The asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers, or customers, alleging infringement of their proprietary rights with respect to our existing or future products or components of those products. Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to develop a non-infringing technology or enter into license agreements. Where claims are made by customers, resistance even to unmeritorious claims could damage customer relationships. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

Our exposure to risks associated with the use of intellectual property may be increased as a result of acquisitions, as we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks. Further, in the past, third parties have made infringement and similar claims after we have acquired technology that had not been asserted prior to our acquisition.

WE RELY ON THE AVAILABILITY OF THIRD-PARTY LICENSES

Many of our products are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that the necessary licenses would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse effect on our business, operating results, and financial condition. Moreover, the inclusion in our products of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to protect our proprietary rights in our products.

OUR OPERATING RESULTS AND FUTURE PROSPECTS COULD BE MATERIALLY HARMED BY UNCERTAINTIES OF REGULATION OF THE INTERNET

Currently, few laws or regulations apply directly to access or commerce on the Internet. We could be materially adversely affected by regulation of the Internet and Internet commerce in any country where we operate. Such

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regulations could include matters such as voice over the Internet or using IP, encryption technology, sales taxes on Internet product sales, and access charges for Internet service providers. The adoption of regulation of the Internet and Internet commerce could decrease demand for our products and, at the same time, increase the cost of selling our products, which could have a material adverse effect on our business, operating results, and financial condition.

CHANGES IN TELECOMMUNICATIONS REGULATION AND TARIFFS COULD HARM OUR PROSPECTS AND FUTURE SALES

Changes in telecommunications requirements, or regulatory requirements in other industries in which we operate, in the United States or other countries could affect the sales of our products. In particular, we believe that there may be future changes in U.S. telecommunications regulations that could slow the expansion of the service providers' network infrastructures and materially adversely affect our business, operating results, and financial condition.

Future changes in tariffs by regulatory agencies or application of tariff requirements to currently untariffed services could affect the sales of our products for certain classes of customers. Additionally, in the United States, our products must comply with various requirements and regulations of the Federal Communications Commission and other regulatory authorities. In countries outside of the United States, our products must meet various requirements of local telecommunications and other industry authorities. Changes in tariffs or failure by us to obtain timely approval of products could have a material adverse effect on our business, operating results, and financial condition.

FAILURE TO RETAIN AND RECRUIT KEY PERSONNEL WOULD HARM OUR ABILITY TO MEET KEY OBJECTIVES

Our success has always depended in large part on our ability to attract and retain highly skilled technical, managerial, sales, and marketing personnel. Competition for these personnel is intense, especially in the Silicon Valley area of Northern California. Stock incentive plans are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. Volatility or lack of positive performance in our stock price or equity incentive awards, or changes to our overall compensation program, including our stock incentive program, resulting from the management of share dilution and share-based compensation expense or otherwise, may also adversely affect our ability to retain key employees. As a result of one or more of these factors, we may increase our hiring in geographic areas outside the United States, which could subject us to additional geopolitical and exchange rate risk. The loss of services of any of our key personnel; the inability to retain and attract qualified personnel in the future; or delays in hiring required personnel, particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions. In addition, companies in our industry whose employees accept positions with competitors frequently claim that competitors have engaged in improper hiring practices. We have received these claims in the past and may receive additional claims to this effect in the future.

ADVERSE RESOLUTION OF LITIGATION OR GOVERNMENTAL INVESTIGATIONS MAY HARM OUR OPERATING RESULTS OR FINANCIAL CONDITION

We are a party to lawsuits in the normal course of our business. Litigation can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. For example, Brazilian authorities have investigated our Brazilian subsidiary and certain of our current and former employees, as well as a Brazilian importer of our products, and its affiliates and employees, relating to alleged evasion of import taxes and alleged improper transactions involving the subsidiary and the importer. Brazilian tax authorities have assessed claims against our Brazilian subsidiary based on a theory of joint liability with the Brazilian importer for import taxes, interest, and penalties. In the first quarter of fiscal 2013, the Brazilian federal tax authorities asserted an additional claim against our Brazilian subsidiary based on a theory of joint liability with respect to an alleged underpayment of income taxes, social taxes, interest, and penalties by a Brazilian distributor. The asserted claims by Brazilian federal tax authorities are for calendar years 2003 through

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2008 and the related asserted claims by the tax authorities from the state of Sao Paulo are for calendar years 2005 through 2007. The total asserted claims by Brazilian state and federal tax authorities aggregate to approximately \$427 million for the alleged evasion of import and other taxes, approximately \$1.0 billion for interest, and approximately \$1.9 billion for various penalties, all determined using an exchange rate as of July 28, 2012. We have completed a thorough review of the matters and believe the asserted tax claims against us are without merit, and we are defending the claims vigorously. While we believe there is no legal basis for our alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserting joint liability with the importer, we are unable to determine the likelihood of an unfavorable outcome against us and are unable to reasonably estimate a range of loss, if any. We do not expect a final judicial determination for several years. An unfavorable resolution of lawsuits or governmental investigations could have a material adverse effect on our business, operating results, or financial condition. For additional information regarding certain of the matters in which we are involved, see Item 3, "Legal Proceedings," contained in Part I of this report.

CHANGES IN OUR PROVISION FOR INCOME TAXES OR ADVERSE OUTCOMES RESULTING FROM EXAMINATION OF OUR INCOME TAX RETURNS COULD ADVERSELY AFFECT OUR RESULTS

Our provision for income taxes is subject to volatility and could be adversely affected by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the R&D tax credit laws; by transfer pricing adjustments, including the effect of acquisitions on our intercompany R&D cost sharing arrangement and legal structure; by tax effects of nondeductible compensation; by tax costs related to intercompany realignments; by changes in accounting principles; or by changes in tax laws and regulations, including possible U.S. changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, or the foreign tax credit rules. Significant judgment is required to determine the recognition and measurement attribute prescribed in the accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely impact our provision for income taxes or additional paid-in capital. Further, as a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries is subject to reduced tax rates and in some cases is wholly exempt from tax. Our failure to meet these commitments could adversely impact our provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition.

OUR BUSINESS AND OPERATIONS ARE ESPECIALLY SUBJECT TO THE RISKS OF EARTHQUAKES, FLOODS, AND OTHER NATURAL CATASTROPHIC EVENTS

Our corporate headquarters, including certain of our research and development operations are located in the Silicon Valley area of Northern California, a region known for seismic activity. Additionally, a certain number of our facilities are located near rivers that have experienced flooding in the past. Also certain of our suppliers and logistics centers are located in regions that have or may be affected by recent earthquake, tsunami and flooding activity which has and could continue to disrupt the flow of components and delivery of products. A significant natural disaster, such as an earthquake, a hurricane, volcano, or a flood, could have a material adverse impact on our business, operating results, and financial condition.

MAN-MADE PROBLEMS SUCH AS COMPUTER VIRUSES OR TERRORISM MAY DISRUPT OUR OPERATIONS AND HARM OUR OPERATING RESULTS

Despite our implementation of network security measures our servers are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering with our computer systems. Any such event could have

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a material adverse effect on our business, operating results, and financial condition. Efforts to limit the ability of malicious third parties to disrupt the operations of the Internet or undermine our own security efforts may meet with resistance. In addition, the continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the economies of the United States and other countries and create further uncertainties or otherwise materially harm our business, operating results, and financial condition. Likewise, events such as widespread blackouts could have similar negative impacts. To the extent that such disruptions or uncertainties result in delays or cancellations of customer orders or the manufacture or shipment of our products, our business, operating results, and financial condition could be materially and adversely affected.

WE ARE EXPOSED TO FLUCTUATIONS IN THE MARKET VALUES OF OUR PORTFOLIO INVESTMENTS AND IN INTEREST RATES; IMPAIRMENT OF OUR INVESTMENTS COULD HARM OUR EARNINGS

We maintain an investment portfolio of various holdings, types, and maturities. These securities are generally classified as available-for-sale and, consequently, are recorded on our Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income, net of tax. Our portfolio includes fixed income securities and equity investments in publicly traded companies, the values of which are subject to market price volatility to the extent unhedged. If such investments suffer market price declines, as we experienced with some of our investments during fiscal 2009, we may recognize in earnings the decline in the fair value of our investments below their cost basis when the decline is judged to be other than temporary. For information regarding the sensitivity of and risks associated with the market value of portfolio investments and interest rates, refer to the section titled "Quantitative and Qualitative Disclosures About Market Risk." Our investments in private companies are subject to risk of loss of investment capital. These investments are inherently risky because the markets for the technologies or products they have under development are typically in the early stages and may never materialize. We could lose our entire investment in these companies.

IF WE DO NOT SUCCESSFULLY MANAGE OUR STRATEGIC ALLIANCES, WE MAY NOT REALIZE THE EXPECTED BENEFITS FROM SUCH ALLIANCES AND WE MAY EXPERIENCE INCREASED COMPETITION OR DELAYS IN PRODUCT DEVELOPMENT

We have several strategic alliances with large and complex organizations and other companies with which we work to offer complementary products and services and have established a joint venture to market services associated with our Cisco Unified Computing System products. These arrangements are generally limited to specific projects, the goal of which is generally to facilitate product compatibility and adoption of industry standards. There can be no assurance we will realize the expected benefits from these strategic alliances or from the joint venture. If successful, these relationships may be mutually beneficial and result in industry growth. However, alliances carry an element of risk because, in most cases, we must compete in some business areas with a company with which we have a strategic alliance and, at the same time, cooperate with that company in other business areas. Also, if these companies fail to perform or if these relationships fail to materialize as expected, we could suffer delays in product development or other operational difficulties. Joint ventures can be difficult to manage, given the potentially different interests of joint venture partners.

OUR STOCK PRICE MAY BE VOLATILE

Historically, our common stock has experienced substantial price volatility, particularly as a result of variations between our actual financial results and the published expectations of analysts and as a result of announcements by our competitors and us. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business, security of our products, or significant transactions can cause changes in our stock price. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, in particular, and that have often been unrelated to the operating performance of these companies. These factors, as well as general economic and political conditions and the announcement of proposed and completed acquisitions or other significant

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transactions, or any difficulties associated with such transactions, by us or our current or potential competitors, may materially adversely affect the market price of our common stock in the future. Additionally, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our stock incentive program, may adversely affect our ability to retain key employees, virtually all of whom are compensated, in part, based on the performance of our stock price.

THERE CAN BE NO ASSURANCE THAT OUR OPERATING RESULTS AND FINANCIAL CONDITION WILL NOT BE ADVERSELY AFFECTED BY OUR INCURRENCE OF DEBT

We have senior unsecured notes outstanding in an aggregate principal amount of \$16.0 billion that mature at specific dates in 2014, 2016, 2017, 2019, 2020, 2039 and 2040. We have also established a commercial paper program under which we may issue short-term, unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of \$3 billion. We had no commercial paper notes outstanding under this program as of July 28, 2012. The outstanding senior unsecured notes bear fixed-rate interest payable semiannually, except \$1.25 billion of the notes which bears interest at a floating rate payable quarterly. The fair value of the long-term debt is subject to market interest rate volatility. The instruments governing the senior unsecured notes contain certain covenants applicable to us and our subsidiaries that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. In addition, we will be required to have available in the United States sufficient cash to repay all of our notes on maturity. There can be no assurance that our incurrence of this debt or any future debt will be a better means of providing liquidity to us than would our use of our existing cash resources, including cash currently held offshore. Further, we cannot be assured that our maintenance of this indebtedness or incurrence of future indebtedness will not adversely affect our operating results or financial condition. In addition, changes by any rating agency to our credit rating can negatively impact the value and liquidity of both our debt and equity securities, as well as the terms upon which we may borrow under our commercial paper program.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate headquarters are located at an owned site in San Jose, California, in the United States of America.

The locations of our headquarters by geographic segment are as follows:

| | | |
|---------------------------|------------------------|-------------|
| <u>Americas</u> | <u>EMEA</u> | <u>APJC</u> |
| San Jose, California, USA | Amsterdam, Netherlands | Singapore |

In addition to our headquarters site, we own additional sites in the United States, which include facilities in the surrounding areas of San Jose, California; Boston, Massachusetts; Richardson, Texas; Lawrenceville, Georgia; and Research Triangle Park, North Carolina. We also own land for expansion in some of these locations. In addition, we lease office space in many U.S. locations.

Outside the United States our operations are conducted primarily in leased sites, such as our Globalisation Centre East campus in Bangalore, India. Other significant sites (in addition to the headquarters locations) are located in Australia, Belgium, China, Germany, India, Israel, Italy, Japan, Norway, and the United Kingdom.

We believe that our existing facilities, including both owned and leased, are in good condition and suitable for the conduct of our business. For additional information regarding obligations under operating leases, see Note 12 to the Consolidated Financial Statements.

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Item 3. Legal Proceedings

Brazilian authorities have investigated our Brazilian subsidiary and certain of our current and former employees, as well as a Brazilian importer of our products, and its affiliates and employees, relating to alleged evasion of import taxes and alleged improper transactions involving the subsidiary and the importer. Brazilian tax authorities have assessed claims against our Brazilian subsidiary based on a theory of joint liability with the Brazilian importer for import taxes, interest, and penalties. In addition to claims asserted by the Brazilian federal tax authorities, tax authorities from the Brazilian state of Sao Paulo have asserted similar claims on the same legal basis. In the first quarter of fiscal 2013, the Brazilian federal tax authorities asserted an additional claim against our Brazilian subsidiary based on a theory of joint liability with respect to an alleged underpayment of income taxes, social taxes, interest, and penalties by a Brazilian distributor.

The asserted claims by Brazilian federal tax authorities are for calendar years 2003 through 2008 and the asserted claims by the tax authorities from the state of Sao Paulo are for calendar years 2005 through 2007. The total asserted claims by Brazilian state and federal tax authorities aggregate to approximately \$427 million for the alleged evasion of import and other taxes, approximately \$1.0 billion for interest, and approximately \$1.9 billion for various penalties, all determined using an exchange rate as of July 28, 2012. We have completed a thorough review of the matters and believe the asserted tax claims against us are without merit, and we are defending the claims vigorously. While we believe there is no legal basis for our alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserting joint liability with the importer, we are unable to determine the likelihood of an unfavorable outcome against us and are unable to reasonably estimate a range of loss, if any. We do not expect a final judicial determination for several years.

On March 31, 2011 and April 12, 2011, purported shareholder class action lawsuits were filed in the United States District Court for the Northern District of California against Cisco and certain of its officers and directors. The lawsuits have been consolidated, and an amended consolidated complaint was filed on December 2, 2011. The consolidated action is purportedly brought on behalf of purchasers of Cisco's publicly traded securities between February 3, 2010 and May 11, 2011. Plaintiffs allege that defendants made false and misleading statements, purport to assert claims for violations of the federal securities laws, and seek unspecified compensatory damages and other relief. We believe the claims are without merit and intend to defend the actions vigorously. While we believe there is no legal basis for liability, due to the uncertainty surrounding the litigation process, we are unable to reasonably estimate a range of loss, if any, at this time.

Beginning on April 8, 2011, a number of purported shareholder derivative lawsuits were filed in both the United States District Court for the Northern District of California and the California Superior Court for the County of Santa Clara against our Board of Directors and several of our officers. The federal lawsuits have been consolidated in the Northern District of California. Plaintiffs in both the federal and state derivative actions allege that the Board allowed certain officers to make allegedly false and misleading statements. The complaint includes claims for violation of the federal securities laws, breach of fiduciary duties, waste of corporate assets, unjust enrichment, and violations of the California Corporations Code. The complaint seeks compensatory damages, disgorgement, and other relief.

In addition, we are subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. While the outcome of these matters is currently not determinable, we do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, results of operations, or cash flows. For additional information regarding intellectual property litigation, see "Part I, Item 1A. Risk Factors-We may be found to infringe on intellectual property rights of others" herein.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

- (a) Cisco common stock is traded on the NASDAQ Global Select Market under the symbol CSCO. Information regarding the market prices of Cisco common stock as well as quarterly cash dividends declared on Cisco’s common stock during fiscal 2012 and 2011 may be found in Supplementary Financial Data on page 132 of this report. There were 56,344 registered shareholders as of September 5, 2012.
- (b) Not Applicable.
- (c) Issuer Purchases of Equity Securities (in millions, except per-share amounts):

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u> | <u>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs</u> |
|--------------------------------|---|---|---|---|
| April 29, 2012 to May 26, 2012 | 44 | \$ 16.62 | 44 | \$ 6,937 |
| May 27, 2012 to June 23, 2012 | 34 | \$ 16.70 | 34 | \$ 6,365 |
| June 24, 2012 to July 28, 2012 | 30 | \$ 16.53 | 30 | \$ 5,867 |
| Total | 108 | \$ 16.62 | 108 | |

On September 13, 2001, we announced that our Board of Directors had authorized a stock repurchase program. As of July 28, 2012, our Board of Directors had authorized the repurchase of up to \$82 billion of common stock under this program. During fiscal 2012, we repurchased and retired 262 million shares of our common stock at an average price of \$16.64 per share for an aggregate purchase price of \$4.4 billion. As of July 28, 2012, we had repurchased and retired 3.7 billion shares of our common stock at an average price of \$20.36 per share for an aggregate purchase price of \$76.1 billion since inception of the stock repurchase program, and the remaining authorized amount for stock repurchases under this program was \$5.9 billion with no termination date.

For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the effect of the minimum statutory tax withholding requirements with the appropriate taxing authorities. Although these withheld shares are not issued or considered common stock repurchases under our stock repurchase program and therefore are not included in the preceding table, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting (see Note 13 to the Consolidated Financial Statements).

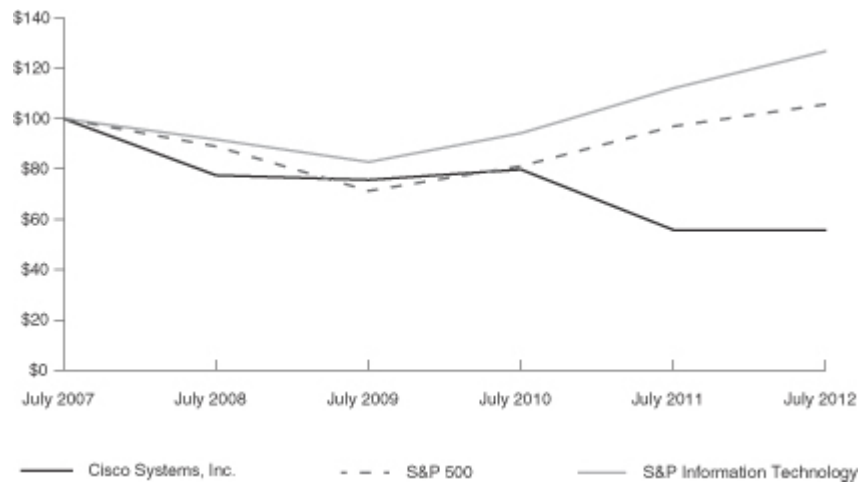
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Stock Performance Graph

The information contained in this Stock Performance Graph section shall not be deemed to be “soliciting material” or “filed” or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that Cisco specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The following graph shows a five-year comparison of the cumulative total shareholder return on Cisco common stock with the cumulative total returns of the S&P Information Technology Index and the S&P 500 Index. The graph tracks the performance of a \$100 investment in the Company’s common stock and in each of the indexes (with the reinvestment of all dividends) on July 27, 2007. Shareholder returns over the indicated period are based on historical data and should not be considered indicative of future shareholder returns.

**Comparison of 5-Year Cumulative Total Return Among Cisco Systems, Inc.,
the S&P Information Technology Index and the S&P 500 Index**



| | July 2007 | July 2008 | July 2009 | July 2010 | July 2011 | July 2012 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cisco Systems, Inc. | \$100.00 | \$77.43 | \$75.53 | \$79.63 | \$55.53 | \$55.41 |
| S&P Information Technology | \$100.00 | \$91.73 | \$82.83 | \$94.19 | \$112.28 | \$126.93 |
| S&P 500 | \$100.00 | \$88.91 | \$71.16 | \$81.00 | \$96.92 | \$105.77 |

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Item 6. Selected Financial Data

Five Years Ended July 28, 2012 (in millions, except per-share amounts)

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | <u>(1)</u> | <u>July 31, 2010</u> | <u>July 25, 2009</u> | <u>July 26, 2008</u> |
| Net sales | \$ 46,061 | \$ 43,218 | \$ 40,040 | \$ 36,117 | \$ 39,540 |
| Net income | \$ 8,041 | \$ 6,490 | \$ 7,767 | \$ 6,134 | \$ 8,052 |
| Net income per share—basic | \$ 1.50 | \$ 1.17 | \$ 1.36 | \$ 1.05 | \$ 1.35 |
| Net income per share—diluted | \$ 1.49 | \$ 1.17 | \$ 1.33 | \$ 1.05 | \$ 1.31 |
| Shares used in per-share calculation—basic | 5,370 | 5,529 | 5,732 | 5,828 | 5,986 |
| Shares used in per-share calculation—diluted | 5,404 | 5,563 | 5,848 | 5,857 | 6,163 |
| Cash dividends declared per common share | \$ 0.28 | \$ 0.12 | \$ — | \$ — | \$ — |
| Net cash provided by operating activities | \$ 11,491 | \$ 10,079 | \$ 10,173 | \$ 9,897 | \$ 12,089 |
| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> | <u>July 25, 2009</u> | <u>July 26, 2008</u> |
| Cash and cash equivalents and investments | \$ 48,716 | \$ 44,585 | \$ 39,861 | \$ 35,001 | \$ 26,235 |
| Total assets | \$ 91,759 | \$ 87,095 | \$ 81,130 | \$ 68,128 | \$ 58,734 |
| Debt | \$ 16,328 | \$ 16,822 | \$ 15,284 | \$ 10,295 | \$ 6,893 |
| Deferred revenue | \$ 12,880 | \$ 12,207 | \$ 11,083 | \$ 9,393 | \$ 8,860 |

(1) Net income for the year ended July 30, 2011 included restructuring and other charges of \$694 million, net of tax. See Note 5 to the Consolidated Financial Statements. No other factors materially affected the comparability of the information presented above.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Annual Report on Form 10-K, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "may," variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under "Part I, Item 1A. Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

OVERVIEW

We design, manufacture, and sell Internet Protocol ("IP") based networking and other products related to the communications and information technology ("IT") industry and provide services associated with these products and their use. We provide a broad line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Our products are designed to transform how people connect, communicate, and collaborate. Our products are installed at enterprise businesses, public institutions, telecommunications companies and other service providers, commercial businesses, and personal residences.

A summary of our results is as follows, for further details see our Results of Operations on page 50 (in millions, except percentages and per-share amounts):

| | Three Months Ended | | | Fiscal Year Ended | | |
|--|--------------------|------------------|-----------|-------------------|------------------|-----------|
| | July 28, 2012 | July 30, 2011 | Variance | July 28, 2012 | July 30, 2011 | Variance |
| Net sales | \$11,690 | \$11,195 | 4.4 % | \$46,061 | \$43,218 | 6.6 % |
| Gross margin percentage | 60.6 % | 61.3 % | (0.7)pts | 61.2 % | 61.4 % | (0.2)pts |
| Research and development | \$1,416 | \$1,484 | (4.6)% | \$5,488 | \$5,823 | (5.8)% |
| Sales and marketing | \$2,417 | \$2,520 | (4.1)% | \$9,647 | \$9,812 | (1.7)% |
| General and administrative | \$711 | \$532 | 33.6 % | \$2,322 | \$1,908 | 21.7 % |
| Total R&D, sales and marketing, general and administrative | \$4,544 | \$4,536 | 0.2 % | \$17,457 | \$17,543 | (0.5)% |
| Total as a percentage of revenue | 38.9 % | 40.5 % | (1.6)pts | 37.9 % | 40.6 % | (2.7)pts |
| Amortization of purchased intangible assets | \$91 | \$101 | (9.9)% | \$383 | \$520 | (26.3)% |
| Restructuring and other charges | \$79 | \$768 | (89.7)% | \$304 | \$799 | (62.0)% |
| Operating income as a percentage of revenue | 20.3 % | 13.0 % | 7.3 pts | 21.9 % | 17.8 % | 4.1 pts |
| Income tax percentage | 19.7 % | 16.0 % | 3.7 pts | 20.8 % | 17.1 % | 3.7 pts |
| Net income | \$1,917 | \$1,232 | 55.6 % | \$8,041 | \$6,490 | 23.9 % |
| Net income as a percentage of revenue | 16.4 % | 11.0 % | 5.4 pts | 17.5 % | 15.0 % | 2.5 pts |
| Earnings per share-diluted | \$0.36 | \$0.22 | 63.6 % | \$1.49 | \$1.17 | 27.4 % |

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Fiscal 2012 Compared with Fiscal 2011—Financial Performance

Net sales increased 7%, with net product sales increasing 5% and service revenue increasing 12%. Total gross margin decreased by 0.2 percentage points primarily as a result of higher sales discounts and unfavorable product pricing as well as unfavorable product mix shifts. These negative impacts to gross margin were partially offset by lower manufacturing costs, higher volume, lower restructuring charges, and lower amortization and impairment charges from purchased intangible assets. As a percentage of revenue, research and development, sales and marketing, and general and administrative expenses collectively declined by 2.7 percentage points due to the expense reductions we implemented in the fourth quarter of fiscal 2011 and in fiscal 2012. General and administrative expenses increased due primarily to impairment charges on real estate held for sale. Operating income as a percentage of revenue increased by 4.1 percentage points, primarily as a result of our sales increase, lower restructuring charges, lower amortization of purchased intangible assets and operating expense management. Diluted earnings per share increased by 27% from the prior year, a result of both a 24% increase in net income and a decline in our diluted share count of 159 million shares.

Fiscal 2012 Compared with Fiscal 2011—Business Summary

Our solid fiscal 2012 performance reflects continued execution on our plan to deliver profitable growth. In a challenging global macroeconomic environment we grew profits faster than revenue as revenue increased by 7% while net income increased by 24%. Our net income increase was in part due to lower restructuring charges in the current fiscal year.

In fiscal 2012, revenue increased by \$2.8 billion. The Americas contributed \$1.5 billion of the increase led by higher sales in the United States. APJC contributed \$0.9 billion to the revenue increase led by strong sales growth in Japan. EMEA added \$0.5 billion to the revenue increase in fiscal 2012. Both our product and service categories experienced revenue growth across each of our geographic segments. We encountered certain challenges from a geographic perspective, such as those we identified in fiscal 2012 related to macroeconomic challenges in much of Europe, which are expected to continue in fiscal 2013. Partially offsetting these challenges, we saw solid growth in fiscal 2012 in certain emerging countries such as Mexico and Brazil within the Americas, China within APJC, and Russia within EMEA. We believe our prospects in most emerging countries are strong and we plan to align more of our resources to meet expected further opportunities in these countries.

From a customer markets standpoint, in fiscal 2012 we had solid revenue growth across the service provider, commercial, and enterprise markets. The public sector customer market experienced flat revenue growth in fiscal 2012 as compared with fiscal 2011. Global public sector spending was a challenge for us in fiscal 2012, particularly in the Americas, with lower U.S. federal government spending, and in parts of EMEA due to continued austerity measures taking place in parts of the region. We expect these challenges in the public sector to continue into fiscal 2013.

In fiscal 2012, net product sales increased by \$1.8 billion while service revenue increased by \$1.0 billion. Data Center products provided \$0.6 billion of the increase in net product sales, our core Switching and NGN Routing products collectively provided \$0.6 billion, Service Provider Video provided \$0.4 billion, and Wireless products contributed \$0.3 billion of the increase. These are key product areas for us, which along with the Service revenue contribution reflect, in our view, the success we are experiencing with our technology architectures and our ability to deliver customer solutions, particularly in the enterprise and service provider data center and cloud environments.

With regard to profitability, our profits grew faster than revenue during fiscal 2012. This was attributable to lower operating expenses as a percentage of revenue driven by the cost reduction efforts we began in fiscal 2011, and substantially completed in fiscal 2012, and lower restructuring charges in fiscal 2012, coupled with relative stability in our gross margin. Our product gross margin benefited from value engineering and other cost savings, such as savings generated from price negotiations with our component suppliers.

In summary, we achieved solid and profitable growth in fiscal 2012, and did so while encountering a challenging global macroeconomic environment. We expect that we will continue to be impacted by some of the same

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challenges in fiscal 2013. In particular, we expect to be impacted by continued weakness in the European economy, lower global public sector spending especially with regard to the U.S. federal government and European governments, and a continued conservative approach to IT-related capital spending as our customers respond to this difficult macroeconomic environment.

Fourth Quarter Snapshot

For the fourth quarter of fiscal 2012, as compared with the corresponding period in fiscal 2011, net sales increased by 4%, with net product sales increasing by 3% and service revenue increasing by 12%. With regard to our geographic segment performance, on a year-over-year basis, net sales increased by 7% in the Americas, decreased by 5% in EMEA, and increased by 9% in APJC. Total gross margin decreased by 0.7 percentage points, primarily as a result of higher sales discounts and unfavorable product pricing as well as unfavorable product mix shifts, partially offset by lower manufacturing costs and higher volume. As a percentage of revenue, research and development, sales and marketing, and general and administrative expenses collectively declined by 1.6 percentage points. For the fourth quarter of fiscal 2012, general and administrative expenses include \$202 million of real estate charges, primarily related to impairment charges on real estate held for sale. Operating income as a percentage of revenue increased by 7.3 percentage points, primarily as a result of lower restructuring and other charges in the fourth quarter of fiscal 2012 and our sales increase. Diluted earnings per share increased by 64% from the prior year period, primarily as a result of a 56% increase in net income and also, to a lesser degree, from a decline of 142 million in our diluted share count.

Strategy and Focus Areas

We began in fiscal 2011, and had largely completed by the end of fiscal 2012, realigning our sales, services and engineering organizations in order to simplify our operating model, drive faster innovation, and focus on our five foundational priorities:

- Leadership in our core business (routing, switching, and associated services) which includes comprehensive security and mobility solutions

- Collaboration

- Data center virtualization and cloud

- Video

- Architectures for business transformation

We believe that focusing on these priorities best positions us to continue to expand our share of our customers' information technology spending. For a full discussion of our strategy and focus areas, see Item 1. Business.

Other Key Financial Measures

The following is a summary of our other key financial measures for fiscal 2012 compared with fiscal 2011 (in millions, except days sales outstanding in accounts receivable ("DSO") and annualized inventory turns):

| | Fiscal 2012 | Fiscal 2011 |
|---|-----------------|----------------|
| Cash and cash equivalents and investments | \$48,716 | \$44,585 |
| Cash provided by operating activities | \$11,491 | \$10,079 |
| Deferred revenue | \$12,880 | \$12,207 |
| Repurchases of common stock--stock repurchase program | \$4,360 | \$6,791 |
| Dividends | \$1,501 | \$658 |
| DSO | 34 | 38 |
| | days | days |
| Inventories | \$1,663 | \$1,486 |
| Annualized inventory turns | 11.7 | 11.8 |

Our product backlog at the end of fiscal 2012 was \$5.0 billion, or 11% of fiscal 2012 net sales, compared with \$4.5 billion at the end of fiscal 2011, or 10% of fiscal 2011 net sales.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 2 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

Revenue Recognition

Revenue is recognized when all of the following criteria have been met:

Persuasive evidence of an arrangement exists. Contracts, Internet commerce agreements, and customer purchase orders are generally used to determine the existence of an arrangement.

Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.

The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.

Collectibility is reasonably assured. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met. When a sale involves multiple deliverables, such as sales of products that include services, the multiple deliverables are evaluated to determine the unit of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

The amount of product and service revenue recognized in a given period is affected by our judgment as to whether an arrangement includes multiple deliverables and, if so, our valuation of the units of accounting for multiple deliverables. According to the accounting guidance prescribed in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*, we use vendor-specific objective evidence of selling price ("VSOE") for each of those units, when available. We determine VSOE based on our normal pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, we require that a substantial majority of the historical standalone transactions have the selling prices for a product or service fall within a reasonably narrow pricing range, generally evidenced by approximately 80% of such historical standalone transactions falling within plus or minus 15% of the median rates. When VSOE does not exist, we apply the selling price hierarchy to applicable multiple-deliverable arrangements. Under the selling price hierarchy, third-party evidence of selling price ("TPE") will be considered if VSOE does not exist, and estimated selling price ("ESP") will be used if neither VSOE nor TPE is available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of others in our markets, and the extent of our proprietary technology varies among comparable products or services from those of our peers. In determining ESP, we apply significant judgment as we weigh a variety of factors, based on the facts and circumstances of the arrangement. We typically arrive at an ESP for a product or service that is not sold separately by considering company-specific factors such as geographies, competitive landscape, internal costs, profitability objectives, pricing practices used to establish bundled pricing, and existing portfolio pricing and discounting.

Some of our sales arrangements have multiple deliverables containing software and related software support components. Such sales arrangements are subject to the accounting guidance in ASC 985-605, *Software-Revenue Recognition*.

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As our business and offerings evolve over time, our pricing practices may be required to be modified accordingly, which could result in changes in selling prices, including both VSOE and ESP, in subsequent periods. There were no material impacts during fiscal 2012, nor do we currently expect a material impact in fiscal 2013 on our revenue recognition due to any changes in our VSOE, TPE, or ESP.

Revenue deferrals relate to the timing of revenue recognition for specific transactions based on financing arrangements, service, support, and other factors. Financing arrangements may include sales-type, direct-financing, and operating leases, loans, and guarantees of third-party financing. Our deferred revenue for products was \$3.7 billion as of each July 28, 2012 and July 30, 2011. Technical support services revenue is deferred and recognized ratably over the period during which the services are to be performed, which typically is from one to three years. Advanced services revenue is recognized upon delivery or completion of performance. Our deferred revenue for services was \$9.2 billion and \$8.5 billion as of July 28, 2012 and July 30, 2011, respectively.

We make sales to distributors and retail partners which we refer to as two-tier systems of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. Our distributors and retail partners participate in various cooperative marketing and other programs, and we maintain estimated accruals and allowances for these programs. If actual credits received by our distributors and retail partners under these programs were to deviate significantly from our estimates, which are based on historical experience, our revenue could be adversely affected.

Allowances for Receivables and Sales Returns

The allowances for receivables were as follows (in millions, except percentages):

| | July 28, 2012 | | July 30, 2011 | |
|--|---------------|-----|---------------|-----|
| Allowance for doubtful accounts | \$ | 207 | \$ | 204 |
| <i>Percentage of gross accounts receivable</i> | 4.5 | % | 4.2 | % |
| Allowance for credit loss—lease receivables | \$ | 247 | \$ | 237 |
| <i>Percentage of gross lease receivables</i> | 7.2 | % | 7.6 | % |
| Allowance for credit loss—loan receivables | \$ | 122 | \$ | 103 |
| <i>Percentage of gross loan receivables</i> | 6.8 | % | 7.0 | % |

The allowance for doubtful accounts is based on our assessment of the collectibility of customer accounts. We regularly review the adequacy of these allowances by considering internal factors such as historical experience, credit quality and age of the receivable balances as well as external factors such as economic conditions that may affect a customer's ability to pay and expected default frequency rates, which are published by major third-party credit-rating agencies and are generally updated on a quarterly basis. We also consider the concentration of receivables outstanding with a particular customer in assessing the adequacy of our allowances for doubtful accounts. If a major customer's creditworthiness deteriorates, if actual defaults are higher than our historical experience, or if other circumstances arise, our estimates of the recoverability of amounts due to us could be overstated, and additional allowances could be required, which could have an adverse impact on our revenue.

The allowance for credit loss on financing receivables is also based on the assessment of collectibility of customer accounts. We regularly review the adequacy of the credit allowances determined either on an individual or a collective basis. When evaluating the financing receivables on an individual basis, we consider historical experience, credit quality and age of receivable balances, and economic conditions that may affect a customer's ability to pay. As discussed in Note 7 to the Consolidated Financial Statements, effective at the beginning of the second quarter of fiscal 2012 we refined our methodology for determining the portion of our allowance for credit loss that is evaluated on a collective basis. The refinement consists of more systematically giving effect to economic conditions, concentration of risk and correlation. We also began to use expected default frequency rates published by a major third-party credit-rating agency as well as our own historical loss rate in the event of default. Determination of expected default frequency rates and loss factors associated with internal credit risk

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ratings as well as assessing economic conditions, concentration of risk, and correlation are complex and subjective. Our ongoing consideration of all these factors could result in an increase in our allowance for credit loss in the future, which could adversely affect our revenue.

Both accounts receivable and financing receivables are charged off at the point when they are considered uncollectible.

A reserve for future sales returns is established based on historical trends in product return rates. The reserve for future sales returns as of July 28, 2012 and July 30, 2011 was \$129 million and \$106 million, respectively, and was recorded as a reduction of our accounts receivable. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

Inventory Valuation and Liability for Purchase Commitments with Contract Manufacturers and Suppliers

Our inventory balance was \$1.7 billion and \$1.5 billion as of July 28, 2012 and July 30, 2011, respectively. Inventory is written down based on excess and obsolete inventories determined primarily by future demand forecasts. Inventory write-downs are measured as the difference between the cost of the inventory and market, based upon assumptions about future demand, and are charged to the provision for inventory, which is a component of our cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

We record a liability for firm, noncancelable, and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. As of July 28, 2012, the liability for these purchase commitments was \$193 million, compared with \$168 million as of July 30, 2011, and was included in other current liabilities.

Our provision for inventory was \$115 million, \$196 million, and \$94 million for fiscal 2012, 2011, and 2010, respectively. The provision for the liability related to purchase commitments with contract manufacturers and suppliers was \$151 million, \$114 million, and \$8 million in fiscal 2012, 2011, and 2010, respectively. On a combined basis, the \$44 million decline in our provisions for inventory and purchase commitments with contract manufacturers and suppliers for fiscal 2012 was primarily due to the absence in the current fiscal year of charges we recorded in connection with the restructuring and realignment of our consumer business during fiscal 2011. If there were to be a sudden and significant decrease in demand for our products, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements, we could be required to increase our inventory write-downs, and our liability for purchase commitments with contract manufacturers and suppliers, and accordingly our profitability could be adversely affected. We regularly evaluate our exposure for inventory write-downs and the adequacy of our liability for purchase commitments. Inventory and supply chain management remain areas of focus as we balance the need to maintain supply chain flexibility to help ensure competitive lead times with the risk of inventory obsolescence, particularly in light of current macroeconomic uncertainties and conditions and the resulting potential for changes in future demand forecast.

Warranty Costs

The liability for product warranties, included in other current liabilities, was \$415 million as of July 28, 2012, compared with \$342 million as of July 30, 2011. See Note 12 to the Consolidated Financial Statements. Our products are generally covered by a warranty for periods ranging from 90 days to five years, and for some products we provide a limited lifetime warranty. We accrue for warranty costs as part of our cost of sales based on associated material costs, technical support labor costs, and associated overhead. Material cost is estimated based primarily upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment. Technical support labor cost is estimated based primarily upon historical trends in the rate of customer cases and the cost to support the customer cases within the warranty period. Overhead cost is applied based on estimated time to support warranty activities.

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The provision for product warranties issued during fiscal 2012, 2011, and 2010 was \$661 million, \$456 million, and \$469 million, respectively. The increase in the provision in fiscal 2012, as compared with fiscal 2011, was primarily due to increased shipment volume of products with higher warranty costs and longer warranty lives, and also due to increased warranty charges related to specific products. If we experience an increase in warranty claims compared with our historical experience, or if the cost of servicing warranty claims is greater than expected, our profitability could be adversely affected.

Share-Based Compensation Expense

Share-based compensation expense is presented as follows (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Share-based compensation expense | \$ 1,401 | \$ 1,620 | \$ 1,517 |

Prior to the initial declaration of a quarterly cash dividend on March 17, 2011, the fair value of restricted stock and restricted stock units was measured based on an expected dividend yield of 0% as we did not historically pay cash dividends on our common stock. For awards granted on or subsequent to March 17, 2011, we used an annualized dividend yield based on the per share dividends declared by our Board of Directors as of the grant date. See Note 14 to the Consolidated Financial Statements.

The determination of the fair value of employee stock options and employee stock purchase rights on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. For employee stock options and employee stock purchase rights, these variables include, but are not limited to, the expected stock price volatility over the term of the awards, the risk-free interest rate, and expected dividends as of the grant date. For employee stock options, we have historically used the implied volatility for two-year traded options on our stock as the expected volatility assumption required in the lattice-binomial model. For employee stock purchase rights, we used the implied volatility for traded options (with lives corresponding to the expected life of the employee stock purchase rights) on our stock. The selection of the implied volatility approach was based upon the availability of actively traded options on our stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. The valuation of employee stock options is also impacted by kurtosis and skewness, which are technical measures of the distribution of stock price returns and the actual and projected employee stock option exercise behaviors.

Because share-based compensation expense is based on awards ultimately expected to vest, it has been reduced for forfeitures. If factors change and we employ different assumptions in the application of our option-pricing model in future periods or if we experience different forfeiture rates, the compensation expense that is derived may differ significantly from what we have recorded in the current year.

Fair Value Measurements

Our fixed income and publicly traded equity securities, collectively, are reflected in the Consolidated Balance Sheets at a fair value of \$38.9 billion as of July 28, 2012, compared with \$36.9 billion as of July 30, 2011. Our fixed income investment portfolio, as of July 28, 2012, consisted primarily of high quality investment-grade securities. See Note 8 to the Consolidated Financial Statements.

As described more fully in Note 9 to the Consolidated Financial Statements, a valuation hierarchy is based on the level of independent, objective evidence available regarding the value of the investments. It encompasses three classes of investments: Level 1 consists of securities for which there are quoted prices in active markets for identical securities; Level 2 consists of securities for which observable inputs other than Level 1 inputs are used, such as quoted prices for similar securities in active markets or quoted prices for identical securities in less active markets and model-derived valuations for which the variables are derived from, or corroborated by, observable market data; and Level 3 consists of securities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value.

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Our Level 2 securities are valued using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. We use inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from independent pricing vendors, quoted market prices, or other sources to determine the ultimate fair value of our assets and liabilities. We use such pricing data as the primary input, to which we have not made any material adjustments during fiscal 2012 and fiscal 2011, to make our assessments and determinations as to the ultimate valuation of our investment portfolio. We are ultimately responsible for the financial statements and underlying estimates.

The inputs and fair value are reviewed for reasonableness, may be further validated by comparison to publicly available information, and could be adjusted based on market indices or other information that management deems material to its estimate of fair value. The assessment of fair value can be difficult and subjective. However, given the relative reliability of the inputs we use to value our investment portfolio, and because substantially all of our valuation inputs are obtained using quoted market prices for similar or identical assets, we do not believe that the nature of estimates and assumptions affected by levels of subjectivity and judgment was material to the valuation of the investment portfolio as of July 28, 2012. We had no Level 3 investments in our total portfolio as of July 28, 2012.

Other-than-Temporary Impairments

We recognize an impairment charge when the declines in the fair values of our fixed income or publicly traded equity securities below their cost basis are judged to be other than temporary. The ultimate value realized on these securities, to the extent unhedged, is subject to market price volatility until they are sold.

If the fair value of a debt security is less than its amortized cost, we assess whether the impairment is other than temporary. An impairment is considered other than temporary if (i) we have the intent to sell the security, (ii) it is more likely than not that we will be required to sell the security before recovery of its entire amortized cost basis, or (iii) we do not expect to recover the entire amortized cost of the security. If an impairment is considered other than temporary based on (i) or (ii) described in the prior sentence, the entire difference between the amortized cost and the fair value of the security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii), the amount representing credit loss, defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security, will be recognized in earnings, and the amount relating to all other factors will be recognized in other comprehensive income (OCI). In estimating the amount and timing of cash flows expected to be collected, we consider all available information, including past events, current conditions, the remaining payment terms of the security, the financial condition of the issuer, expected defaults, and the value of underlying collateral.

For publicly traded equity securities, we consider various factors in determining whether we should recognize an impairment charge, including the length of time and extent to which the fair value has been less than our cost basis, the financial condition and near-term prospects of the issuer, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Impairment charges on our investments in publicly traded equity securities were not material in fiscal 2012, 2011, and 2010. There were no impairment charges on investments in fixed income securities in fiscal 2012, 2011, and 2010. Our ongoing consideration of all the factors described previously could result in additional impairment charges in the future, which could adversely affect our net income.

We also have investments in privately held companies, some of which are in the startup or development stages. As of July 28, 2012, our investments in privately held companies were \$858 million, compared with \$796 million as of July 30, 2011, and were included in other assets. See Note 6 to the Consolidated Financial Statements. We monitor these investments for events or circumstances indicative of potential impairment and will make appropriate reductions in carrying values if we determine that an impairment charge is required, based primarily on the financial condition and near-term prospects of these companies. These investments are inherently risky

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because the markets for the technologies or products these companies are developing are typically in the early stages and may never materialize. Our impairment charges on investments in privately held companies were \$23 million, \$10 million, and \$25 million in fiscal 2012, 2011, and 2010, respectively.

Goodwill and Purchased Intangible Asset Impairments

Our methodology for allocating the purchase price relating to purchase acquisitions is determined through established valuation techniques. Goodwill represents a residual value as of the acquisition date, which in most cases results in measuring goodwill as an excess of the purchase consideration transferred plus the fair value of any noncontrolling interest in the acquired company over the fair value of net assets acquired, including contingent consideration. We perform goodwill impairment tests on an annual basis in the fourth fiscal quarter and between annual tests in certain circumstances for each reporting unit. The assessment of fair value for goodwill and purchased intangible assets is based on factors that market participants would use in an orderly transaction in accordance with the new accounting guidance for the fair value measurement of nonfinancial assets.

The goodwill recorded in the Consolidated Balance Sheets as of July 28, 2012 and July 30, 2011 was \$17.0 billion and \$16.8 billion, respectively. In response to changes in industry and market conditions, we could be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses, which could result in an impairment of goodwill. There was no impairment of goodwill resulting from our annual impairment testing in fiscal 2012, 2011 or 2010. For the annual impairment testing in fiscal 2012, the excess of the fair value over the carrying value for each of our reporting units was \$17.3 billion for the Americas segment, \$13.8 billion for the EMEA segment and \$9.1 billion for the APJC segment. We performed a sensitivity analysis for goodwill impairment with respect to each of our respective reporting units and determined that a hypothetical 10% decline in the fair value of each reporting unit as of July 28, 2012 would not result in an impairment of goodwill for any reporting unit. As a result of the divestiture of our manufacturing operations in Juarez, Mexico, in fiscal 2011 we recorded an adjustment of \$63 million to reduce goodwill associated with these operations.

We make judgments about the recoverability of purchased intangible assets with finite lives whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of purchased intangible assets with finite lives is measured by comparing the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. We review indefinite-lived intangible assets for impairment annually or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability of indefinite-lived intangible assets is measured by comparing the carrying amount of the asset to the future discounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. Assumptions and estimates about future values and remaining useful lives of our purchased intangible assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our impairment charges related to purchased intangible assets were \$12 million, \$164 million, and \$28 million during fiscal 2012, 2011, and 2010, respectively. Our ongoing consideration of all the factors described previously could result in additional impairment charges in the future, which could adversely affect our net income.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rates differ from the statutory rate, primarily due to the tax impact of state taxes, foreign operations, research and development (“R&D”) tax credits, tax audit settlements, nondeductible compensation, international realignments, and transfer pricing adjustments. Our effective tax rate was 20.8%, 17.1%, and 17.5% in fiscal 2012, 2011, and 2010, respectively.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax

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outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the R&D tax credit laws; by transfer pricing adjustments including the effect of acquisitions on our intercompany R&D cost-sharing arrangement and legal structure; by tax effects of nondeductible compensation; by tax costs related to intercompany realignments; by changes in accounting principles; or by changes in tax laws and regulations including possible U.S. changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, or the foreign tax credit rules. Significant judgment is required to determine the recognition and measurement attributes prescribed in the accounting guidance for uncertainty in income taxes. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely impact our provision for income taxes or additional paid-in capital. Further, as a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries is subject to reduced tax rates and in some cases is wholly exempt from tax. Our failure to meet these commitments could adversely impact our provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service (“IRS”) and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse impact on our operating results and financial condition.

Loss Contingencies

We are subject to the possibility of various losses arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted and whether new accruals are required.

Third parties, including customers, have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. If any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

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RESULTS OF OPERATIONS

Fiscal 2012, 2011, and 2010 were 52, 52, and 53-week fiscal years, respectively.

Net Sales

The following table presents the breakdown of net sales between product and service revenue (in millions, except percentages):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance in Dollars | Variance in Percent | July 30, 2011 | July 31, 2010 | Variance in Dollars | Variance in Percent |
|--------------------------------|------------------|---------------|------------------------|------------------------|---------------|---------------|------------------------|------------------------|
| Net sales: | | | | | | | | |
| Product | \$ 36,326 | \$ 34,526 | \$ 1,800 | 5.2 % | \$ 34,526 | \$ 32,420 | \$ 2,106 | 6.5 % |
| <i>Percentage of net sales</i> | 78.9 % | 79.9 % | | | 79.9 % | 81.0 % | | |
| Service | 9,735 | 8,692 | 1,043 | 12.0 % | 8,692 | 7,620 | 1,072 | 14.1 % |
| <i>Percentage of net sales</i> | 21.1 % | 20.1 % | | | 20.1 % | 19.0 % | | |
| Total | \$ 46,061 | \$ 43,218 | \$ 2,843 | 6.6 % | \$ 43,218 | \$ 40,040 | \$ 3,178 | 7.9 % |

We manage our business primarily on a geographic basis, organized into three geographic segments. Our net sales, which include product and service revenue, for each segment are summarized in the following table (in millions, except percentages):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance in Dollars | Variance in Percent | July 30, 2011 | July 31, 2010 | Variance in Dollars | Variance in Percent |
|--------------------------------|------------------|---------------|------------------------|------------------------|---------------|---------------|------------------------|------------------------|
| Net sales: | | | | | | | | |
| Americas | \$ 26,501 | \$ 25,015 | \$ 1,486 | 5.9 % | \$ 25,015 | \$ 23,334 | \$ 1,681 | 7.2 % |
| <i>Percentage of net sales</i> | 57.5 % | 57.9 % | | | 57.9 % | 58.3 % | | |
| EMEA | 12,075 | 11,604 | 471 | 4.1 % | 11,604 | 10,825 | 779 | 7.2 % |
| <i>Percentage of net sales</i> | 26.2 % | 26.8 % | | | 26.8 % | 27.0 % | | |
| APJC | 7,485 | 6,599 | 886 | 13.4 % | 6,599 | 5,881 | 718 | 12.2 % |
| <i>Percentage of net sales</i> | 16.3 % | 15.3 % | | | 15.3 % | 14.7 % | | |
| Total | \$ 46,061 | \$ 43,218 | \$ 2,843 | 6.6 % | \$ 43,218 | \$ 40,040 | \$ 3,178 | 7.9 % |

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net sales increased by 7%. Within total net sales growth, net product sales increased by 5%, while service revenue increased by 12%. Our product and service revenue totals reflect sales growth across each of our geographic segments. The sales increase was primarily due to: the strong performance of our Service offerings; new product transitions taking place in Switching; and increased demand for our Data Center, Service Provider Video, and Wireless products.

We conduct business globally in numerous currencies. The direct effect of foreign currency fluctuations on sales has not been material because our sales are primarily denominated in U.S. dollars. However, if the U.S. dollar strengthens relative to other currencies, such strengthening could have an indirect effect on our sales to the extent it raises the cost of our products to non-U.S. customers and thereby reduces demand. A weaker U.S. dollar could have the opposite effect. However, the precise indirect effect of currency fluctuations is difficult to measure or predict because our sales are influenced by many factors in addition to the impact of such currency fluctuations.

In addition to the impact of macroeconomic factors, including a reduced IT spending environment and budget-driven reductions in spending by government entities, net sales by segment in a particular period may be significantly impacted by several factors related to

revenue recognition, including the complexity of transactions such as multiple-element arrangements; the mix of financing arrangements provided to our channel partners and customers; and final acceptance of the product, system, or solution, among other factors. In addition, certain customers tend to make large and sporadic purchases, and the net sales related to these transactions may also be affected by the timing of revenue recognition, which in turn would impact the net sales of the relevant segment. As has been the case in certain of our emerging countries from time to time, customers require greater levels of financing arrangements, service, and support and this may occur in future periods, which may also impact the timing of the recognition of revenue.

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Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, as compared with fiscal 2010, net sales increased by 8%. Within total net sales growth, net product sales increased by 6%, while service revenue increased by 14%. Our product and service revenue totals each reflected sales growth across each of our geographic segments. The sales increase was due to customer acceptance of the new product transitions taking place in our core switching and routing businesses, sales growth in our Collaboration, Data Center, Wireless, and Service Provider Video product categories and the strong performance of our services solutions.

Net Product Sales by Segment

The following table presents the breakdown of net product sales by segment (in millions, except percentages):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance in Dollars | Variance in Percent | July 30, 2011 | July 31, 2010 | Variance in Dollars | Variance in Percent | |
|---------------------------------|---------------|---------------|------------------------|------------------------|---------------|---------------|------------------------|------------------------|--|
| Net product sales: | | | | | | | | | |
| Americas | \$ 20,168 | \$ 19,292 | \$ 876 | 4.5 % | \$ 19,292 | \$ 18,240 | \$ 1,052 | 5.8 % | |
| Percentage of net product sales | 55.5 % | 55.9 % | | | 55.9 % | 56.3 % | | | |
| EMEA | 10,024 | 9,788 | 236 | 2.4 % | 9,788 | 9,223 | 565 | 6.1 % | |
| Percentage of net product sales | 27.6 % | 28.3 % | | | 28.3 % | 28.4 % | | | |
| APJC | 6,134 | 5,446 | 688 | 12.6 % | 5,446 | 4,957 | 489 | 9.9 % | |
| Percentage of net product sales | 16.9 % | 15.8 % | | | 15.8 % | 15.3 % | | | |
| Total | \$ 36,326 | \$ 34,526 | \$ 1,800 | 5.2 % | \$ 34,526 | \$ 32,420 | \$ 2,106 | 6.5 % | |

Americas

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net product sales in the Americas segment increased by 5%. The increase in net product sales was across most of our customer markets in the Americas segment, led by growth in the enterprise, service provider and commercial markets. We experienced a net product sales decline in the public sector market for the fiscal year. Within the Americas segment, net product sales to the U.S. public sector were flat, as lower net product sales to the U.S. federal government were offset by higher net product sales to state and local government. From a country perspective, net product sales increased by 4% in the United States, 10% in Canada, 21% in Mexico, and 14% in Brazil.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, as compared with fiscal 2010, net product sales in the Americas segment increased by 6%. Net product sales increased 3% in the United States, 31% in Canada, 20% in Brazil, and 8% in Mexico. The increase in net product sales was across all of our customer markets in the Americas segment, led by the net product sales growth in our commercial market, followed by smaller increases in net product sales growth in the service provider, enterprise, and public sector markets. Net product sales to the U.S. public sector decreased due to a decrease in sales to the U.S. federal government, while sales to the state and local government market were flat.

EMEA

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net product sales in the EMEA segment increased by 2%. The increase in net product sales was across most of our customer markets in the EMEA segment, led by growth in the commercial, enterprise and public sector markets. We experienced a slight decline in net product sales in the service provider customer market during the fiscal year driven by lower revenue from this customer market in several of the large countries in the region. From a country perspective, net product sales increased by 11% in the United Kingdom, 15% in Russia, and 9% in the Netherlands. These increases were partially offset by net product sales declines of 23% in Italy, 21% in Spain, 2% in Germany, and 1% in France.

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We believe that the slower growth we experienced in EMEA was a result of weak macroeconomic conditions attributable in large part to the austerity measures taking place in parts of the region. In particular, we experienced weakness in this segment during the second half of fiscal 2012, with a year-over-year decline in net product sales in this segment during the fourth quarter.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, as compared with fiscal 2010, net product sales in the EMEA segment increased by 6%. The increase in net product sales in the European Markets segment was primarily due to growth in the enterprise and service provider markets and to a lesser extent sales growth in the commercial market. For fiscal 2011, as compared with fiscal 2010, sales to the public sector market were flat. From a country perspective, for fiscal 2011 as compared with fiscal 2010, net product sales increased by approximately 17% in France, 13% in the Netherlands, 2% in Germany, 1% in the United Kingdom, and 63% in Russia and were flat in Italy.

APJC

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net product sales in the APJC segment increased by 13%. The increase was led by strong net product sales growth in the service provider market, and to a lesser degree, in the commercial, enterprise and public sector markets. From a country perspective, net product sales increased by 27% in Japan, 17% in China, and 12% in Australia. We experienced a year-over-year net product sales decline of 19% in South Korea, and 4% in India. Our sales decline in India was due to ongoing business momentum challenges in the public sector customer market.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, as compared with fiscal 2010, net product sales in our APJC segment increased by 10%. The increase was led by sales growth in the enterprise, commercial and service provider markets, and to a lesser extent sales growth in the public sector market. From a country perspective, net product sales increased by approximately 13% in India, 11% in China, 8% in Australia, and 7% in Japan.

Net Product Sales by Groups of Similar Products

In addition to the primary view on a geographic basis, we also prepare financial information related to groups of similar products and customer markets for various purposes. Our product categories consist of the following categories (with subcategories in parentheses): Switching (fixed switching, modular switching, and storage); NGN Routing (high-end routers, mid-range and low-end routers, and optical); Collaboration (unified communications and Cisco TelePresence); Service Provider Video (cable and cable modem, video systems); Wireless; Security; Data Center; and Other Products. The Other Products category consists primarily of Linksys-related products, emerging technology products, and other networking products.

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The following table presents net sales for groups of similar products (in millions, except percentages):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance in Dollars | Variance in Percent | July 30, 2011 | July 31, 2010 | Variance in Dollars | Variance in Percent |
|--|------------------|------------------|------------------------|------------------------|------------------|------------------|------------------------|------------------------|
| Net product sales: | | | | | | | | |
| Switching | \$ 14,531 | \$ 14,130 | \$ 401 | 2.8 % | \$ 14,130 | \$ 14,074 | \$ 56 | 0.4 % |
| <i>Percentage of net product sales</i> | <i>40.0 %</i> | <i>40.9 %</i> | | | <i>40.9 %</i> | <i>43.4 %</i> | | |
| NGN Routing | 8,425 | 8,264 | 161 | 1.9 % | 8,264 | 7,868 | 396 | 5.0 % |
| <i>Percentage of net product sales</i> | <i>23.2 %</i> | <i>24.0 %</i> | | | <i>24.0 %</i> | <i>24.3 %</i> | | |
| Collaboration | 4,139 | 4,013 | 126 | 3.1 % | 4,013 | 2,981 | 1,032 | 34.6 % |
| <i>Percentage of net product sales</i> | <i>11.4 %</i> | <i>11.6 %</i> | | | <i>11.6 %</i> | <i>9.2 %</i> | | |
| Service Provider Video | 3,858 | 3,483 | 375 | 10.8 % | 3,483 | 3,294 | 189 | 5.7 % |
| <i>Percentage of net product sales</i> | <i>10.6 %</i> | <i>10.1 %</i> | | | <i>10.1 %</i> | <i>10.2 %</i> | | |
| Wireless | 1,699 | 1,427 | 272 | 19.1 % | 1,427 | 1,134 | 293 | 25.8 % |
| <i>Percentage of net product sales</i> | <i>4.7 %</i> | <i>4.1 %</i> | | | <i>4.1 %</i> | <i>3.5 %</i> | | |
| Security | 1,349 | 1,200 | 149 | 12.4 % | 1,200 | 1,302 | (102) | (7.8)% |
| <i>Percentage of net product sales</i> | <i>3.7 %</i> | <i>3.5 %</i> | | | <i>3.5 %</i> | <i>4.0 %</i> | | |
| Data Center | 1,298 | 694 | 604 | 87.0 % | 694 | 196 | 498 | 254.1 % |
| <i>Percentage of net product sales</i> | <i>3.6 %</i> | <i>2.0 %</i> | | | <i>2.0 %</i> | <i>0.6 %</i> | | |
| Other | 1,027 | 1,315 | (288) | (21.9)% | 1,315 | 1,571 | (256) | (16.3)% |
| <i>Percentage of net product sales</i> | <i>2.8 %</i> | <i>3.8 %</i> | | | <i>3.8 %</i> | <i>4.8 %</i> | | |
| Total | <u>\$ 36,326</u> | <u>\$ 34,526</u> | <u>\$ 1,800</u> | 5.2 % | <u>\$ 34,526</u> | <u>\$ 32,420</u> | <u>\$ 2,106</u> | 6.5 % |

Switching

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net product sales in our Switching product category increased by 3% or \$401 million. The increase was primarily due to growth from transitioning products taking place in our Switching product portfolio. The impact of competitive pressures moderated growth, primarily in the first and fourth quarters of fiscal 2012. Within our Switching product category, higher sales of LAN fixed-configuration switches and storage products were partially offset by lower sales of modular switches. Sales of LAN fixed-configuration switches increased by 11%, or \$814 million, while sales of modular switches decreased by 8%, or approximately \$469 million. The increase in sales of LAN fixed-configuration switches was primarily due to increased sales of Cisco Catalyst 2960 Series Switches, Cisco Nexus 2000 and 5000 Series Switches, and the Cisco Catalyst 3750 Series Switches, partially offset by decreased sales of Cisco Catalyst 3560 Series Switches. Net product sales in our Switching product category were positively impacted by a 11% increase in sales of storage products, primarily stemming from strong growth in the first and fourth quarters of fiscal 2012. Sales of modular switches decreased primarily due to lower sales of Cisco Catalyst 6500 and 4500 Series Switches, partially offset by increased sales of Cisco Nexus 7000 Series Switches.

Fiscal 2011 Compared with Fiscal 2010

Net product sales in our Switching product category were relatively flat in fiscal 2011 compared with fiscal 2010, which was due to the combined effect of continuing transitions taking place in our product portfolio, lower public sector spending, and the impact of increased competitive pressures. Within our Switches product category, higher sales of LAN fixed-configuration switches partially offset lower sales of modular switches. Sales of LAN fixed-configuration switches increased 5%, or \$331 million, while sales of modular switches decreased 5%, or \$306 million. The increase in LAN fixed-configuration switches was primarily due to increased sales of Cisco Catalyst 2960 Series Switches and Cisco Nexus 2000 and 5000 Series Switches, partially offset by decreased sales of Cisco Catalyst 3560 and 3750 Series Switches. The decrease in sales of modular switches was primarily due to decreased sales of Cisco Catalyst 6500 Series Switches, partially offset by increased sales of Cisco Nexus 7000 and Cisco Catalyst 4500 Series Switches. Net product sales increased 6%, or \$31 million, in Storage, which was attributable to increased sales of our Cisco MDS 9000 product line.

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NGN Routing

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, net product sales in our NGN Routing product category increased by 2%, or \$161 million. The increase in sales of our NGN Routing product category was driven by a 6%, or \$293 million, increase in sales of high-end router products, partially offset by a 3%, or \$83 million, decline in sales of our midrange and low-end router products. Within the high-end router products category, the increase was driven by higher sales of Cisco CRS-3 Carrier Routing System products and higher sales of the Cisco Aggregation Services Routers (“ASR”) 9000, 5000, and 1000 family of products. These increases were partially offset by lower sales of Cisco 7600 and 12000 Series Routers. Within the midrange and low-end router products category, the decrease was related to the product transition taking place within our Cisco Integrated Services Router (ISR) products, as the sales decline in our older generation products had a greater impact than the growth experienced with our Cisco ISR 1900, ISR 2900 and ISR 3900 router products in this category. Sales of other NGN Routing products decreased by 6%, compared with fiscal 2011, primarily due to decreased sales of other routing and optical networking products.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011 as compared with fiscal 2010, growth in sales of our NGN Routing product category was driven by a 7%, or \$294 million, increase in sales of our high-end routers. Within high-end router products, the increase was driven by higher sales of Cisco ASR 5000 products from our December 2009 acquisition of Starent and higher sales of the Cisco ASR 1000 and 9000 products. These increases were partially offset by lower sales of Cisco 12000 and 7600 Series Routers. For fiscal 2011, midrange and low-end routers sales decreased sales by 3%, or \$84 million compared with fiscal 2010. Sales of other NGN Routing products increased by 31%, compared with fiscal 2011, primarily due to increased sales of optical networking products.

Collaboration

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales of Collaboration products increased by 3%, or \$126 million. The increase was due to a 5% increase in sales of unified communications products, primarily IP phones and collaborative web-based offerings, partially offset by a 1% decrease in sales of Cisco TelePresence systems. Challenges in both the public sector and demand weakness in Europe, along with our execution challenges related to our sales coverage model, contributed to the decrease in sales of Cisco TelePresence systems in fiscal 2012.

Fiscal 2011 Compared with Fiscal 2010

Sales of Collaboration products increased by 35%, or \$1.0 billion, primarily due to the inclusion of Tandberg sales within our Cisco TelePresence systems product line following our fiscal 2010 third quarter acquisition of Tandberg, and a 6% increase in sales of unified communications products, primarily IP phones and collaborative web-based offerings.

Service Provider Video

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales of Service Provider Video products increased by 11%, or \$375 million due to growth in our service provider customer market from increased sales of set-top boxes worldwide. Sales of video systems and other products increased by 13%, or \$316 million, while sales of cable and cable modem products increased by 6%, or \$59 million.

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Fiscal 2011 Compared with Fiscal 2010

Sales of Service Provider Video products increased by 6%, or \$189 million, due to increased sales of cable and cable modem products of 20% due to strong customer market demand, and increased sales of video systems products of 1%.

Wireless

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales of Wireless products increased by 19%, or \$272 million. These increases reflect the continued customer adoption of and migration to the Cisco Unified Wireless Network architecture and new product performance.

Fiscal 2011 Compared with Fiscal 2010

Sales of Wireless products increased by 26%, or \$293 million, which was primarily due to continued customer adoption of and migration to the Cisco Unified Wireless Network architecture.

Security

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales of Security products increased by 12%, or \$149 million. These increases were primarily due to growth in our network security products driven by the recent update of our firewall security product portfolio.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, sales of Security products decreased by 8%, or \$102 million. Our decreased sales of Security products were the result of lower sales of module and line cards related to our routers and LAN switches, partially offset by increased sales of our web and email security products.

Data Center

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales of Data Center products increased by 87%, or \$604 million, due to increased sales of Cisco Unified Computing System products. The increase was due to the momentum we are experiencing with our products for the enterprise and service provider data center and cloud environments, as current customers increase their data center build out, and new customer product purchases.

To the extent our data center business grows and further penetrates the market, we expect that, in comparison to what we experienced during the initial rapid growth of this business, the growth rates for our data center product sales will experience more normal seasonality consistent with the overall server market.

Fiscal 2011 Compared with Fiscal 2010

Sales of Data Center products increased by 254%, or \$498 million, due to sales growth of over 273%, or \$496 million, of Cisco Unified Computing System products.

Other Products

The decrease in sales of Other Products for fiscal 2012 and 2011 as compared with the prior fiscal year compare periods was primarily due to lower sales of Flip Video camera products in connection with our decision in fiscal 2011 to exit this consumer product line.

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Net Service Sales by Segment

The following table presents the breakdown of service revenue by segment (in millions, except percentages):

| Years Ended | July 28, 2012 | | July 30, 2011 | | Variance | Variance | July 30, 2011 | | July 31, 2010 | | Variance | Variance |
|---------------------------------|-----------------|--|-----------------|--|----------------|------------|-----------------|--|-----------------|--|----------------|------------|
| | | | | | in Dollars | in Percent | | | | | in Dollars | in Percent |
| Net service sales: | | | | | | | | | | | | |
| Americas | \$ 6,333 | | \$ 5,723 | | \$610 | 10.7 % | \$ 5,723 | | \$ 5,094 | | \$629 | 12.3 % |
| Percentage of net service sales | 65.0 % | | 65.8 % | | | | 65.8 % | | 66.9 % | | | |
| EMEA | 2,051 | | 1,816 | | 235 | 12.9 % | 1,816 | | 1,602 | | 214 | 13.4 % |
| Percentage of net service sales | 21.1 % | | 20.9 % | | | | 20.9 % | | 21.0 % | | | |
| APJC | 1,351 | | 1,153 | | 198 | 17.2 % | 1,153 | | 924 | | 229 | 24.8 % |
| Percentage of net service sales | 13.9 % | | 13.3 % | | | | 13.3 % | | 12.1 % | | | |
| Total | <u>\$ 9,735</u> | | <u>\$ 8,692</u> | | <u>\$1,043</u> | 12.0 % | <u>\$ 8,692</u> | | <u>\$ 7,620</u> | | <u>\$1,072</u> | 14.1 % |

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, service revenue experienced double-digit percentage growth across all of our geographic segments. Worldwide technical support services revenue increased by 10%, and worldwide advanced services, which relates to consulting support services for specific network needs, experienced 20% revenue growth. Technical support services revenue grew across all of our geographic segments, with strong revenue growth in our EMEA and APJC segments. Renewals and technical support service contract initiations associated with recent product sales have resulted in a new installed base of equipment being serviced, which was the primary driver for these increases. Advanced services revenue also grew across all geographic segments, with particularly strong growth in APJC. The APJC revenue growth in advanced services was led by strength in the second half of fiscal 2012 and was driven by both subscription growth and transaction growth, which was in part the result of the completion of several large, multiyear projects in this region.

Fiscal 2011 Compared with Fiscal 2010

Net service revenue increased across all of our geographic segments, with APJC reporting strong revenue growth. Technical support services revenue increased 12%, and advanced services experienced 21% revenue growth. Technical support service revenue increased across all of our geographic segments, with particular strength in APJC. Growth in each of our Americas and EMEA segments also contributed to the overall technical support service revenue growth. We experienced revenue growth in advanced services across each of our geographic segments, with strong growth in our APJC and EMEA segments, followed by growth in our Americas segment. Total service revenue growth also benefited from a full year of service revenue attributable to our acquisitions of Tandberg and Starent during fiscal 2010.

Gross Margin

The following table presents the gross margin for products and services (in millions, except percentages):

| Years Ended | AMOUNT | | | PERCENTAGE | | |
|---------------|------------------|------------------|------------------|---------------|---------------|---------------|
| | July 28, 2012 | July 30, 2011 | July 31, 2010 | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Gross margin: | | | | | | |
| Product | \$ 21,821 | \$ 20,879 | \$ 20,800 | 60.1 % | 60.5 % | 64.2 % |
| Service | <u>6,388</u> | <u>5,657</u> | <u>4,843</u> | <u>65.6</u> % | <u>65.1</u> % | <u>63.6</u> % |
| Total | <u>\$ 28,209</u> | <u>\$ 26,536</u> | <u>\$ 25,643</u> | <u>61.2</u> % | <u>61.4</u> % | <u>64.0</u> % |

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Product Gross Margin

Fiscal 2012 Compared with Fiscal 2011

The following table summarizes the key factors that contributed to the change in product gross margin percentage from fiscal 2011 to fiscal 2012:

| | Product Gross Margin | |
|---|---------------------------------|-----------|
| | Percentage | |
| Fiscal 2011 | 60.5 | % |
| Sales discounts, rebates, and product pricing | (2.8) |)% |
| Mix of products sold | (0.6) |)% |
| Overall manufacturing costs | 1.7 | % |
| Restructuring and other charges | 0.5 | % |
| Shipment volume, net of certain variable costs | 0.5 | % |
| Amortization of purchased intangible assets | 0.3 | % |
| Fiscal 2012 | 60.1 | % |

In fiscal 2012, product gross margin decreased by 0.4 percentage points compared with fiscal 2011. The decrease was primarily due to the impact of higher sales discounts, rebates, and unfavorable product pricing, which were driven by normal market factors and by the geographic mix of net product sales. These factors impacted most of our customer markets and all of our geographic segments. Additionally, our product gross margin for fiscal 2012 was negatively impacted by the shift in the mix of products sold, primarily as a result of sales increases in our relatively lower margin Cisco Unified Computing System products and increased sales in other lower margin products. In fiscal 2012, we experienced a positive mix impact from the absence of the lower margin consumer related products due to our exit from the Flip Video camera product line in fiscal 2011. The negative impacts to product gross margin were partially offset by lower overall manufacturing costs, higher shipment volume, lower restructuring charges, the absence of significant impairment charges related to purchased intangible assets, and lower amortization expense in fiscal 2012. The lower overall manufacturing costs were in part due to increased benefits from our value engineering efforts, particularly in certain of our Switching products; favorable component pricing; and continued operational efficiency in manufacturing operations. Value engineering is the process by which production costs are reduced through component redesign, board configuration, test processes, and transformation processes.

Our future gross margins could be impacted by our product mix and by further growth in sales of products that have lower gross margins, such as Cisco Unified Computing System products. Our gross margins may also be impacted by the geographic mix of our revenue or, as was the case in fiscal 2012 and 2011, by increased sales discounts, rebates, and product pricing, which may be attributable to competitive factors. Additionally, our manufacturing-related costs may be negatively impacted by constraints in our supply chain. If any of the preceding factors that impact our gross margins are adversely affected in future periods, our product and service gross margins could continue to decline.

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Fiscal 2011 Compared with Fiscal 2010

The following table summarizes the key factors that contributed to the change in product gross margin percentage from fiscal 2010 to fiscal 2011:

| | Product Gross Margin Percentage |
|--|---------------------------------------|
| Fiscal 2010 | 64.2 % |
| Sales discounts, rebates, and product pricing | (2.9)% |
| Mix of products sold | (1.6)% |
| Amortization of purchased intangible assets | (0.6)% |
| Restructuring and other charges | (0.4)% |
| Overall manufacturing costs | 1.4 % |
| Shipment volume, net of certain variable costs | 0.4 % |
| Fiscal 2011 | <u>60.5 %</u> |

In fiscal 2011, product gross margin decreased by 3.7 percentage points. The decrease was primarily due to the impact of higher sales discounts, rebates, and unfavorable product pricing, which were driven by normal market factors and by the geographic mix of product revenue. These factors impacted most of our customer markets and all of our geographic segments. Additionally, our product gross margin was negatively impacted by the shift in the mix of products sold as a result of revenue declines in our higher margin switching products coupled with revenue increases from our lower margin Cisco Unified Computing System products. Higher year-over-year impairment charges related to acquisition-related intangible assets and higher restructuring and other charges, both primarily in the consumer business, also contributed to the decline in our product gross margin percentage. These negative factors were partially offset by lower overall manufacturing costs and by slightly higher shipment volume. The lower overall manufacturing costs were in part due to favorable component pricing, continued operational efficiency in manufacturing operations, and value engineering.

Service Gross Margin

Fiscal 2012 Compared with Fiscal 2011

Our service gross margin percentage increased by 0.5 percentage points for fiscal 2012, as compared with fiscal 2011. The increase was primarily due to higher sales volume for both technical support services and advanced services. The benefit to gross margin of increased volume was partially offset by increased headcount-related and partner delivery costs, and unfavorable mix. The mix impacts were due to our lower gross margin advanced services revenue contributing a higher proportion of service revenue for fiscal 2012, as compared with the prior year. Lower share-based compensation expense in fiscal 2012 as compared with fiscal 2011 also added to the increase in service gross margin.

For fiscal 2012, as compared with fiscal 2011, gross margin from technical support services was flat as the benefits from a 10% increase in revenue combined with lower supply chain costs were offset by higher headcount-related costs. For fiscal 2012, as compared with fiscal 2011, gross margin in advanced services increased primarily due to a 20% increase in revenue in fiscal 2012. Partially offsetting the volume benefit were higher delivery team costs which were, in part headcount related, and higher partner delivery costs. Our revenue from advanced services may increase to a higher proportion of total service revenue due to our continued focus on providing comprehensive support to our customers' networking devices, applications, and infrastructures.

Our service gross margin normally experiences some fluctuations due to various factors such as the timing of contract initiations in our renewals, our strategic investments in headcount, and the resources we deploy to support the overall service business. Other factors include the mix of service offerings, as the gross margin from our advanced services is typically lower than the gross margin from technical support services.

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Fiscal 2011 Compared with Fiscal 2010

Our service gross margin percentage increased by 1.5 percentage points for fiscal 2011, as compared with fiscal 2010, with both technical support services and advanced services experiencing higher gross margins. The increase was primarily due to higher sales volume. Partially offsetting the volume increases were unfavorable mix impacts, primarily due to advanced services representing a higher proportion of service revenue in fiscal 2011 and due to increased service delivery costs. Gross margin in technical support services increased primarily as a result of increased sales volume and lower headcount-related cost impacts. These benefits were partially offset by increased support service delivery costs, particularly from outside services. Advanced services gross margin increased primarily due to strong volume growth partially offset by higher delivery team costs, which were partially headcount related.

Gross Margin by Segment

The following table presents the total gross margin for each segment (in millions, except percentages):

| Years Ended | AMOUNT | | | PERCENTAGE | | | | | |
|--|---------------|---------------|---------------|---------------|---|---------------|---|---------------|---|
| | July 28, 2012 | July 30, 2011 | July 31, 2010 | July 28, 2012 | | July 30, 2011 | | July 31, 2010 | |
| Gross margin: | | | | | | | | | |
| Americas | \$ 16,639 | \$ 15,766 | \$ 15,042 | 62.8 | % | 63.0 | % | 64.5 | % |
| EMEA | 7,605 | 7,452 | 7,235 | 63.0 | % | 64.2 | % | 66.8 | % |
| APJC | 4,519 | 4,143 | 3,842 | 60.4 | % | 62.8 | % | 65.3 | % |
| Segment total | 28,763 | 27,361 | 26,119 | 62.4 | % | 63.3 | % | 65.2 | % |
| Unallocated corporate items ⁽¹⁾ | (554) | (825) | (476) | | | | | | |
| Total | \$ 28,209 | \$ 26,536 | \$ 25,643 | 61.2 | % | 61.4 | % | 64.0 | % |

⁽¹⁾ The unallocated corporate items include the effects of amortization and impairments of acquisition-related intangible assets, share-based compensation expense, and other asset impairments and restructuring. We do not allocate these items to the gross margin for each segment because management does not include such information in measuring the performance of the operating segments. The decrease in fiscal 2012 amounts is primarily due to the absence in fiscal 2012 of significant restructuring and acquisition-related intangible asset impairments that were recognized in fiscal 2011.

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, we experienced a gross margin percentage decline across all of our geographic segments as compared with fiscal 2011.

The Americas segment experienced a slight gross margin percentage decline with the impact of higher sales discounts, rebates and unfavorable pricing being substantially offset by higher volume, higher service gross margin, lower overall manufacturing and delivery costs, and favorable mix impacts. Significantly lower sales to the consumer market resulted in a positive gross margin mix impact to the Americas segment for fiscal 2012.

The gross margin percentage decline in our EMEA segment was primarily the result of unfavorable mix impacts; higher sales discounts, rebates and unfavorable pricing; and lower service gross margin due to increased headcount-related costs. These decreases were partially offset by lower overall manufacturing and delivery costs and increased volume in this segment.

The APJC segment experienced the largest gross margin percentage decline of all of our geographic segments due primarily to the impact of higher sales discounts, rebates and unfavorable pricing, lower service gross margin, and unfavorable mix impacts. These decreases were partially offset by increased volume and lower overall manufacturing and delivery costs.

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The gross margin percentage for a particular segment may fluctuate, and period-to-period changes in such percentages may or may not be indicative of a trend for that segment. Our product and service gross margins may be impacted by economic downturns or uncertain economic conditions as well as our movement into new market opportunities, and could decline if any of the factors that impact our gross margins are adversely affected in future periods.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, as compared with fiscal 2010, the gross margin percentage across all geographic segments declined primarily due to higher sales discounts, rebates, and unfavorable pricing, as well as due to a product mix shift. These declines were partially offset by the impacts from increased shipment volume and lower overall manufacturing costs across all geographic segments.

Factors That May Impact Net Sales and Gross Margin

Net product sales may continue to be affected by factors, including global economic downturns and related market uncertainty, that have resulted in reduced IT-related capital spending in our enterprise, service provider, public sector, and commercial markets; changes in the geopolitical environment and global economic conditions; competition, including price-focused competitors from Asia, especially from China; new product introductions; sales cycles and product implementation cycles; changes in the mix of our customers between service provider and enterprise markets; changes in the mix of direct sales and indirect sales; variations in sales channels; and final acceptance criteria of the product, system, or solution as specified by the customer. Sales to the service provider market have been and may be in the future characterized by large and sporadic purchases, especially relating to our router sales and sales of certain products within our Collaboration and Data Center product categories. In addition, service provider customers typically have longer implementation cycles; require a broader range of services, including network design services; and often have acceptance provisions that can lead to a delay in revenue recognition. Certain of our customers in certain emerging countries also tend to make large and sporadic purchases, and the net sales related to these transactions may similarly be affected by the timing of revenue recognition. As we focus on new market opportunities, customers may require greater levels of financing arrangements, service, and support, especially in certain emerging countries, which in turn may result in a delay in the timing of revenue recognition. To improve customer satisfaction, we continue to focus on managing our manufacturing lead-time performance, which may result in corresponding reductions in order backlog. A decline in backlog levels could result in more variability and less predictability in our quarter-to-quarter net sales and operating results.

Net product sales may also be adversely affected by fluctuations in demand for our products, especially with respect to telecommunications service providers and Internet businesses, whether or not driven by any slowdown in capital expenditures in the service provider market; price and product competition in the communications and information technology industry; introduction and market acceptance of new technologies and products; adoption of new networking standards; and financial difficulties experienced by our customers. We may, from time to time, experience manufacturing issues that create a delay in our suppliers' ability to provide specific components, resulting in delayed shipments. To the extent that manufacturing issues and any related component shortages result in delayed shipments in the future, and particularly in periods when we and our suppliers are operating at higher levels of capacity, it is possible that revenue for a quarter could be adversely affected if such matters are not remediated within the same quarter. For additional factors that may impact net product sales, see "Part I, Item 1A. Risk Factors."

Our distributors and retail partners participate in various cooperative marketing and other programs. Increased sales to our distributors and retail partners generally result in greater difficulty in forecasting the mix of our products and, to a certain degree, the timing of orders from our customers. We recognize revenue for sales to our distributors and retail partners generally based on a sell-through method using information provided by them, and we maintain estimated accruals and allowances for all cooperative marketing and other programs.

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Product gross margin may be adversely affected in the future by changes in the mix of products sold, including periods of increased growth of some of our lower margin products; introduction of new products, including products with price-performance advantages; our ability to reduce production costs; entry into new markets, including markets with different pricing structures and cost structures, as a result of internal development or through acquisitions; changes in distribution channels; price competition, including competitors from Asia, especially those from China; changes in geographic mix of our product sales; the timing of revenue recognition and revenue deferrals; sales discounts; increases in material or labor costs, including share-based compensation expense; excess inventory and obsolescence charges; warranty costs; changes in shipment volume; loss of cost savings due to changes in component pricing; effects of value engineering; inventory holding charges; and the extent to which we successfully execute on our strategy and operating plans. Additionally, our manufacturing-related costs may be negatively impacted by constraints in our supply chain. Service gross margin may be impacted by various factors such as the change in mix between technical support services and advanced services; the timing of technical support service contract initiations and renewals; share-based compensation expense; and the timing of our strategic investments in headcount and resources to support this business.

Research and Development (“R&D”), Sales and Marketing, and General and Administrative (“G&A”) Expenses

R&D, sales and marketing, and G&A expenses are summarized in the following table (in millions, except percentages):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance in Dollars | Variance in Percent | July 30, 2011 | July 31, 2010 | Variance in Dollars | Variance in Percent |
|--------------------------------|---------------|---------------|------------------------|------------------------|---------------|---------------|------------------------|------------------------|
| Research and development | \$ 5,488 | \$ 5,823 | \$ (335) | (5.8)% | \$ 5,823 | \$ 5,273 | \$ 550 | 10.4 % |
| <i>Percentage of net sales</i> | <i>11.9 %</i> | <i>13.5 %</i> | | | <i>13.5 %</i> | <i>13.2 %</i> | | |
| Sales and marketing | \$ 9,647 | \$ 9,812 | \$ (165) | (1.7)% | \$ 9,812 | \$ 8,782 | \$ 1,030 | 11.7 % |
| <i>Percentage of net sales</i> | <i>20.9 %</i> | <i>22.7 %</i> | | | <i>22.7 %</i> | <i>21.9 %</i> | | |
| General and administrative | \$ 2,322 | \$ 1,908 | \$ 414 | 21.7 % | \$ 1,908 | \$ 1,933 | \$ (25) | (1.3)% |
| <i>Percentage of net sales</i> | <i>5.0 %</i> | <i>4.4 %</i> | | | <i>4.4 %</i> | <i>4.8 %</i> | | |
| Total | \$ 17,457 | \$ 17,543 | \$ (86) | (0.5)% | \$ 17,543 | \$ 15,988 | \$ 1,555 | 9.7 % |
| <i>Percentage of net sales</i> | <i>37.9 %</i> | <i>40.6 %</i> | | | <i>40.6 %</i> | <i>39.9 %</i> | | |

Fiscal 2010 had an extra week compared with fiscal 2011. We estimate that the extra week contributed approximately \$150 million of additional research and development, sales and marketing, and general and administrative expense in fiscal 2010.

R&D Expenses

Fiscal 2012 Compared with Fiscal 2011

The decrease in R&D expenses for fiscal 2012, as compared with fiscal 2011, was primarily due to lower headcount-related expenses resulting from our restructuring actions initiated in the fourth quarter of fiscal 2011 and lower share-based compensation expense. Additionally, R&D expenses declined due to lower acquisition-related expenses, which was driven by the absence in fiscal 2012 of certain compensation payments that were paid in the prior year.

We continue to invest in R&D in order to bring a broad range of products to market in a timely fashion. If we believe that we are unable to enter a particular market in a timely manner with internally developed products, we may purchase or license technology from other businesses, or we may partner with or acquire businesses as an alternative to internal R&D.

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Fiscal 2011 Compared with Fiscal 2010

The increase in R&D expenses for fiscal 2011, as compared with fiscal 2010, was primarily due to higher headcount-related expenses, higher contracted services, and increased depreciation and equipment expenditures. The increase in depreciation expense was partially acquisition related.

Sales and Marketing Expenses

Fiscal 2012 Compared with Fiscal 2011

For fiscal 2012, as compared with fiscal 2011, sales and marketing expenses decreased by \$165 million. Marketing expenses decreased by \$204 million, which were partially offset by an increase of \$39 million in sales expenses. The decrease in marketing expenses for the period was due to lower advertisement expenses, lower headcount-related expenses, and lower share-based compensation expense. The increase in sales expenses was due primarily to higher project related services, partially offset by lower headcount-related expenses and lower share-based compensation expense. The decline in headcount related expenses for both sales and marketing was in part attributable to our restructuring actions initiated in the fourth quarter of fiscal 2011.

Fiscal 2011 Compared with Fiscal 2010

Sales and marketing expenses for fiscal 2011 increased compared with fiscal 2010 due to an increase of \$851 million in sales expenses and an increase of \$179 million in marketing expenses. Both the sales expense and the marketing expense components of the category increased for fiscal 2011 due to higher headcount-related expenses, as well as higher outside services costs, higher depreciation expense, and increased share-based compensation expense. Additionally, marketing expenses for fiscal 2011 increased due to higher advertisement expenses.

G&A Expenses

Fiscal 2012 Compared with Fiscal 2011

G&A expenses increased in fiscal 2012, as compared with fiscal 2011, primarily due to a net increase of approximately \$300 million in real estate charges primarily for impairments on real estate held for sale, followed by other increased corporate-level expenses. The increase in real estate charges in fiscal 2012 was primarily due to charges of \$202 million recorded in the fourth quarter of fiscal 2012. These increased corporate-level expenses, which tend to vary from period to period, include increases related to our operational infrastructure such as real estate; IT project implementations, which include further investments in our global data center infrastructure, and investments related to operational and financial systems.

Partially offsetting these increases were lower share-based compensation expense, and lower headcount-related expenses due to the restructuring actions initiated in the fourth quarter of fiscal 2011.

Fiscal 2011 Compared with Fiscal 2010

The decrease in G&A expenses in fiscal 2011, as compared with fiscal 2010, was due to lower real estate charges in fiscal 2011 and the absence of non-income tax-related expenses (such as fees and licenses), which were included in fiscal 2010. Partially offsetting these items were higher headcount-related expenses, higher outside services costs for operational support areas, and increased equipment, depreciation, and rent expenses.

Effect of Foreign Currency

In fiscal 2012, foreign currency fluctuations, net of hedging, increased the combined R&D, sales and marketing, and G&A expenses by \$90 million, or approximately 0.5%, compared with fiscal 2011. In fiscal 2011, foreign currency fluctuations, net of hedging, increased the combined R&D, sales and marketing, and G&A expenses by \$53 million, or approximately 0.3%, compared with fiscal 2010.

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Headcount

Fiscal 2012 Compared with Fiscal 2011

Our headcount decreased by 5,186 employees in fiscal 2012. The decrease was attributable to headcount reductions from the completion of the sale of our Juarez, Mexico manufacturing operations and from our restructuring actions initiated in July 2011. Partially offsetting these declines in headcount were headcount increases due to the growth of our service business and targeted hiring in engineering, which includes the hiring of recent university graduates.

Fiscal 2011 Compared with Fiscal 2010

For fiscal 2011, our headcount increased by 1,111 employees, the increase being attributable to targeted hiring as part of our investment in growth initiatives, partially offset by the impacts of our voluntary early retirement program and our restructuring activities, which began to reduce our headcount in late fiscal 2011.

Share-Based Compensation Expense

The following table presents share-based compensation expense (in millions):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|--------------------|--------------------------|--------------------------|--------------------------|
| Cost of sales–product | | <u>\$53</u> | <u>\$61</u> | <u>\$57</u> |
| Cost of sales–service | | <u>156</u> | <u>177</u> | <u>164</u> |
| Share-based compensation expense in cost of sales | | <u>209</u> | <u>238</u> | <u>221</u> |
| Research and development | | <u>401</u> | <u>481</u> | <u>450</u> |
| Sales and marketing | | <u>588</u> | <u>651</u> | <u>602</u> |
| General and administrative | | <u>203</u> | <u>250</u> | <u>244</u> |
| Share-based compensation expense in operating expenses | | <u>1,192</u> | <u>1,382</u> | <u>1,296</u> |
| Total share-based compensation expense | | <u>\$1,401</u> | <u>\$1,620</u> | <u>\$1,517</u> |

The year-over-year decrease in share-based compensation expense for fiscal 2012, as compared with fiscal 2011, was due primarily to a decrease in the aggregate value of share-based awards granted in recent periods, the timing of the annual grants to employees in fiscal 2012, and stock options awards from prior years becoming fully amortized and replaced with restricted stock units with a lower aggregate value. See Note 14 to the Consolidated Financial Statements.

The increase in share-based compensation expense for fiscal 2011, as compared with fiscal 2010, was due primarily to a change in vesting periods from five to four years for awards granted beginning in fiscal 2009, the timing of annual employee grants, and the overall growth in headcount and number of share-based awards granted on a year-over-year basis.

Amortization of Purchased Intangible Assets

The following table presents the amortization of purchased intangible assets included in operating expenses (in millions):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|--------------------|----------------------|----------------------|----------------------|
| Amortization of purchased intangible assets included in operating expenses | | <u>\$ 383</u> | <u>\$ 520</u> | <u>\$ 491</u> |

The decrease in amortization of purchased intangible assets for fiscal 2012, compared with fiscal 2011, was primarily due to the absence of significant impairment charges during fiscal 2012 and also due to certain purchased intangible assets having become fully amortized or impaired in fiscal 2011. For fiscal 2011, as

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compared with fiscal 2010, the increase in the amortization of purchased intangible assets was due to impairment charges included in operating expenses of \$92 million, partially offset by lower amortization due to certain purchased intangible assets having become fully amortized. The impairment charges in fiscal 2011 were primarily due to declines in estimated fair value as a result of reductions in expected future cash flows associated with certain of our consumer products. For additional information regarding purchased intangible assets, see Note 4 to the Consolidated Financial Statements.

The fair value of acquired technology and patents, as well as acquired technology under development, is determined at acquisition date primarily using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations are typically derived from a weighted-average cost of capital analysis and then adjusted to reflect risks inherent in the development lifecycle as appropriate. We consider the pricing model for products related to these acquisitions to be standard within the high-technology communications industry, and the applicable discount rates represent the rates that market participants would use for valuation of such intangible assets.

Restructuring and Other Charges

In fiscal 2012, we incurred within operating expenses net restructuring and other charges of approximately \$304 million, consisting of \$250 million of employee severance charges for employees subject to our workforce reduction and \$54 million of other restructuring charges.

In fiscal 2011, we incurred within operating expenses restructuring charges of \$799 million. These charges included \$453 million related to a voluntary early retirement program for eligible employees in the United States and Canada; \$247 million related to employee severance for other employees subject to our reduction of our work force; and \$71 million related to the impairment of goodwill and intangible assets, primarily as a result of the sale of our Juarez, Mexico manufacturing operations. We also recorded charges within operating expenses of \$28 million related to the consolidation of excess facilities and other activities.

Operating Income

The following table presents our operating income and our operating income as percentage of revenue (in millions, except percentages):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Operating income | \$ 10,065 | \$ 7,674 | \$ 9,164 |
| Operating income as a percentage of revenue | 21.9 % | 17.8 % | 22.9 % |

In fiscal 2012, as compared with fiscal 2011, our results reflect solid execution on delivering profitable growth, as we grew operating income faster than revenue. Operating income increased by 31%, as a percentage of revenue operating income increased by 4.1 percentage points. The increase resulted from: revenue growth of 7%; effective expense management that resulted in lower total R&D, sales and marketing, and G&A expenses as a percentage of revenue; lower amortization of purchased intangible assets; lower restructuring and other charges; and lower share-based compensation expense.

In fiscal 2011, as compared with fiscal 2010, operating income as a percentage of revenue decreased by 5.1 percentage points. The decrease was primarily the result of the following: a 2.6 percentage point decrease in gross margin; higher total R&D, sales and marketing, and G&A expenses as a percentage of revenue; and restructuring and other charges of \$799 million.

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Interest and Other Income, Net

Interest Income (Expense), Net The following table summarizes interest income and interest expense (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance | | Variance | |
|-----------------------------------|---------------|---------------|------------|---------------|---------------|------------|
| | | | in Dollars | July 30, 2011 | July 31, 2010 | in Dollars |
| Interest income | \$ 650 | \$ 641 | \$ 9 | \$ 641 | \$ 635 | \$ 6 |
| Interest expense | (596) | (628) | 32 | (628) | (623) | (5) |
| Interest income (expense), net | \$ 54 | \$ 13 | \$ 41 | \$ 13 | \$ 12 | \$ 1 |

Fiscal 2012 Compared with Fiscal 2011

Interest income increased slightly in fiscal 2012 as compared with fiscal 2011. The slight increase was due to increased income from financing receivables, partially offset by the effect of lower average interest rates on our portfolio of cash, cash equivalents, and fixed income investments. The decrease in interest expense in fiscal 2012, as compared with fiscal 2011, was attributable to the effect of lower average interest rates on our debt due to favorable hedging impacts.

Fiscal 2011 Compared with Fiscal 2010

Interest income increased slightly in fiscal 2011 due to increased income from financing receivables, partially offset by the effect of lower average interest rates on our portfolio of cash, cash equivalents, and fixed income investments. The increase in interest expense in fiscal 2011, as compared with fiscal 2010, was due to higher average debt balances during fiscal 2011 attributable to our senior debt issuance in March 2011. Partially offsetting the impact of higher average debt balances during fiscal 2011 is the effect of lower average interest rates on our debt during fiscal 2011.

Other Income, Net The components of other income, net, are summarized as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | Variance | | Variance | |
|--------------------------------------|---------------|---------------|------------|---------------|---------------|------------|
| | | | in Dollars | July 30, 2011 | July 31, 2010 | in Dollars |
| Gains (losses) on investments, net: | | | | | | |
| Publicly traded equity securities | \$ 43 | \$ 88 | \$ (45) | \$ 88 | \$ 66 | \$ 22 |
| Fixed income securities | 58 | 91 | (33) | 91 | 103 | (12) |
| Total available-for-sale investments | 101 | 179 | (78) | 179 | 169 | 10 |
| Privately held companies | (70) | 34 | (104) | 34 | 54 | (20) |
| Net gains on investments | 31 | 213 | (182) | 213 | 223 | (10) |
| Other gains (losses), net | 9 | (75) | 84 | (75) | 16 | (91) |
| Other income, net | \$ 40 | \$ 138 | \$ (98) | \$ 138 | \$ 239 | \$ (101) |

Fiscal 2012 Compared with Fiscal 2011

The decrease in total net gains on available-for-sale investments in fiscal 2012 compared with fiscal 2011 was attributable to lower gains on fixed income and publicly traded equity securities in fiscal 2012 as a result of market conditions and the timing of sales of these securities. See Note 8 to the Consolidated Financial Statements for the unrealized gains and losses on investments. For fiscal 2012 as compared with fiscal 2011, the change in net (losses) gains on investments in privately held companies was primarily due to equity method losses related to our proportional share of losses from our VCE joint venture increasing by \$84 million for fiscal 2012. The change in other gains and (losses), net for fiscal 2012 as compared with fiscal 2011, was primarily due to more favorable foreign exchange impacts in fiscal 2012.

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Fiscal 2011 Compared with Fiscal 2010

The increase in total net gains on available-for-sale investments in fiscal 2011 compared with fiscal 2010 was primarily attributable to higher gains on publicly traded equity securities, partially offset by lower gains on fixed income securities in fiscal 2011. These changes were the result of market conditions and the timing of sales of these securities. For fiscal 2011 as compared with fiscal 2010, the decline in net gains on investments in privately held companies was due to lower net equity method gains and lower gains on sales. The decline was partially offset by lower impairment charges on investments in privately held companies. Impairment charges on investments in privately held companies were \$10 million and \$25 million for fiscal 2011 and 2010, respectively. The change in other gains and (losses), net for fiscal 2011 as compared with fiscal 2010, was primarily due to fiscal 2011 experiencing lower gains from customer lease terminations, higher donations expense, and unfavorable foreign exchange impacts.

Provision for Income Taxes

Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates. Our provision for income taxes does not include provisions for U.S. income taxes and foreign withholding taxes associated with the repatriation of undistributed earnings of certain foreign subsidiaries that we intend to reinvest indefinitely in our foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Further, as a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries is subject to reduced tax rates and in some cases is wholly exempt from tax. Our failure to meet these commitments could adversely impact our provision for income taxes.

Fiscal 2012 Compared with Fiscal 2011

The provision for income taxes resulted in an effective tax rate of 20.8% for fiscal 2012, compared with 17.1% for fiscal 2011. The net 3.7 percentage point increase in the effective tax rate between fiscal years was attributable to a smaller proportion of net income which was subject to foreign income tax rates that are lower than the U.S. federal statutory rate of 35% and the expiration of the U.S. federal R&D tax credit on December 31, 2011, partially offset by other items including a reduction in state taxes.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and for further explanation of our provision for income taxes, see Note 15 to the Consolidated Financial Statements.

Fiscal 2011 Compared with Fiscal 2010

The provision for income taxes resulted in an effective tax rate of 17.1% for fiscal 2011, compared with 17.5% for fiscal 2010. During fiscal 2010, the U.S. Court of Appeals for the Ninth Circuit (the "Ninth Circuit") withdrew its prior holding and reaffirmed the 2005 U.S. Tax Court ruling in *Xilinx, Inc. v. Commissioner*. The net 0.4 percentage point decrease in the effective tax rate between fiscal years was attributable to the absence in fiscal 2011 of this tax benefit of \$158 million, or 1.7 percentage points, offset by other items including the tax benefit of \$188 million, or 2.5 percentage points, related to the retroactive reinstatement of the U.S. federal R&D credit.

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LIQUIDITY AND CAPITAL RESOURCES

The following sections discuss the effects of changes in our balance sheet, contractual obligations, other commitments, and the stock repurchase program on our liquidity and capital resources.

Balance Sheet and Cash Flows

Cash and Cash Equivalents and Investments The following table summarizes our cash and cash equivalents and investments (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>Increase</u> |
|-----------------------------------|----------------------|----------------------|-----------------|
| Cash and cash equivalents | <u>\$ 9,799</u> | <u>\$ 7,662</u> | <u>\$2,137</u> |
| Fixed income securities | <u>37,297</u> | <u>35,562</u> | <u>1,735</u> |
| Publicly traded equity securities | <u>1,620</u> | <u>1,361</u> | <u>259</u> |
| Total | <u>\$ 48,716</u> | <u>\$ 44,585</u> | <u>\$4,131</u> |

The increase in cash and cash equivalents and investments was primarily the result of cash provided by operations of \$11.5 billion, an increase from \$10.1 billion in fiscal 2011. Significant uses of cash in fiscal 2012 included the repurchase of common stock (net of the issuance of common stock related to employee stock incentive plans) of \$3.4 billion, cash dividends paid of \$1.5 billion, capital expenditures of \$1.1 billion, and the pay-down of short-term debt of \$557 million.

The increase in cash provided by operating activities in fiscal 2012 as compared with fiscal 2011 was primarily the result of an increase in net income and a smaller increase in financing receivables in fiscal 2012.

Our total in cash and cash equivalents and investments held by various foreign subsidiaries was \$42.5 billion and \$39.8 billion as of July 28, 2012 and July 30, 2011, respectively. Under current tax laws and regulations, if cash and cash equivalents and investments held outside the United States were to be distributed to the United States in the form of dividends or otherwise, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. The balance available in the United States as of July 28, 2012 and July 30, 2011 was \$6.2 billion and \$4.8 billion, respectively. On July 30, 2012, subsequent to year end, we completed our acquisition of NDS Group Limited, which reduced our current balance of cash and cash equivalents and investments held by various foreign subsidiaries by approximately \$5.0 billion. See Note 3 to the Consolidated Financial Statements.

We maintain an investment portfolio of various holdings, types, and maturities. We classify our investments as short-term investments based on their nature and their availability for use in current operations. We believe the overall credit quality of our portfolio is strong, with our cash equivalents and our fixed income investment portfolio consisting primarily of high quality investment-grade securities. We believe that our strong cash and cash equivalents and investments position allows us to use our cash resources for strategic investments to gain access to new technologies, for acquisitions, for customer financing activities, for working capital needs, and for the repurchase of shares of common stock and payment of dividends.

We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, the rate at which products are shipped during the quarter (which we refer to as shipment linearity), the timing and collection of accounts receivable and financing receivables, inventory and supply chain management, deferred revenue, excess tax benefits resulting from share-based compensation, and the timing and amount of tax and other payments. For additional discussion, see "Part I, Item 1A. Risk Factors" in this report.

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Accounts Receivable, Net The following table summarizes our accounts receivable, net (in millions), and DSO:

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>Decrease</u> |
|--------------------------|----------------------|----------------------|-----------------|
| Accounts receivable, net | \$ 4,369 | \$ 4,698 | \$(329) |
| DSO | 34 | 38 | (4) |

Our accounts receivable net, as of July 28, 2012 decreased by approximately 7% compared with the end of fiscal 2011. Our DSO as of July 28, 2012 was lower by 4 days compared with the end of fiscal 2011. The decrease in DSO was due to an improvement in shipment linearity during the fourth quarter of fiscal 2012, compared with the fourth quarter of fiscal 2011.

Services billings have traditionally had the effect of increasing DSO due in part to the timing of billings, which in comparison to product billings, have a larger proportion billed in the latter part of the quarter. Given various factors such as our business mix, linearity, and the growth of our service business, going forward we expect DSO to continue to be in the range of 30 to 40 days.

Inventory Supply Chain The following table summarizes our inventories and purchase commitments with contract manufacturers and suppliers (in millions, except annualized inventory turns):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>Increase (Decrease)</u> |
|--|----------------------|----------------------|--------------------------------|
| Inventories | \$ 1,663 | \$ 1,486 | \$ 177 |
| Annualized inventory turns | 11.7 | 11.8 | (0.1) |
| Purchase commitments with contract manufacturers and suppliers | \$ 3,869 | \$ 4,313 | \$(444) |

Inventory as of July 28, 2012 increased by 12% from our inventory balance at the end of fiscal 2011, and for the same period purchase commitments with contract manufacturers and suppliers declined by approximately 10%. On a combined basis, inventories and purchase commitments with contract manufacturers and suppliers decreased by 5% compared with the end of fiscal 2011.

The inventory increase was due to higher levels of manufactured finished goods in support of current order activity. The decline in purchase commitments in fiscal 2012, as compared to fiscal 2011, was due to the increased commitments we made in fiscal 2011 to secure our near-term supply needs as a result of supply constraints resulting from the earthquake in Japan. We believe our inventory and purchase commitments levels are in line with our current demand forecasts.

Our finished goods consist of distributor inventory and deferred cost of sales and manufactured finished goods. Distributor inventory and deferred cost of sales are related to unrecognized revenue on shipments to distributors and retail partners as well as shipments to customers. Manufactured finished goods consist primarily of build-to-order and build-to-stock products.

We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements and our commitment to securing manufacturing capacity. A significant portion of our reported purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. Our purchase commitments are for short-term product manufacturing requirements as well as for commitments to suppliers to secure manufacturing capacity.

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We record a liability, included in other current liabilities, for firm, noncancelable, and unconditional purchase commitments for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. The purchase commitments for inventory are expected to be primarily fulfilled within one year.

Inventory and supply chain management remain areas of focus as we balance the need to maintain supply chain flexibility to help ensure competitive lead times with the risk of inventory obsolescence because of rapidly changing technology and customer requirements. We believe the amount of our inventory and purchase commitments is appropriate for our revenue levels.

Financing Receivables and Guarantees We measure our net balance sheet exposure position related to our financing receivables and financing guarantees by reducing the total of gross financing receivables and financing guarantees by the associated allowances for credit loss and deferred revenue. As of July 28, 2012, our net balance sheet exposure position related to financing receivables and financing guarantees was as follows (in millions):

| | FINANCING RECEIVABLES | | | | FINANCING GUARANTEES | | | |
|-----------------------------------|-----------------------|---------------------|---|----------------|----------------------|-----------------------|--------------|----------------|
| | Lease Receivables | Loan Receivables | Financed Service Contracts and Other | Total | Channel Partner | End-User Customers | Total | TOTAL |
| | | | | | | | | |
| Gross amount less unearned income | \$ 3,179 | \$ 1,796 | \$2,651 | \$7,626 | \$277 | \$ 232 | \$509 | \$8,135 |
| Allowance for credit loss | (247) | (122) | (11) | (380) | - | - | - | (380) |
| Deferred revenue | (71) | (98) | (1,838) | (2,007) | (193) | (200) | (393) | (2,400) |
| Net balance sheet exposure | <u>\$ 2,861</u> | <u>\$ 1,576</u> | <u>\$802</u> | <u>\$5,239</u> | <u>\$84</u> | <u>\$ 32</u> | <u>\$116</u> | <u>\$5,355</u> |

Financing Receivables Gross financing receivables less unearned income increased by 9% compared with the end of fiscal 2011. The change was primarily due to a 22% increase in loan receivables and an 11% increase in lease receivables. Gross financed service contracts and other increased by 1% compared with the end of fiscal 2011. We provide financing to certain end-user customers and channel partners to enable sales of our products, services, and networking solutions. These financing arrangements include leases, financed service contracts, and loans. Arrangements related to leases are generally collateralized by a security interest in the underlying assets. Lease receivables include sales-type and direct-financing leases. We also provide certain qualified customers financing for long-term service contracts, which primarily relate to technical support services and advanced services. Our loan financing arrangements may include not only financing the acquisition of our products and services but also providing additional funds for other costs associated with network installation and integration of our products and services. We expect to continue to expand the use of our financing programs in the near term.

Financing Guarantees In the normal course of business, third parties may provide financing arrangements to our customers and channel partners under financing programs. The financing arrangements to customers provided by third parties are related to leases and loans and typically have terms of up to three years. In some cases, we provide guarantees to third parties for these lease and loan arrangements. The financing arrangements to channel partners consist of revolving short-term financing provided by third parties, generally with payment terms ranging from 60 to 90 days. In certain instances, these financing arrangements result in a transfer of our receivables to the third party. The receivables are de-recognized upon transfer, as these transfers qualify as true sales, and we receive payments for the receivables from the third party based on our standard payment terms. These financing arrangements facilitate the working capital requirements of the channel partners, and in some cases, we guarantee a portion of these arrangements. We could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners or end-user customers. Historically, our payments under these arrangements have been immaterial. Where we provide a guarantee, we defer the revenue associated with the channel partner and end-user financing arrangement in accordance with revenue recognition policies, or we record a liability for the fair value of the guarantees. In either case, the deferred revenue is recognized as revenue when the guarantee is removed.

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Deferred Revenue Related to Financing Receivables and Guarantees The majority of the deferred revenue in the preceding table is related to financed service contracts. The majority of the revenue related to financed service contracts, which primarily relates to technical support services, is deferred as the revenue related to financed service contracts is recognized ratably over the period during which the related services are to be performed. A portion of the revenue related to lease and loan receivables is also deferred and included in deferred product revenue based on revenue recognition criteria not currently having been met.

Borrowings

Senior Notes The following table summarizes the principal amount of our senior notes (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|-----------------------------------|----------------------|----------------------|
| Senior notes: | | |
| Floating-rate notes, due 2014 | \$ 1,250 | \$ 1,250 |
| 1.625% fixed-rate notes, due 2014 | 2,000 | 2,000 |
| 2.90% fixed-rate notes, due 2014 | 500 | 500 |
| 5.50% fixed-rate notes, due 2016 | 3,000 | 3,000 |
| 3.15% fixed-rate notes, due 2017 | 750 | 750 |
| 4.95% fixed-rate notes, due 2019 | 2,000 | 2,000 |
| 4.45% fixed-rate notes, due 2020 | 2,500 | 2,500 |
| 5.90% fixed-rate notes, due 2039 | 2,000 | 2,000 |
| 5.50% fixed-rate notes, due 2040 | 2,000 | 2,000 |
| Total | <u>\$ 16,000</u> | <u>\$ 16,000</u> |

Interest is payable semiannually on each class of the senior fixed-rate notes, each of which is redeemable by us at any time, subject to a make-whole premium. Interest is payable quarterly on the floating-rate notes. We were in compliance with all debt covenants as of July 28, 2012.

Commercial Paper In fiscal 2011 we established a short-term debt financing program of up to \$3.0 billion through the issuance of commercial paper notes. As of July 28, 2012, we had no commercial paper outstanding under this program. As of July 30, 2011, we had commercial paper notes of \$500 million outstanding under this program.

Other Notes and Borrowings Other notes and borrowings include notes and credit facilities with a number of financial institutions that are available to certain of our foreign subsidiaries. The amount of borrowings outstanding under these arrangements was \$31 million and \$88 million as of July 28, 2012 and July 30, 2011, respectively.

Credit Facility On February 17, 2012, we terminated our then-existing credit facility and entered into a credit agreement with certain institutional lenders that provides for a \$3.0 billion unsecured revolving credit facility that is scheduled to expire on February 17, 2017. Any advances under the credit agreement will accrue interest at rates that are equal to, based on certain conditions, either (i) the higher of the Federal Funds rate plus 0.50%, Bank of America's "prime rate" as announced from time to time or one-month LIBOR plus 1.00%, or (ii) LIBOR plus a margin that is based on our senior debt credit ratings as published by Standard & Poor's Financial Services, LLC and Moody's Investors Service, Inc. The credit agreement requires that we comply with certain covenants, including that we maintain an interest coverage ratio as defined in the agreement. As of July 28, 2012, we were in compliance with the required interest coverage ratio and the other covenants and we had not borrowed any funds under the credit facility.

We may also, upon the agreement of either the then-existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional \$2.0 billion and/or extend the expiration date of the credit facility up to February 17, 2019.

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Deferred Revenue The following table presents the breakdown of deferred revenue (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | Increase (Decrease) |
|--------------|-------------------------|----------------------|------------------------|
| Service | \$ 9,173 | \$ 8,521 | \$ 652 |
| Product | 3,707 | 3,686 | 21 |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> | <u>\$ 673</u> |
| Reported as: | | | |
| Current | \$ 8,852 | \$ 8,025 | \$ 827 |
| Noncurrent | 4,028 | 4,182 | (154) |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> | <u>\$ 673</u> |

The 8% increase in deferred service revenue in fiscal 2012 reflects the impact of new contract initiations and renewals, partially offset by the ongoing amortization of deferred service revenue. The slight increase in deferred product revenue was due to increased deferrals related to subscription revenue arrangements and, to a lesser extent, higher two-tier deferred revenue which was due to improved shipment linearity to two-tier partners during the fourth quarter of fiscal 2012. This increase was partially offset by decreased deferred revenue related to our financing arrangements.

Contractual Obligations

The impact of contractual obligations on our liquidity and capital resources in future periods should be analyzed in conjunction with the factors that impact our cash flows from operations discussed previously. In addition, we plan for and measure our liquidity and capital resources through an annual budgeting process. The following table summarizes our contractual obligations at July 28, 2012 (in millions):

| | <u>July 28, 2012</u> | <u>PAYMENTS DUE BY PERIOD</u> | | | |
|--|----------------------|-------------------------------|-----------------------------|-------------------------|-------------------------|
| | | <u>Total</u> | <u>Less than 1 Year</u> | <u>1 to 3 Years</u> | <u>3 to 5 Years</u> |
| Operating leases | \$1,139 | \$328 | \$442 | \$167 | \$202 |
| Purchase commitments with contract manufacturers and suppliers | 3,869 | 3,869 | – | – | – |
| Other purchase obligations | 1,460 | 501 | 808 | 151 | – |
| Long-term debt | 16,010 | – | 3,760 | 3,750 | 8,500 |
| Other long-term liabilities | 425 | – | 88 | 40 | 297 |
| Total by period | <u>\$22,903</u> | <u>\$4,698</u> | <u>\$5,098</u> | <u>\$4,108</u> | <u>\$8,999</u> |
| Other long-term liabilities (uncertainty in the timing of future payments) | <u>1,977</u> | | | | |
| Total | <u>\$24,880</u> | | | | |

Operating Leases For more information on our operating leases, see Note 12 to the Consolidated Financial Statements.

Purchase Commitments with Contract Manufacturers and Suppliers We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. A significant portion of our reported estimated purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. We record a liability for firm, noncancelable, and unconditional purchase commitments for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. See further discussion in “Inventory Supply Chain.” As of July 28, 2012, the liability for these purchase commitments was \$193 million and is recorded in other current liabilities and is not included in the preceding table.

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Other Purchase Obligations Other purchase obligations represent an estimate of all contractual obligations in the ordinary course of business, other than operating leases and commitments with contract manufacturers and suppliers, for which we have not received the goods or services. Purchase orders are not included in the preceding table as they typically represent our authorization to purchase rather than binding contractual purchase obligations.

Long-Term Debt The amount of long-term debt in the preceding table represents the principal amount of the respective debt instruments. See Note 10 to the Consolidated Financial Statements.

Other Long-Term Liabilities Other long-term liabilities primarily include noncurrent income taxes payable, accrued liabilities for deferred compensation, noncurrent deferred tax liabilities, and certain other long-term liabilities. Due to the uncertainty in the timing of future payments, our noncurrent income taxes payable of approximately \$1.8 billion and noncurrent deferred tax liabilities of \$133 million were presented as one aggregated amount in the total column on a separate line in the preceding table. Noncurrent income taxes payable include uncertain tax positions (see Note 15 to the Consolidated Financial Statements) partially offset by payments.

Other Commitments

In connection with our business combinations and asset purchases, we have agreed to pay certain additional amounts contingent upon the achievement of agreed-upon technology, development, product, or other milestones or continued employment with us of certain employees of acquired entities. See Note 12 to the Consolidated Financial Statements.

We also have certain funding commitments primarily related to our investments in privately held companies and venture funds, some of which are based on the achievement of certain agreed-upon milestones, and some of which are required to be funded on demand. The funding commitments were \$120 million as of July 28, 2012, compared with \$192 million as of July 30, 2011.

Insieme Networks, Inc. In the third quarter of fiscal 2012, we made an investment in Insieme Networks, Inc. (“Insieme”), an early-stage company focused on research and development in the data center market. This investment includes \$100 million of funding and a license to certain of our technology. As a result of this investment, we own approximately 86% of Insieme and have consolidated the results of Insieme in our Consolidated Financial Statements beginning in the third quarter of fiscal 2012.

In connection with this investment, Insieme and we have entered into a put/call option agreement that provides us with the right to purchase the remaining interests in Insieme. In addition, the noncontrolling interest holders can require us to purchase their shares upon the occurrence of certain events. If we acquire the remaining interests of Insieme, the noncontrolling interest holders are eligible to receive two milestone payments, which will be determined using agreed-upon formulas based on revenue for certain of Insieme’s products. We will begin recognizing the amounts due under the milestone payments when it is determined that such payments are probable of being earned, which we expect may be in fiscal 2014. When such a determination is made, the milestone payments will then be recorded as compensation expense by us based on an estimate of the fair value of the amounts probable of being earned, pursuant to a vesting schedule. Subsequent changes to the fair value of the amounts probable of being earned and the continued vesting will result in adjustments to the recorded compensation expense. The maximum amount that could be recorded as compensation expense by us is approximately \$750 million. The milestone payments, if earned, are expected to be paid primarily during fiscal 2016 and fiscal 2017.

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Off-Balance Sheet Arrangements

We consider our investments in unconsolidated variable interest entities to be off-balance sheet arrangements. In the ordinary course of business, we have investments in privately held companies and provide financing to certain customers. These privately held companies and customers may be considered to be variable interest entities. We evaluate on an ongoing basis our investments in these privately held companies and customer financings and we have determined that as of July 28, 2012 there were no material unconsolidated variable interest entities.

VCE is a joint venture that we formed in fiscal 2010 with EMC Corporation (“EMC”), with investments from VMware, Inc. (“VMware”) and Intel Corporation. VCE helps organizations leverage best-in-class technologies and disciplines from Cisco, EMC, and VMware to enable the transformation to cloud computing. As of July 28, 2012, our cumulative gross investment in VCE was approximately \$392 million, inclusive of accrued interest, and our ownership percentage was approximately 35%. During fiscal 2012, we invested approximately \$276 million in VCE. We account for our investment in VCE under the equity method and our portion of VCE’s net loss is recognized in other income, net. As of July 28, 2012, we have recorded cumulative losses since inception from VCE of \$239 million. Our carrying value in VCE as of July 28, 2012 was \$153 million. Over the next 12 months, as VCE scales its operations, we expect that we will make additional investments in VCE and may incur additional losses proportionate with our share ownership.

From time to time, EMC and Cisco may enter into guarantee agreements on behalf of VCE to indemnify third parties, such as customers, for monetary damages. Such guarantees were not material as of July 28, 2012.

On an ongoing basis, we reassess our investments in privately held companies and customer financings to determine if they are variable interest entities and if we would be regarded as the primary beneficiary pursuant to the applicable accounting guidance. As a result of this ongoing assessment, we may be required to make additional disclosures or consolidate these entities. Because we may not control these entities, we may not have the ability to influence these events.

We provide financing guarantees, which are generally for various third-party financing arrangements extended to our channel partners and end-user customers. We could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners or end-user customers. See the previous discussion of these financing guarantees under “Financing Receivables and Guarantees.”

Securities Lending

We periodically engage in securities lending activities with certain of our available-for-sale investments. These transactions are accounted for as a secured lending of the securities, and the securities are typically loaned only on an overnight basis. The average daily balance of securities lending for fiscal 2012 and 2011 was \$0.5 billion and \$1.6 billion, respectively. We require collateral equal to at least 102% of the fair market value of the loaned security and that the collateral be in the form of cash or liquid, high-quality assets. We engage in these secured lending transactions only with highly creditworthy counterparties, and the associated portfolio custodian has agreed to indemnify us against collateral losses. As of July 28, 2012 and July 30, 2011, we had no outstanding securities lending transactions. We believe these arrangements do not present a material risk or impact to our liquidity requirements.

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Stock Repurchase Program

In September 2001, our Board of Directors authorized a stock repurchase program. As of July 28, 2012, our Board of Directors had authorized an aggregate repurchase of up to \$82 billion of common stock under this program, and the remaining authorized repurchase amount was \$5.9 billion with no termination date. The stock repurchase activity under the stock repurchase program, reported based on the trade date is summarized as follows (in millions, except per-share amounts):

| | Shares Repurchased | Weighted- Average Price per Share | Amount Repurchased |
|--|-----------------------|---|-----------------------|
| Cumulative balance at July 31, 2010 | 3,127 | \$ 20.78 | \$ 64,982 |
| Repurchase of common stock under the stock repurchase program | 351 | 19.36 | 6,791 |
| Cumulative balance at July 30, 2011 | 3,478 | \$ 20.64 | \$ 71,773 |
| Repurchase of common stock under the stock repurchase program | 262 | 16.64 | 4,360 |
| Cumulative balance at July 28, 2012 | 3,740 | \$ 20.36 | \$ 76,133 |

Dividends

During fiscal 2012 and 2011, our Board of Directors declared the following dividends (in millions, except per-share amounts):

| | Declaration Date | Dividend per Share | Record Date | Amount | Payment Date |
|---------------------------|------------------|-----------------------|------------------------|----------------|-------------------------|
| Fiscal 2012 | | | | | |
| June 14, 2012 | | \$ 0.08 | July 5, 2012 | \$425 | July 25, 2012 |
| February 7, 2012 | | 0.08 | April 5, 2012 | 432 | April 25, 2012 |
| December 15, 2011 | | 0.06 | January 5, 2012 | 322 | January 25, 2012 |
| September 20, 2011 | | 0.06 | October 6, 2011 | 322 | October 26, 2011 |
| Total | | \$ 0.28 | | \$1,501 | |
| Fiscal 2011 | | | | | |
| June 8, 2011 | | \$ 0.06 | July 7, 2011 | \$329 | July 27, 2011 |
| March 17, 2011 | | 0.06 | March 31, 2011 | 329 | April 20, 2011 |
| Total | | \$ 0.12 | | \$658 | |

On August 14, 2012 our Board of Directors declared a quarterly dividend of \$0.14 per common share, a six-cent increase over the previous quarter's dividend, to be paid on October 24, 2012 to all shareholders of record as of the close of business on October 4, 2012. Any future dividends will be subject to the approval of our Board of Directors.

Liquidity and Capital Resource Requirements

Based on past performance and current expectations, we believe our cash and cash equivalents, investments, cash generated from operations and ability to access capital markets and committed credit lines will satisfy, through at least the next 12 months, our liquidity requirements, both in total and domestically, including the following: working capital needs, capital expenditures, investment requirements, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on debt, future customer financings, and other liquidity requirements associated with our operations. There are no other transactions, arrangements, or relationships with unconsolidated entities or other persons that are reasonably likely to materially affect the liquidity and the availability of, as well as our requirements for capital resources.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our financial position is exposed to a variety of risks, including interest rate risk, equity price risk, and foreign currency exchange risk.

Interest Rate Risk

Fixed Income Securities We maintain an investment portfolio of various holdings, types, and maturities. Our primary objective for holding fixed income securities is to achieve an appropriate investment return consistent with preserving principal and managing risk. At any time, a sharp rise in market interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates, including the impact from lower credit spreads, could have a material adverse impact on interest income for our investment portfolio. We may utilize derivative instruments designated as hedging instruments to achieve our investment objectives. We had no outstanding hedging instruments for our fixed income securities as of July 28, 2012. Our fixed income investments are held for purposes other than trading. Our fixed income investments are not leveraged as of July 28, 2012. We monitor our interest rate and credit risks, including our credit exposures to specific rating categories and to individual issuers. As of July 28, 2012, approximately 80% of our fixed income securities balance consists of U.S. government and U.S. government agency securities. We believe the overall credit quality of our portfolio is strong.

The following tables present the hypothetical fair values of our fixed income securities, including the hedging effects when applicable, as a result of selected potential market decreases and increases in interest rates. The market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points (“BPS”), plus 100 BPS, and plus 150 BPS. Due to the low interest rate environment at the end of each of fiscal 2012 and fiscal 2011, we did not believe a parallel shift of minus 100 BPS or minus 150 BPS was relevant. The hypothetical fair values as of July 28, 2012 and July 30, 2011 are as follows (in millions):

| | VALUATION OF SECURITIES GIVEN AN INTEREST RATE DECREASE OF X BASIS POINTS | | | FAIR VALUE AS OF JULY 28, 2012 | VALUATION OF SECURITIES GIVEN AN INTEREST RATE INCREASE OF X BASIS POINTS | | |
|--|---|-----------|----------|---|---|-----------|----------|
| | (150 BPS) | (100 BPS) | (50 BPS) | | 50 BPS | 100 BPS | 150 BPS |
| | Fixed income securities | N/A | N/A | | \$ 37,483 | \$ 37,297 | \$37,111 |

| | VALUATION OF SECURITIES GIVEN AN INTEREST RATE DECREASE OF X BASIS POINTS | | | FAIR VALUE AS OF JULY 30, 2011 | VALUATION OF SECURITIES GIVEN AN INTEREST RATE INCREASE OF X BASIS POINTS | | |
|--|---|-----------|----------|---|---|-----------|----------|
| | (150 BPS) | (100 BPS) | (50 BPS) | | 50 BPS | 100 BPS | 150 BPS |
| | Fixed income securities | N/A | N/A | | \$ 35,740 | \$ 35,562 | \$35,384 |

Impairment charges on our investments in fixed income securities were not material for fiscal 2012, 2011, or 2010.

Debt As of July 28, 2012, we had \$16.0 billion in principal amount of senior notes outstanding, which consisted of \$1.25 billion floating-rate notes and \$14.75 billion fixed-rate notes. The carrying amount of the senior notes was \$16.3 billion, and the related fair value was \$18.8 billion, which fair value is based on market prices. As of July 28, 2012, a hypothetical 50 BPS increase or decrease in market interest rates would change the fair value of the fixed-rate debt, excluding the \$4.25 billion of hedged debt, by a decrease or increase of \$0.6 billion, respectively. However, this hypothetical change in interest rates would not impact the interest expense on the fixed-rate debt, which is not hedged.

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Equity Price Risk

The fair value of our equity investments in publicly traded companies is subject to market price volatility. We may hold equity securities for strategic purposes or to diversify our overall investment portfolio. Our equity portfolio consists of securities with characteristics that most closely match the Standard & Poor's 500 Index or NASDAQ Composite Index. These equity securities are held for purposes other than trading. To manage our exposure to changes in the fair value of certain equity securities, we may enter into equity derivatives designated as hedging instruments.

Publicly Traded Equity Securities The following tables present the hypothetical fair values of publicly traded equity securities as a result of selected potential decreases and increases in the price of each equity security in the portfolio, excluding hedged equity securities, if any. Potential fluctuations in the price of each equity security in the portfolio of plus or minus 10%, 20%, and 30% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of July 28, 2012 and July 30, 2011 are as follows (in millions):

| | VALUATION OF SECURITIES GIVEN AN X% DECREASE IN EACH STOCK'S PRICE | | | FAIR VALUE AS OF JULY 28, 2012 | VALUATION OF SECURITIES GIVEN AN X% INCREASE IN EACH STOCK'S PRICE | | | | |
|--|--|-------|---------|---|--|----------|---------|---------|---------|
| | (30)% | (20)% | (10)% | | 10% | 20% | 30% | | |
| | Publicly traded equity securities | \$944 | \$1,078 | | \$1,213 | \$ 1,348 | \$1,483 | \$1,618 | \$1,752 |

| | VALUATION OF SECURITIES GIVEN AN X% DECREASE IN EACH STOCK'S PRICE | | | FAIR VALUE AS OF JULY 30, 2011 | VALUATION OF SECURITIES GIVEN AN X% INCREASE IN EACH STOCK'S PRICE | | | | |
|--|--|-------|---------|---|--|----------|---------|---------|---------|
| | (30)% | (20)% | (10)% | | 10% | 20% | 30% | | |
| | Publicly traded equity securities | \$953 | \$1,089 | | \$1,225 | \$ 1,361 | \$1,497 | \$1,633 | \$1,769 |

Impairment charges on our investments in publicly traded equity securities were not material during the fiscal years presented.

Investments in Privately Held Companies We have also invested in privately held companies. These investments are recorded in other assets in our Consolidated Balance Sheets and are accounted for using primarily either the cost or the equity method. As of July 28, 2012, the total carrying amount of our investments in privately held companies was \$858 million, compared with \$796 million at July 30, 2011. Some of the privately held companies in which we invested are in the startup or development stages. These investments are inherently risky because the markets for the technologies or products these companies are developing are typically in the early stages and may never materialize. We could lose our entire investment in these companies. Our evaluation of investments in privately held companies is based on the fundamentals of the businesses invested in, including, among other factors, the nature of their technologies and potential for financial return. Our impairment charges on investments in privately held companies were \$23 million, \$10 million, and \$25 million for fiscal 2012, 2011, and 2010, respectively.

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Foreign Currency Exchange Risk

Our foreign exchange forward and option contracts outstanding at fiscal year-end are summarized in U.S. dollar equivalents as follows (in millions):

| | <u>July 28, 2012</u> | | <u>July 30, 2011</u> | |
|--------------------|----------------------|-------------------|----------------------|-------------------|
| | Notional | | Notional | |
| | <u>Amount</u> | <u>Fair Value</u> | <u>Amount</u> | <u>Fair Value</u> |
| Forward contracts: | | | | |
| Purchased | \$3,336 | \$ (10) | \$3,722 | \$ 9 |
| Sold | \$1,566 | \$ 5 | \$1,225 | \$ (10) |
| Option contracts: | | | | |
| Purchased | \$2,478 | \$ 31 | \$1,547 | \$ 63 |
| Sold | \$2,239 | \$ (25) | \$1,577 | \$ (12) |

We conduct business globally in numerous currencies. The direct effect of foreign currency fluctuations on sales has not been material because our sales are primarily denominated in U.S. dollars. However, if the U.S. dollar strengthens relative to other currencies, such strengthening could have an indirect effect on our sales to the extent it raises the cost of our products to non-U.S. customers and thereby reduces demand. A weaker U.S. dollar could have the opposite effect. However, the precise indirect effect of currency fluctuations is difficult to measure or predict because our sales are influenced by many factors in addition to the impact of such currency fluctuations.

Approximately 70% of our operating expenses are U.S.-dollar denominated. In fiscal 2012, foreign currency fluctuations, net of hedging, increased the combined R&D, sales and marketing, and G&A expenses by \$90 million, or approximately 0.5%, compared with fiscal 2011, and 0.3% in fiscal 2011 compared with fiscal 2010. To reduce variability in operating expenses and service cost of sales caused by non-U.S.-dollar denominated operating expenses and costs, we hedge certain forecasted foreign currency transactions with currency options and forward contracts. These hedging programs are not designed to provide foreign currency protection over long time horizons. In designing a specific hedging approach, we consider several factors, including offsetting exposures, significance of exposures, costs associated with entering into a particular hedge instrument, and potential effectiveness of the hedge. The gains and losses on foreign exchange contracts mitigate the effect of currency movements on our operating expenses and service cost of sales.

We also enter into foreign exchange forward and option contracts to reduce the short-term effects of foreign currency fluctuations on receivables, investments, and payables that are denominated in currencies other than the functional currencies of the entities. The market risks associated with these foreign currency receivables, investments, and payables relate primarily to variances from our forecasted foreign currency transactions and balances. Our forward and option contracts generally have the following maturities:

| | <u>Maturities</u> |
|--|-------------------|
| Forward and option contracts—forecasted transactions related to operating expenses and service cost of sales | Up to 18 months |
| Forward contracts—current assets and liabilities | Up to 3 months |
| Forward contracts—net investments in foreign subsidiaries | Up to 6 months |
| Forward contracts—long-term customer financings | Up to 2 years |
| Forward contracts—investments | Up to 2 years |

We do not enter into foreign exchange forward or option contracts for trading purposes.

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Cisco Systems, Inc.:

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, of cash flows and of equity listed in the accompanying index present fairly, in all material respects, the financial position of Cisco Systems, Inc. and its subsidiaries at July 28, 2012 and July 30, 2011, and the results of their operations and their cash flows for each of the three years in the period ended July 28, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 28, 2012, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



San Jose, California
September 11, 2012

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Reports of Management

Statement of Management's Responsibility

Cisco's management has always assumed full accountability for maintaining compliance with our established financial accounting policies and for reporting our results with objectivity and the highest degree of integrity. It is critical for investors and other users of the Consolidated Financial Statements to have confidence that the financial information that we provide is timely, complete, relevant, and accurate. Management is responsible for the fair presentation of Cisco's Consolidated Financial Statements, prepared in accordance with accounting principles generally accepted in the United States of America, and has full responsibility for their integrity and accuracy.

Management, with oversight by Cisco's Board of Directors, has established and maintains a strong ethical climate so that our affairs are conducted to the highest standards of personal and corporate conduct. Management also has established an effective system of internal controls. Cisco's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of NASDAQ and the corporate governance requirements of the Sarbanes-Oxley Act of 2002.

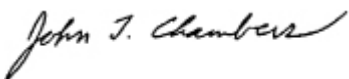
We are committed to enhancing shareholder value and fully understand and embrace our fiduciary oversight responsibilities. We are dedicated to ensuring that our high standards of financial accounting and reporting, as well as our underlying system of internal controls, are maintained. Our culture demands integrity and we have the highest confidence in our processes, our internal controls and our people, who are objective in their responsibilities and who operate under the highest level of ethical standards.

Management's Report on Internal Control over Financial Reporting

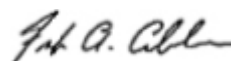
Management is responsible for establishing and maintaining adequate internal control over financial reporting for Cisco. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management (with the participation of the principal executive officer and principal financial officer) conducted an evaluation of the effectiveness of Cisco's internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Cisco's internal control over financial reporting was effective as of July 28, 2012. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of Cisco's internal control over financial reporting and has issued a report on Cisco's internal control over financial reporting, which is included in their report on the preceding page.



John T. Chambers
Chairman and Chief Executive Officer
September 12, 2012



Frank A. Calderoni
Executive Vice President and Chief Financial Officer
September 12, 2012

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Consolidated Balance Sheets
(in millions, except par value)

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,799 | \$ 7,662 |
| Investments | 38,917 | 36,923 |
| Accounts receivable, net of allowance for doubtful accounts of \$207 at July 28, 2012 and \$204 at July 30, 2011 | 4,369 | 4,698 |
| Inventories | 1,663 | 1,486 |
| Financing receivables, net | 3,661 | 3,111 |
| Deferred tax assets | 2,294 | 2,410 |
| Other current assets | 1,230 | 941 |
| Total current assets | 61,933 | 57,231 |
| Property and equipment, net | 3,402 | 3,916 |
| Financing receivables, net | 3,585 | 3,488 |
| Goodwill | 16,998 | 16,818 |
| Purchased intangible assets, net | 1,959 | 2,541 |
| Other assets | 3,882 | 3,101 |
| TOTAL ASSETS | <u>\$ 91,759</u> | <u>\$ 87,095</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 31 | \$ 588 |
| Accounts payable | 859 | 876 |
| Income taxes payable | 276 | 120 |
| Accrued compensation | 2,928 | 3,163 |
| Deferred revenue | 8,852 | 8,025 |
| Other current liabilities | 4,785 | 4,734 |
| Total current liabilities | 17,731 | 17,506 |
| Long-term debt | 16,297 | 16,234 |
| Income taxes payable | 1,844 | 1,191 |
| Deferred revenue | 4,028 | 4,182 |
| Other long-term liabilities | 558 | 723 |
| Total liabilities | 40,458 | 39,836 |
| Commitments and contingencies (Note 12) | | |
| Equity: | | |
| Cisco shareholders' equity: | | |
| Preferred stock, no par value: 5 shares authorized; none issued and outstanding | - | - |
| Common stock and additional paid-in capital, \$0.001 par value: 20,000 shares authorized; 5,298 and 5,435 shares issued and outstanding at July 28, 2012 and July 30, 2011, respectively | 39,271 | 38,648 |
| Retained earnings | 11,354 | 7,284 |
| Accumulated other comprehensive income | 661 | 1,294 |
| Total Cisco shareholders' equity | 51,286 | 47,226 |
| Noncontrolling interests | 15 | 33 |
| Total equity | <u>51,301</u> | <u>47,259</u> |

TOTAL LIABILITIES AND EQUITY**\$ 91,759****\$ 87,095**

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Operations
(in millions, except per-share amounts)

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|--------------------|----------------------|----------------------|----------------------|
| NET SALES: | | | | |
| Product | | \$ 36,326 | \$ 34,526 | \$ 32,420 |
| Service | | 9,735 | 8,692 | 7,620 |
| Total net sales | | 46,061 | 43,218 | 40,040 |
| COST OF SALES: | | | | |
| Product | | 14,505 | 13,647 | 11,620 |
| Service | | 3,347 | 3,035 | 2,777 |
| Total cost of sales | | 17,852 | 16,682 | 14,397 |
| GROSS MARGIN | | 28,209 | 26,536 | 25,643 |
| OPERATING EXPENSES: | | | | |
| Research and development | | 5,488 | 5,823 | 5,273 |
| Sales and marketing | | 9,647 | 9,812 | 8,782 |
| General and administrative | | 2,322 | 1,908 | 1,933 |
| Amortization of purchased intangible assets | | 383 | 520 | 491 |
| Restructuring and other charges | | 304 | 799 | – |
| Total operating expenses | | 18,144 | 18,862 | 16,479 |
| OPERATING INCOME | | 10,065 | 7,674 | 9,164 |
| Interest income | | 650 | 641 | 635 |
| Interest expense | | (596) | (628) | (623) |
| Other income, net | | 40 | 138 | 239 |
| Interest and other income, net | | 94 | 151 | 251 |
| INCOME BEFORE PROVISION FOR INCOME TAXES | | 10,159 | 7,825 | 9,415 |
| Provision for income taxes | | 2,118 | 1,335 | 1,648 |
| NET INCOME | | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| Net income per share | | | | |
| Basic | | \$ 1.50 | \$ 1.17 | \$ 1.36 |
| Diluted | | \$ 1.49 | \$ 1.17 | \$ 1.33 |
| Shares used in per-share calculation | | | | |
| Basic | | 5,370 | 5,529 | 5,732 |
| Diluted | | 5,404 | 5,563 | 5,848 |
| Cash dividends declared per common share | | \$ 0.28 | \$ 0.12 | \$ – |

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows (in millions)

| | Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|-------------|------------------------|-----------------|------------------|
| Cash flows from operating activities: | | | | |
| Net income | | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation, amortization, and other | | 2,602 | 2,486 | 2,030 |
| Share-based compensation expense | | 1,401 | 1,620 | 1,517 |
| Provision for receivables | | 50 | 89 | 112 |
| Deferred income taxes | | (314) | (157) | (477) |
| Excess tax benefits from share-based compensation | | (60) | (71) | (211) |
| Net gains on investments | | (31) | (213) | (223) |
| Change in operating assets and liabilities, net of effects of acquisitions and divestitures: | | | | |
| Accounts receivable | | 272 | 298 | (1,528) |
| Inventories | | (287) | (147) | (158) |
| Financing receivables | | (846) | (1,616) | (996) |
| Other assets | | (674) | 275 | (98) |
| Accounts payable | | (7) | (28) | 139 |
| Income taxes, net | | 418 | (156) | 55 |
| Accrued compensation | | (101) | (64) | 565 |
| Deferred revenue | | 727 | 1,028 | 1,531 |
| Other liabilities | | 300 | 245 | 148 |
| Net cash provided by operating activities | | <u>11,491</u> | <u>10,079</u> | <u>10,173</u> |
| Cash flows from investing activities: | | | | |
| Purchases of investments | | (41,810) | (37,130) | (48,690) |
| Proceeds from sales of investments | | 27,365 | 17,538 | 19,300 |
| Proceeds from maturities of investments | | 12,103 | 18,117 | 23,697 |
| Acquisition of property and equipment | | (1,126) | (1,174) | (1,008) |
| Acquisition of businesses, net of cash and cash equivalents acquired | | (375) | (266) | (5,279) |
| Purchases of investments in privately held companies | | (380) | (204) | (137) |
| Return of investments in privately held companies | | 242 | 163 | 58 |
| Other | | 166 | 22 | 128 |
| Net cash used in investing activities | | <u>(3,815)</u> | <u>(2,934)</u> | <u>(11,931)</u> |
| Cash flows from financing activities: | | | | |
| Issuances of common stock | | 1,372 | 1,831 | 3,278 |
| Repurchases of common stock | | (4,760) | (6,896) | (7,864) |
| Short-term borrowings, maturities less than 90 days, net | | (557) | 512 | 41 |
| Issuances of debt, maturities greater than 90 days | | – | 4,109 | 4,944 |
| Repayments of debt, maturities greater than 90 days | | – | (3,113) | – |
| Excess tax benefits from share-based compensation | | 60 | 71 | 211 |
| Dividends paid | | (1,501) | (658) | – |
| Other | | (153) | 80 | 11 |
| Net cash (used in) provided by financing activities | | <u>(5,539)</u> | <u>(4,064)</u> | <u>621</u> |
| Net increase (decrease) in cash and cash equivalents | | 2,137 | 3,081 | (1,137) |

| | | | |
|---|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents, beginning of fiscal year | <u>7,662</u> | <u>4,581</u> | <u>5,718</u> |
| Cash and cash equivalents, end of fiscal year | <u>\$9,799</u> | <u>\$7,662</u> | <u>\$4,581</u> |
| Cash paid for: | | | |
| Interest | \$681 | \$777 | \$692 |
| Income taxes | \$2,014 | \$1,649 | \$2,068 |

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Equity
(in millions, except per-share amounts)

| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total Cisco Shareholders' Equity | Non-controlling Interests | Total Equity |
|--|------------------------------|--|----------------------|---|--|------------------------------|--------------|
| BALANCE AT JULY 25, 2009 | 5,785 | \$ 34,344 | \$3,868 | \$ 435 | \$ 38,647 | \$ 30 | \$38,677 |
| Net income | | | 7,767 | | 7,767 | | 7,767 |
| Change in: | | | | | | | |
| Unrealized gains and losses on investments | | | | 195 | 195 | (12) | 183 |
| Derivative instruments | | | | 48 | 48 | | 48 |
| Cumulative translation adjustment and other | | | | (55) | (55) | | (55) |
| Comprehensive income (loss) | | | | | 7,955 | (12) | 7,943 |
| Issuance of common stock | 201 | 3,278 | | | 3,278 | | 3,278 |
| Repurchase of common stock | (331) | (2,148) | (5,784) | | (7,932) | | (7,932) |
| Tax effects from employee stock incentive plans | | 719 | | | 719 | | 719 |
| Share-based compensation expense | | 1,517 | | | 1,517 | | 1,517 |
| Purchase acquisitions | | 83 | | | 83 | | 83 |
| BALANCE AT JULY 31, 2010 | 5,655 | \$ 37,793 | \$5,851 | \$ 623 | \$ 44,267 | \$ 18 | \$44,285 |
| Net income | | | 6,490 | | 6,490 | | 6,490 |
| Change in: | | | | | | | |
| Unrealized gains and losses on investments | | | | 154 | 154 | 15 | 169 |
| Derivative instruments | | | | (21) | (21) | | (21) |
| Cumulative translation adjustment and other | | | | 538 | 538 | | 538 |
| Comprehensive income | | | | | 7,161 | 15 | 7,176 |
| Issuance of common stock | 141 | 1,831 | | | 1,831 | | 1,831 |
| Repurchase of common stock | (361) | (2,575) | (4,399) | | (6,974) | | (6,974) |
| Cash dividends declared (\$0.12 per common share) | | | (658) | | (658) | | (658) |
| Tax effects from employee stock incentive plans | | (33) | | | (33) | | (33) |
| Share-based compensation expense | | 1,620 | | | 1,620 | | 1,620 |
| Purchase acquisitions | | 12 | | | 12 | | 12 |
| BALANCE AT JULY 30, 2011 | 5,435 | \$ 38,648 | \$7,284 | \$ 1,294 | \$ 47,226 | \$ 33 | \$47,259 |
| Net income | | | 8,041 | | 8,041 | | 8,041 |
| Change in: | | | | | | | |
| Unrealized gains and losses on investments, net | | | | (78) | (78) | (18) | (96) |
| Derivative instruments | | | | (59) | (59) | | (59) |
| Cumulative translation adjustment and other | | | | (496) | (496) | | (496) |
| Comprehensive income (loss) | | | | | 7,408 | (18) | 7,390 |

| | | | | | | | |
|--|---------------|------------------|-----------------|---------------|------------------|--------------|-----------------|
| Issuance of common stock | 137 | 1,372 | | | 1,372 | | 1,372 |
| Repurchase of common stock | (274) | (2,090) | (2,470) | | (4,560) | | (4,560) |
| Cash dividends declared (\$0.28 per common share) | | | (1,501) | | (1,501) | | (1,501) |
| Tax effects from employee stock incentive plans | | (66) | | | (66) | | (66) |
| Share-based compensation expense | | 1,401 | | | 1,401 | | 1,401 |
| Purchase acquisitions and other | | 6 | | | 6 | | 6 |
| BALANCE AT JULY 28, 2012 | 5,298 | \$ 39,271 | \$11,354 | \$ 661 | \$ 51,286 | \$ 15 | \$51,301 |

Supplemental Information

In September 2001, the Company's Board of Directors authorized a stock repurchase program. As of July 28, 2012, the Company's Board of Directors had authorized an aggregate repurchase of up to \$82 billion of common stock under this program with no termination date. For additional information regarding stock repurchases, see Note 13 to the Consolidated Financial Statements. The stock repurchases since the inception of this program and the related impacts on Cisco shareholders' equity are summarized in the following table (in millions):

| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Retained Earnings | Total Cisco Shareholders' Equity |
|--|------------------------------|---|----------------------|--|
| Repurchases of common stock under the repurchase program | 3,740 | \$ 17,041 | \$59,092 | \$ 76,133 |

See Notes to Consolidated Financial Statements.

1. Basis of Presentation

The fiscal year for Cisco Systems, Inc. (the “Company” or “Cisco”) is the 52 or 53 weeks ending on the last Saturday in July. Fiscal 2012 and fiscal 2011 are each 52-week fiscal years, while fiscal 2010 is a 53-week fiscal year. The Consolidated Financial Statements include the accounts of Cisco and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company conducts business globally and is primarily managed on a geographic basis. Beginning in fiscal 2012, the Company is organized into the following three geographic segments: the Americas; Europe, Middle East, and Africa (“EMEA”); and Asia Pacific, Japan, and China (“APJC”). In fiscal 2011, the Company was organized into the following four geographic segments: United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. As a result of this geographic segment change in fiscal 2012, countries within the former Emerging Markets segment were consolidated into either EMEA or the Americas segment depending on their respective geographic locations. The Company has reclassified the geographic segment data for prior periods to conform to the current year’s presentation.

The Company consolidates its investment in Insieme Networks, Inc. (“Insieme”) and a venture fund managed by SOFTBANK Corp. and its affiliates (“SOFTBANK”) as these are variable interest entities and the Company is the primary beneficiary. The noncontrolling interests attributed to SOFTBANK are presented as a separate component from the Company’s equity in the equity section of the Consolidated Balance Sheets. SOFTBANK’s share of the earnings in the venture fund is not presented separately in the Consolidated Statements of Operations and is included in other income, net, as this amount is not material for any of the fiscal periods presented. The loss attributable to the noncontrolling interests on Insieme (see Note 12) is not presented separately in the Consolidated Statements of Operations as this amount is not material for the periods presented.

In addition to the geographic segment change referred to earlier, certain other reclassifications have been made to the amounts for prior years in order to conform to the current year’s presentation, which includes the combination of the Company’s financing receivables from a former two classes into a single class (see Note 7) and re-categorization of the Company’s products (see Note 16). The Company has evaluated subsequent events through the date that the financial statements were issued.

2. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with various financial institutions.

(b) Available-for-Sale Investments The Company classifies its investments in both fixed income securities and publicly traded equity securities as available-for-sale investments. Fixed income securities primarily consist of U.S. government securities, U.S. government agency securities, non-U.S. government and agency securities, corporate debt securities, and asset-backed securities. These available-for-sale investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of fixed income and public equity securities sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments, to the extent the investments are unhedged, are included as a separate component of accumulated other comprehensive income (“AOCI”), net of tax. The Company classifies its investments as current based on the nature of the investments and their availability for use in current operations.

(c) Other-than-Temporary Impairments on Investments When the fair value of a debt security is less than its amortized cost, it is deemed impaired, and the Company will assess whether the impairment is other than temporary. An impairment is considered other than temporary if (i) the Company has the intent to sell the security, (ii) it is more likely than not that the Company will be required to sell the security before recovery of

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the entire amortized cost basis, or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If impairment is considered other than temporary based on condition (i) or (ii) described earlier, the entire difference between the amortized cost and the fair value of the debt security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii), the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) will be recognized in earnings, and the amount relating to all other factors will be recognized in other comprehensive income (“OCI”).

The Company recognizes an impairment charge on publicly traded equity securities when a decline in the fair value of a security below the respective cost basis is judged to be other than temporary. The Company considers various factors in determining whether a decline in the fair value of these investments is other than temporary, including the length of time and extent to which the fair value of the security has been less than the Company’s cost basis, the financial condition and near-term prospects of the issuer, and the Company’s intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Investments in privately held companies are included in other assets in the Consolidated Balance Sheets and are primarily accounted for using either the cost or equity method. The Company monitors these investments for impairments and makes appropriate reductions in carrying values if the Company determines that an impairment charge is required based primarily on the financial condition and near-term prospects of these companies.

(d) Inventories Inventories are stated at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. In addition, the Company records a liability for firm, noncancelable, and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of the Company’s future demand forecasts consistent with its valuation of excess and obsolete inventory.

(e) Allowance for Doubtful Accounts The allowance for doubtful accounts is based on the Company’s assessment of the collectibility of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, economic conditions that may affect a customer’s ability to pay, and expected default frequency rates. Trade receivables are written off at the point when they are considered uncollectible.

(f) Financing Receivables The Company provides financing arrangements, including leases, financed service contracts, and loans, for certain qualified end-user customers to build, maintain, and upgrade their networks. Lease receivables primarily represent sales-type and direct-financing leases. Leases have on average a four-year term and are usually collateralized by a security interest in the underlying assets, while loan receivables generally have terms of up to three years. Financed service contracts typically have terms of one to three years and primarily relate to technical support services.

The Company determines the adequacy of its allowance for credit loss by assessing the risks and losses inherent in its financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by the Company to its customers: lease receivables, loan receivables, and financed service contracts and other. Effective in the second quarter of fiscal 2012, the Company combined its financing receivables into a single class as the two prior classes, Established Markets and Growth Markets, now exhibit similar risk characteristics as reflected by the Company’s historical losses. See Note 7.

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The Company assesses the allowance for credit loss related to financing receivables on either an individual or a collective basis. The Company considers various factors in evaluating lease and loan receivables and the earned portion of financed service contracts for possible impairment on an individual basis. These factors include the Company's historical experience, credit quality and age of the receivable balances, and economic conditions that may affect a customer's ability to pay. When the evaluation indicates that it is probable that all amounts due pursuant to the contractual terms of the financing agreement, including scheduled interest payments, are unable to be collected, the financing receivable is considered impaired. All such outstanding amounts, including any accrued interest, will be assessed and fully reserved at the customer level. Typically, the Company also considers receivables with a risk rating of 8 or higher to be impaired and will include them in the individual assessment for allowance. The Company evaluates the remainder of its financing receivables portfolio for impairment on a collective basis and records an allowance for credit loss at the portfolio segment level. Effective at the beginning of the second quarter of fiscal 2012, the Company refined its methodology for determining the portion of its allowance for credit loss that is evaluated on a collective basis. The refinement consists of more systematically giving effect to economic conditions, concentration of risk, and correlation. The Company also began to use expected default frequency rates published by a major third-party credit-rating agency as well as its own historical loss rate in the event of default. Previously the Company used only historical loss rates published by the same third-party credit-rating agency. These refinements are intended to better identify changes in macroeconomic conditions and credit risk. There was not a material change to the Company's total allowance for credit loss related to financing receivables as a result of these methodology refinements.

Expected default frequency rates are published quarterly by a major third-party credit-rating agency, and the internal credit risk rating is derived by taking into consideration various customer-specific factors and macroeconomic conditions. These factors, which include the strength of the customer's business and financial performance, the quality of the customer's banking relationships, the Company's specific historical experience with the customer, the performance and outlook of the customer's industry, the customer's legal and regulatory environment, the potential sovereign risk of the geographic locations in which the customer is operating, and independent third-party evaluations, are updated regularly or when facts and circumstances indicate that an update is deemed necessary. The Company's internal credit risk ratings are categorized as 1 through 10, with the lowest credit risk rating representing the highest quality financing receivables.

Financing receivables are written off at the point when they are considered uncollectible and all outstanding balances, including any previously earned but uncollected interest income, will be reversed and charged against earnings. The Company does not typically have any partially written-off financing receivables.

Outstanding financing receivables that are aged 31 days or more from the contractual payment date are considered past due. The Company does not accrue interest on financing receivables that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured. Financing receivables may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain. After a financing receivable has been categorized as nonaccrual, interest will be recognized when cash is received. A financing receivable may be returned to accrual status after all of the customer's delinquent balances of principal and interest have been settled and the customer remains current for an appropriate period.

The Company facilitates third-party financing arrangements for channel partners, consisting of revolving short-term financing, generally with payment terms ranging from 60 to 90 days. In certain instances, these financing arrangements result in a transfer of the Company's receivables to the third party. The receivables are derecognized upon transfer, as these transfers qualify as true sales, and the Company receives a payment for the receivables from the third party based on the Company's standard payment terms. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, the Company guarantees a portion of these arrangements. The Company also provides financing guarantees for third-party financing arrangements extended to end-user customers related to leases and loans, which typically have terms of up to three years. The Company could be called upon to make payments under these guarantees in the event of

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nonpayment by the channel partners or end-user customers. Deferred revenue relating to these financing arrangements is recorded in accordance with revenue recognition policies or for the fair value of the financing guarantees.

(g) Depreciation and Amortization Property and equipment are stated at cost, less accumulated depreciation or amortization, whenever applicable. Depreciation and amortization expenses for property and equipment were approximately \$1.1 billion, \$1.1 billion, and \$1.0 billion for fiscal 2012, 2011 and 2010, respectively. Depreciation and amortization are computed using the straight-line method, generally over the following periods:

| <u>Asset category</u> | <u>Period</u> |
|--|---|
| Buildings | 25 years |
| Building improvements | 10 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of remaining lease term or 5 years |
| Computer equipment and related software | 30 to 36 months |
| Production, engineering, and other equipment | Up to 5 years |
| Operating lease assets | Based on lease term generally up to 3 years |

(h) Business Combinations The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities, and intangible assets acquired, including in-process research and development (“IPR&D”), based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over the asset’s estimated useful life. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

(i) Goodwill and Purchased Intangible Assets Goodwill is tested for impairment on an annual basis in the fourth fiscal quarter and, when specific circumstances dictate, between annual tests. When impaired, the carrying value of goodwill is written down to fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss. Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally two to seven years. See “Long-Lived Assets,” following, for the Company’s policy regarding impairment testing of purchased intangible assets with finite lives. Purchased intangible assets with indefinite lives are assessed for potential impairment annually or when events or circumstances indicate that their carrying amounts might be impaired.

(j) Long-Lived Assets Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the difference between the fair value of the asset and its carrying value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(k) Derivative Instruments The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on

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the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative instrument designated as a net investment hedge of the Company's foreign operations, the gain or loss is recorded in the cumulative translation adjustment within AOCI together with the offsetting loss or gain of the hedged exposure of the underlying foreign operations. Any ineffective portion of the net investment hedges is reported in earnings during the period of change. For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change. The Company records derivative instruments in the statements of cash flows to operating, investing, or financing activities consistent with the cash flows of the hedged item.

(l) Foreign Currency Translation Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of AOCI. Income and expense accounts are translated at average exchange rates during the year. Remeasurement adjustments are recorded in other income, net. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

(m) Concentrations of Risk Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company performs ongoing credit evaluations of its customers and, with the exception of certain financing transactions, does not require collateral from its customers. The Company receives certain of its components from sole suppliers. Additionally, the Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

(n) Revenue Recognition The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met. For hosting arrangements, the Company recognizes subscription revenue ratably over the subscription period, while usage revenue is recognized based on utilization. Technical support services revenue is deferred and recognized ratably over the period during which the services are to be performed, which is typically from one to three years. Advanced services transactional revenue is recognized upon delivery or completion of performance.

The Company uses distributors that stock inventory and typically sell to systems integrators, service providers, and other resellers. In addition, certain products are sold through retail partners. The Company refers to this as its two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. Distributors and retail partners participate in various cooperative marketing and other programs, and the Company maintains estimated accruals and allowances for these programs. The Company accrues for warranty costs, sales returns, and other allowances based on its historical experience. Shipping and handling fees billed to customers are included in net sales, with the associated costs included in cost of sales.

Many of the Company's products have both software and nonsoftware components that function together to deliver the products' essential functionality. The Company's product offerings fall into the following categories:

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Switching, Next-Generation Network (“NGN”) Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other Products. The Company also provides technical support and advanced services. The Company has a broad customer base that encompasses virtually all types of public and private entities, including enterprise businesses, service providers, commercial customers, and consumers. The Company and its salesforce are not organized by product divisions, and the Company’s products and services can be sold standalone or together in various combinations across the Company’s geographic segments or customer markets. For example, service provider arrangements are typically larger in scale with longer deployment schedules and involve the delivery of a variety of product technologies, including high-end routing, video and network management software, and other product technologies along with technical support and advanced services. The Company’s enterprise and commercial arrangements are unique for each customer and smaller in scale and may include network infrastructure products such as routers and switches or collaboration technologies such as unified communications and Cisco TelePresence systems products along with technical support services.

The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings due to the needs of its customers. For example, a customer may purchase routing products along with a contract for technical support services. This arrangement would consist of multiple elements, with the products delivered in one reporting period and the technical support services delivered across multiple reporting periods. Another customer may purchase networking products along with advanced service offerings, in which all the elements are delivered within the same reporting period. In addition, distributors and retail partners purchase products or technical support services on a standalone basis for resale to an end user or for purposes of stocking certain products, and these transactions would not result in a multiple-element arrangement.

In many instances, products are sold separately in standalone arrangements as customers may support the products themselves or purchase support on a time-and-materials basis. Advanced services are sometimes sold in standalone engagements such as general consulting, network management, or security advisory projects, and technical support services are sold separately through renewals of annual contracts. The Company determines its Vendor-Specific Objective Evidence (“VSOE”) based on its normal pricing and discounting practices for the specific product or service when sold separately. VSOE determination requires that a substantial majority of the historical standalone transactions have the selling prices for a product or service that fall within a reasonably narrow pricing range, generally evidenced by approximately 80% of such historical standalone transactions falling within plus or minus 15% of the median rates. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups and customer classifications, and other environmental or marketing variables in determining VSOE.

When the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, which may be due to the Company infrequently selling each element separately, not pricing products within a narrow range, or only having a limited sales history, such as in the case of certain newly introduced product categories, the Company attempts to determine the selling price of each element based on third-party evidence of selling price (“TPE”). TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company’s go-to-market strategy differs from that of its peers, and its offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products’ selling prices are on a standalone basis. Therefore, the Company is typically not able to determine TPE.

When the Company is unable to establish fair value using VSOE or TPE, the Company uses estimated selling prices (“ESP”) in its allocation of arrangement consideration. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were regularly sold on a standalone basis. ESP is generally used for new or highly proprietary offerings and solutions, or for offerings not priced within a reasonably narrow range. The Company determines ESP for a product or service by considering multiple factors, including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. The determination of ESP is made through consultation with and formal approval by the Company’s management, taking into consideration the go-to-market strategy.

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The Company regularly reviews VSOE, TPE, and ESP and maintains internal controls over the establishment and updates of these estimates. There were no material impacts during the fiscal year, nor does the Company currently expect a material impact in the near term from changes in VSOE, TPE, or ESP.

The Company's arrangements with multiple deliverables may have a standalone software deliverable that is subject to the software revenue recognition guidance. In these cases, revenue for the software is generally recognized upon shipment or electronic delivery and granting of the license. The revenue for these multiple-element arrangements is allocated to the software deliverable and the nonsoftware deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the applicable accounting guidance. In the limited circumstances where the Company cannot determine VSOE or TPE of the selling price for all of the deliverables in the arrangement, including the software deliverable, ESP is used for the purposes of performing this allocation.

(o) Advertising Costs The Company expenses all advertising costs as incurred. Advertising costs included within sales and marketing expenses were approximately \$218 million, \$325 million, and \$290 million for fiscal 2012, 2011, and 2010, respectively.

(p) Share-Based Compensation Expense The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors, including employee stock options, stock grants, stock units, and employee stock purchases related to the Employee Stock Purchase Plan ("Employee Stock Purchase Rights") based on estimated fair values. The fair value of employee stock options is estimated on the date of grant using a lattice-binomial option-pricing model ("Lattice-Binomial Model"), and for employee stock purchase rights the Company estimates the fair value using the Black-Scholes model. The fair value for time-based stock awards and stock awards that are contingent upon the achievement of financial performance metrics is based on the grant date share price reduced by the present value of the expected dividend yield prior to vesting. The fair value of market-based stock awards is estimated using an option-pricing model on the date of grant. Because share-based compensation expense is based on awards ultimately expected to vest, it has been reduced for forfeitures.

(q) Software Development Costs Software development costs required to be capitalized for software sold, leased, or otherwise marketed have not been material to date. Software development costs required to be capitalized for internal use software have also not been material to date.

(r) Income Taxes Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

(s) Computation of Net Income per Share Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price

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for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

(t) Consolidation of Variable Interest Entities The Company uses a qualitative approach in assessing the consolidation requirement for variable interest entities. The approach focuses on identifying which enterprise has the power to direct the activities that most significantly impact the variable interest entity's economic performance and which enterprise has the obligation to absorb losses or the right to receive benefits from the variable interest entity. In the event that the Company is the primary beneficiary of a variable interest entity, the assets, liabilities, and results of operations of the variable interest entity will be included in the Company's Consolidated Financial Statements.

(u) Use of Estimates The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are used for the following, among others:

Revenue recognition

Allowances for accounts receivable, sales returns, and financing receivables

Inventory valuation and liability for purchase commitments with contract manufacturers and suppliers

Warranty costs

Share-based compensation expense

Fair value measurements and other-than-temporary impairments

Goodwill and purchased intangible asset impairments

Income taxes

Loss contingencies

The actual results experienced by the Company may differ materially from management's estimates.

(v) New Accounting Update Recently Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standard update to provide guidance on achieving a consistent definition of and common requirements for measurement of and disclosure concerning fair value as between U.S. GAAP and International Financial Reporting Standards ("IFRS"). This accounting standard update became effective for the Company beginning in the third quarter of fiscal 2012. As a result of the application of this accounting standard update, the Company has provided additional disclosures in Note 9.

(w) Recent Accounting Standards or Updates Not Yet Effective

In June 2011, the FASB issued an accounting standard update to provide guidance on increasing the prominence of items reported in other comprehensive income. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of equity and requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This accounting standard update is effective for the Company beginning in the first quarter of fiscal 2013, and it will result in changes in the Company's financial statement presentation.

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In August 2011, the FASB approved a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2013, and the adoption is not expected to have any impact on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued an accounting standard update requiring enhanced disclosures about certain financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to enforceable master netting arrangements or similar agreements. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, at which time the Company will include the required disclosures.

In July 2012, the FASB issued an accounting standard update intended to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update in its Consolidated Financial Statements.

3. Business Combinations

(a) Acquisition Summary

The Company completed seven business combinations during fiscal 2012. A summary of the allocation of the total purchase consideration is presented as follows (in millions):

| | Fiscal 2012 | Purchase Consideration | Net Tangible | Purchased | Goodwill |
|---------------------------|-------------|---------------------------|--|----------------------|---------------|
| | | | Assets Acquired/ (Liabilities Assumed) | Intangible Assets | |
| Lightwire, Inc. | | \$ 239 | \$ (15) | \$ 97 | \$ 157 |
| All others | | 159 | (24) | 103 | 80 |
| Total acquisitions | | \$ 398 | \$ (39) | \$ 200 | \$ 237 |

The Company acquired Lightwire, Inc. ("Lightwire") in the third quarter of fiscal 2012. With its acquisition of Lightwire, a developer of advanced optical interconnect technology for high-speed networking applications, the Company aims to develop and deliver cost-effective, high-speed networks with the next generation of optical connectivity.

The total purchase consideration related to the Company's business combinations completed during fiscal 2012 consisted of either cash consideration or cash consideration along with vested share-based awards assumed. The total cash and cash equivalents acquired from these business combinations were immaterial. Total transaction costs related to the Company's business combination activities during fiscal 2012, 2011, and 2010 were \$15 million, \$10 million, and \$32 million, respectively. These transaction costs were expensed as incurred as general and administrative ("G&A") expenses.

The Company continues to evaluate certain assets and liabilities related to business combinations completed during the recent periods. Additional information, which existed as of the acquisition date but at that time was unknown to the Company, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities may result in a corresponding adjustment to goodwill.

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The goodwill generated from the Company's business combinations completed during the year ended July 28, 2012 is primarily related to expected synergies. The goodwill is not deductible for U.S. federal income tax purposes.

Fiscal 2011 and 2010

Allocation of the purchase consideration for business combinations completed in fiscal 2011 is summarized as follows (in millions):

| | <u>Fiscal 2011</u> | <u>Purchase Consideration</u> | <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | <u>Purchased Intangible Assets</u> | <u>Goodwill</u> |
|--------------------|--------------------|-----------------------------------|--|--|-----------------|
| Total acquisitions | | \$ 288 | \$ (10) | \$ 114 | \$ 184 |

Allocation of the purchase consideration for business combinations completed in fiscal 2010 is summarized as follows (in millions):

| | <u>Fiscal 2010</u> | <u>Purchase Consideration</u> | <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | <u>Purchased Intangible Assets</u> | <u>Goodwill</u> |
|-------------------------|--------------------|-----------------------------------|--|--|-----------------|
| ScanSafe, Inc. | | \$ 154 | \$ 2 | \$ 31 | \$ 121 |
| Starent Networks, Corp. | | 2,636 | (17) | 1,274 | 1,379 |
| Tandberg ASA | | 3,268 | 17 | 980 | 2,271 |
| All others | | 128 | 2 | 95 | 31 |
| Total acquisitions | | <u>\$ 6,186</u> | <u>\$ 4</u> | <u>\$ 2,380</u> | <u>\$ 3,802</u> |

The Consolidated Financial Statements include the operating results of each business combination from the date of acquisition. Pro forma results of operations for the acquisitions completed during fiscal 2012, 2011, and 2010 have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to the Company's financial results.

(b) Acquisition of NDS Group Limited

On July 30, 2012, the Company completed its acquisition of NDS Group Limited ("NDS"), a leading provider of video software and content security solutions that enable service providers and media companies to securely deliver and monetize new video entertainment experiences. NDS uses the combination of a software platform and services to create differentiated video offerings for service providers that enable subscribers to intuitively view, search, and navigate digital content. Under the terms of the acquisition agreement, the Company paid total cash consideration of approximately \$5.0 billion, which included the repayment of approximately \$1.0 billion of debt, to acquire all of the business and operations of NDS.

The acquisition of NDS is expected to complement and accelerate the delivery of Cisco Videoscape, the Company's comprehensive platform that enables service providers and media companies to deliver next-generation entertainment experiences. With the NDS acquisition, the Company aims to broaden its opportunities in the service provider market and to expand its reach into emerging markets such as China and India, where NDS has an established customer presence. The Company has not completed its purchase accounting for the NDS acquisition and therefore has not included a detailed purchase price allocation in this note. The Company expects that most of the purchase price will be allocated to goodwill and purchased intangible assets with finite lives.

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4. Goodwill and Purchased Intangible Assets

(a) Goodwill

Beginning in fiscal 2012, the Company's reportable segments were changed to the following segments: the Americas, EMEA, and APJC. As a result, the Company reallocated the goodwill at July 30, 2011 to these reportable segments. The following table presents the goodwill allocated to the Company's reportable segments as of July 28, 2012 and July 30, 2011, as well as the changes to goodwill during fiscal 2012 and 2011 (in millions):

| | Balance at July 30, 2011 | Acquisitions | Other | Balance at July 28, 2012 |
|--------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,627 | \$ 136 | \$(8) | \$11,755 |
| EMEA | 3,272 | 64 | (49) | 3,287 |
| APJC | 1,919 | 37 | – | 1,956 |
| Total | \$16,818 | \$ 237 | \$(57) | \$16,998 |

| | Balance at July 31, 2010 | Acquisitions | Other | Balance at July 30, 2011 |
|--------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,571 | \$ 122 | \$(66) | \$11,627 |
| EMEA | 3,209 | 38 | 25 | 3,272 |
| APJC | 1,894 | 24 | 1 | 1,919 |
| Total | \$16,674 | \$ 184 | \$(40) | \$16,818 |

In the preceding table, the column entitled "Other" primarily includes foreign currency translation and purchase accounting adjustments. In fiscal 2011, "Other" also includes a goodwill reduction of \$63 million related to the sale of the Company's manufacturing operations in Juarez, Mexico and an adjustment related to a divestiture. The goodwill reductions were included in restructuring and other charges. See Note 5.

(b) Purchased Intangible Assets

The following tables present details of the Company's intangible assets acquired through business combinations completed during fiscal 2012 and 2011 (in millions, except years):

| | FINITE LIVES | | | | | | INDEFINITE | TOTAL |
|------------------------|---|---------------|---|-------------|---|-------------|-------------|---------------|
| | TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | LIVES | |
| | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | IPR&D | |
| Fiscal 2012 | | | | | | | Amount | Amount |
| Lightwire, Inc. | 5.0 | \$ 97 | – | \$ – | – | \$ – | \$ – | \$ 97 |
| All others | 3.5 | 102 | 3.0 | 1 | – | – | – | 103 |
| Total | | \$ 199 | | \$ 1 | | \$ – | \$ – | \$ 200 |

| FINITE LIVES | | | | | | INDEFINITE | TOTAL |
|---|--------|---|--------|---|--------|------------|-------|
| TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | LIVES | |
| Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | IPR&D | |

| <u>Fiscal 2011</u> | <u>Weighted- Average Useful Life (in Years)</u> | <u>Amount</u> | <u>Weighted- Average Useful Life (in Years)</u> | <u>Amount</u> | <u>Weighted- Average Useful Life (in Years)</u> | <u>Amount</u> | <u>Amount</u> | <u>Amount</u> |
|--------------------|---|---------------|---|---------------|---|---------------|---------------|---------------|
| Total | 4.8 | \$ 92 | 6.4 | \$ 16 | 2.5 | \$ 1 | \$ 5 | \$ 114 |

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The following tables present details of the Company's purchased intangible assets (in millions):

| | <u>July 28, 2012</u> | Gross | Accumulated Amortization | Net |
|---|----------------------|-----------------------|-----------------------------|-----------------------|
| Purchased intangible assets with finite lives: | | | | |
| Technology | | \$2,267 | \$ (908) | \$1,359 |
| Customer relationships | | 2,261 | (1,669) | 592 |
| Other | | 49 | (41) | 8 |
| Total | | <u>\$4,577</u> | <u>\$ (2,618)</u> | <u>\$1,959</u> |

| | <u>July 30, 2011</u> | Gross | Accumulated Amortization | Net |
|--|----------------------|-----------------------|-----------------------------|-----------------------|
| Purchased intangible assets with finite lives: | | | | |
| Technology | | \$1,961 | \$ (561) | \$1,400 |
| Customer relationships | | 2,277 | (1,346) | 931 |
| Other | | 123 | (91) | 32 |
| Total purchased intangible assets with finite lives | | 4,361 | (1,998) | 2,363 |
| IPR&D, with indefinite lives | | 178 | - | 178 |
| Total | | <u>\$4,539</u> | <u>\$ (1,998)</u> | <u>\$2,541</u> |

Purchased intangible assets include intangible assets acquired through business combinations as well as through direct purchases or licenses. All IPR&D projects outstanding at the end of fiscal 2011 were completed during fiscal 2012 and reclassified to technology purchased intangible assets with finite lives.

The following table presents the amortization of purchased intangible assets (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|------------------------|----------------------|
| Amortization of purchased intangible assets: | | | |
| Cost of sales | \$ 424 | \$ 492 | \$ 277 |
| Operating expenses: | | | |
| Amortization of purchased intangible assets | 383 | 520 | 491 |
| Restructuring and other charges | - | 8 | - |
| Total | <u>\$ 807</u> | <u>\$ 1,020</u> | <u>\$ 768</u> |

Amortization of purchased intangible assets for fiscal 2012, 2011, and 2010 included impairment charges of approximately \$12 million, \$164 million, and \$28 million, respectively. The impairment charges of \$12 million for fiscal 2012 were due to declines in estimated fair value resulting from reductions in expected future cash flows associated with certain of the Company's technology assets. For fiscal 2011, the \$164 million in impairment charges consisted of \$64 million of charges to product cost of sales, \$92 million of charges to amortization of purchased intangibles, and \$8 million of charges to restructuring and other charges. These impairment charges were primarily due to declines in estimated fair value resulting from reductions in expected future cash flows associated with certain of the Company's consumer products and were categorized as follows: \$97 million in technology assets, \$40 million in customer relationships, and \$27 million in other purchased intangible assets. For fiscal 2010, the impairment charges were due to reductions in expected future cash flows related to certain of the Company's technologies and customer relationships and were recorded as amortization of purchased intangible assets.

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The estimated future amortization expense of purchased intangible assets with finite lives as of July 28, 2012 is as follows (in millions):

| | <u>Fiscal Year</u> | <u>Amount</u> |
|-------|--------------------|----------------|
| 2013 | | \$706 |
| 2014 | | 523 |
| 2015 | | 444 |
| 2016 | | 217 |
| 2017 | | 69 |
| Total | | <u>\$1,959</u> |

5. Restructuring and Other Charges

In fiscal 2011, the Company initiated a number of key targeted actions to address several areas in its business model. These actions were intended to simplify and focus the Company's organization and operating model, align the Company's cost structure given transitions in the marketplace, divest or exit underperforming operations, and deliver value to the Company's shareholders. The Company is taking these actions to align its business based on its five foundational priorities: leadership in its core business (routing, switching, and associated services), which includes comprehensive security and mobility solutions; collaboration; data center virtualization and cloud; video; and architectures for business transformation.

Pursuant to the restructuring that the Company announced in July 2011, the Company has incurred cumulative charges of approximately \$1.0 billion (included as part of the charges discussed below). The Company expects that the total pretax charges pursuant to these restructuring actions will be approximately \$1.1 billion, and it expects the remaining charges to be incurred primarily in the first quarter of fiscal 2013. The following table summarizes the activities related to the restructuring and other charges pursuant to the Company's July 2011 announcement related to the realignment and restructuring of the Company's business as well as certain consumer product lines as announced during April 2011 (in millions):

| | <u>Voluntary Early Retirement Program</u> | <u>Employee Severance</u> | <u>Goodwill and Intangible Assets</u> | <u>Other</u> | <u>Total</u> |
|--|---|-------------------------------|---|--------------|--------------|
| Gross charges in fiscal 2011 | \$ 453 | \$ 247 | \$ 71 | \$28 | \$799 |
| Cash payments | (436) | (13) | - | - | (449) |
| Non-cash items | - | - | (71) | (17) | (88) |
| Balance as of July 30, 2011 | 17 | 234 | - | 11 | 262 |
| Gross charges in fiscal 2012 | - | 299 | - | 54 | 353 |
| Change in estimate related to fiscal 2011 charges | - | (49) | - | - | (49) |
| Cash payments | (17) | (401) | - | (18) | (436) |
| Non-cash items | - | - | - | (20) | (20) |
| Balance as of July 28, 2012 | \$ - | \$ 83 | \$ - | \$27 | \$110 |

During fiscal 2012, the Company incurred net restructuring charges within operating expenses of \$304 million, consisting of \$250 million of employee severance charges and \$54 million of other restructuring charges. Other charges incurred during fiscal 2012 were primarily for the consolidation of excess facilities, as well as an incremental charge related to the sale of the Company's Juarez, Mexico manufacturing operations, which sale was completed in the first quarter of fiscal 2012.

During fiscal 2011, the Company incurred a charge of approximately \$63 million related to a reduction to goodwill as a result of the sale of its Juarez manufacturing operations and also recorded an intangible asset impairment of \$8 million in connection with the restructuring of the Company's consumer business related to the exit of the Flip Video camera product line. See Note 4. Other charges incurred during fiscal 2011 were primarily related to the consolidation of excess facilities and other charges associated with the realignment and restructuring of the Company's consumer business.

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During fiscal 2011, the Company also recorded charges of approximately \$124 million, primarily related to inventory and supply chain charges in connection with restructuring related to the Company's consumer product lines, most notably exiting the Flip Video camera product line, which were recorded in cost of sales and not included in the preceding table.

6. Balance Sheet Details

The following tables provide details of selected balance sheet items (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|-------------------------|-------------------------|
| Inventories: | | |
| Raw materials | \$ 127 | \$ 219 |
| Work in process | 35 | 52 |
| Finished goods: | | |
| Distributor inventory and deferred cost of sales | 630 | 631 |
| Manufactured finished goods | 597 | 331 |
| Total finished goods | 1,227 | 962 |
| Service-related spares | 213 | 182 |
| Demonstration systems | 61 | 71 |
| Total | <u>\$ 1,663</u> | <u>\$ 1,486</u> |
| Property and equipment, net: | | |
| Land, buildings, and building and leasehold improvements | \$ 4,363 | \$ 4,760 |
| Computer equipment and related software | 1,469 | 1,429 |
| Production, engineering, and other equipment | 5,364 | 5,093 |
| Operating lease assets ⁽¹⁾ | 300 | 293 |
| Furniture and fixtures | 487 | 491 |
| | 11,983 | 12,066 |
| Less accumulated depreciation and amortization ⁽¹⁾ | (8,581) | (8,150) |
| Total | <u>\$ 3,402</u> | <u>\$ 3,916</u> |
| ⁽¹⁾ Accumulated depreciation related to operating lease assets was \$181 and \$169 as of July 28, 2012 and July 30, 2011, respectively. | | |
| Other assets: | | |
| Deferred tax assets | \$ 2,270 | \$ 1,864 |
| Investments in privately held companies | 858 | 796 |
| Other | 754 | 441 |
| Total | <u>\$ 3,882</u> | <u>\$ 3,101</u> |
| Deferred revenue: | | |
| Service | \$ 9,173 | \$ 8,521 |
| Product: | | |
| Unrecognized revenue on product shipments and other deferred revenue | 2,975 | 3,003 |
| Cash receipts related to unrecognized revenue from two-tier distributors | 732 | 683 |
| Total product deferred revenue | 3,707 | 3,686 |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> |
| Reported as: | | |
| Current | \$ 8,852 | \$ 8,025 |
| Noncurrent | 4,028 | 4,182 |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> |

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7. Financing Receivables and Guarantees

(a) Financing Receivables

Financing receivables primarily consist of lease receivables, loan receivables, and financed service contracts and other. Lease receivables represent sales-type and direct-financing leases resulting from the sale of the Company's and complementary third-party products and are typically collateralized by a security interest in the underlying assets. Loan receivables represent financing arrangements related to the sale of the Company's products and services, which may include additional funding for other costs associated with network installation and integration of the Company's products and services. Lease receivables consist of arrangements with terms of four years on average, while loan receivables generally have terms of up to three years. The financed service contracts and other category includes financing receivables related to technical support and advanced services, as well as receivables related to financing of certain indirect costs associated with leases. Revenue related to the technical support services is typically deferred and included in deferred service revenue and is recognized ratably over the period during which the related services are to be performed, which typically ranges from one to three years.

A summary of the Company's financing receivables is presented as follows (in millions):

| | Lease | Loan | Financed Service | Total Financing |
|----------------------------------|-----------------|-----------------|---------------------|-----------------------|
| July 28, 2012 | Receivables | Receivables | Contracts and Other | Receivables |
| Gross | \$ 3,429 | \$ 1,796 | \$ 2,651 | \$ 7,876 |
| Unearned income | (250) | – | – | (250) |
| Allowance for credit loss | (247) | (122) | (11) | (380) |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |
| Reported as: | | | | |
| Current | \$ 1,200 | \$ 968 | \$ 1,493 | \$ 3,661 |
| Noncurrent | 1,732 | 706 | 1,147 | 3,585 |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |
| | | | | |
| | Lease | Loan | Financed Service | Total |
| July 30, 2011 | Receivables | Receivables | Contracts and Other | Financing Receivables |
| Gross | \$ 3,111 | \$ 1,468 | \$ 2,637 | \$ 7,216 |
| Unearned income | (250) | – | – | (250) |
| Allowance for credit loss | (237) | (103) | (27) | (367) |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |
| Reported as: | | | | |
| Current | \$ 1,087 | \$ 673 | \$ 1,351 | \$ 3,111 |
| Noncurrent | 1,537 | 692 | 1,259 | 3,488 |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |

As of July 28, 2012 and July 30, 2011, the deferred service revenue related to the financed service contracts and other was \$1,838 million and \$2,044 million, respectively.

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Contractual maturities of the gross lease receivables at July 28, 2012 are summarized as follows (in millions):

| | Fiscal Year | Amount |
|--------------|-------------|----------------|
| 2013 | | \$1,401 |
| 2014 | | 1,055 |
| 2015 | | 619 |
| 2016 | | 276 |
| 2017 | | 77 |
| Thereafter | | 1 |
| Total | | \$3,429 |

Actual cash collections may differ from the contractual maturities due to early customer buyouts, refinancings, or defaults.

(b) Credit Quality of Financing Receivables

Financing receivables categorized by the Company's internal credit risk rating as of July 28, 2012 and July 30, 2011 are summarized as follows (in millions):

| | INTERNAL CREDIT RISK | | | | Residual Value | Gross Receivables, Net of Unearned Income |
|---|----------------------|----------------|---------------|----------------|-------------------|---|
| | RATING | | | | | |
| July 28, 2012 | 1 to 4 | 5 to 6 | 7 and Higher | Total | | |
| Lease receivables | \$1,532 | \$1,342 | \$ 31 | \$2,905 | \$ 274 | \$ 3,179 |
| Loan receivables | 831 | 921 | 44 | 1,796 | – | 1,796 |
| Financed service contracts and other | 1,552 | 1,030 | 69 | 2,651 | – | 2,651 |
| Total | \$3,915 | \$3,293 | \$ 144 | \$7,352 | \$ 274 | \$ 7,626 |

| | INTERNAL CREDIT RISK | | | | Residual Value | Gross Receivables, Net of Unearned Income |
|--------------------------------------|----------------------|----------------|---------------|----------------|-------------------|---|
| | RATING | | | | | |
| July 30, 2011 | 1 to 4 | 5 to 6 | 7 and Higher | Total | | |
| Lease receivables | \$1,249 | \$1,275 | \$ 41 | \$2,565 | \$ 296 | \$ 2,861 |
| Loan receivables | 662 | 767 | 39 | 1,468 | – | 1,468 |
| Financed service contracts and other | 1,623 | 958 | 56 | 2,637 | – | 2,637 |
| Total | \$3,534 | \$3,000 | \$ 136 | \$6,670 | \$ 296 | \$ 6,966 |

The Company determines the adequacy of its allowance for credit loss by assessing the risks and losses inherent in its financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by the Company to its customers: lease receivables, loan receivables, and financed service contracts and other. Effective in the second quarter of fiscal 2012, the Company combined its financing receivables into a single class as the two prior classes, Established Markets and Growth Markets, now exhibit similar risk characteristics as reflected by the Company's historical losses. The Company has reclassified applicable financing receivables data for the prior periods presented to conform to the current year's presentation. In addition, effective in the second quarter of fiscal 2012, the Company also refined its methodology for calculating its allowance for financing receivables as discussed in Note 2.

The Company's internal credit risk ratings of 1 through 4 correspond to investment-grade ratings, while credit risk ratings of 5 and 6 correspond to non-investment grade ratings. Credit risk ratings of 7 and higher correspond to substandard ratings and constitute a relatively small portion of the Company's financing receivables.

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In circumstances when collectability is not deemed reasonably assured, the associated revenue is deferred in accordance with the Company's revenue recognition policies, and the related allowance for credit loss, if any, is included in deferred revenue. The Company also records deferred revenue associated with financing receivables when there are remaining performance obligations, as it does for financed service contracts. Total allowances for credit loss and deferred revenue as of July 28, 2012 and July 30, 2011 were \$2,387 million and \$2,793 million, respectively, and they were associated with financing receivables (net of unearned income) of \$7,626 million and \$6,966 million as of their respective period ends. The losses that the Company has incurred historically, including in the periods presented with respect to its financing receivables, have been immaterial and consistent with the performance of an investment-grade portfolio. The Company did not modify any financing receivables during the periods presented.

The following tables present the aging analysis of financing receivables as of July 28, 2012 and July 30, 2011 (in millions):

| | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | | Gross | | | |
|---|---|--------------|--------------|---------------|-------------------|-----------------|------------------------------|-------------------------------------|--------------------------|
| | July 28, 2012 | 31-60 | 61-90 | 91+ | Total Past Due | Current | Receivables, | Non- | Impaired |
| | | | | | | | Net of Unearned Income | Accrual Financing Receivables | Financing Receivables |
| Lease receivables | \$151 | \$69 | \$173 | \$ 393 | \$2,786 | \$ 3,179 | \$ 23 | \$ 14 | |
| Loan receivables | 10 | 8 | 11 | 29 | 1,767 | 1,796 | 4 | 4 | |
| Financed service contracts and other | 89 | 68 | 392 | 549 | 2,102 | 2,651 | 18 | 10 | |
| Total | \$250 | \$145 | \$576 | \$ 971 | \$6,655 | \$ 7,626 | \$ 45 | \$ 28 | |

| | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | | Gross | | | |
|---|---|-------------|--------------|---------------|-------------------|-----------------|------------------------------|-------------------------------------|--------------------------|
| | July 30, 2011 | 31-60 | 61-90 | 91+ | Total Past Due | Current | Receivables, | Non- | Impaired |
| | | | | | | | Net of Unearned Income | Accrual Financing Receivables | Financing Receivables |
| Lease receivables | \$89 | \$35 | \$152 | \$ 276 | \$2,585 | \$ 2,861 | \$ 34 | \$ 24 | |
| Loan receivables | 8 | 7 | 21 | 36 | 1,432 | 1,468 | 4 | 4 | |
| Financed service contracts and other | 68 | 33 | 265 | 366 | 2,271 | 2,637 | 17 | 6 | |
| Total | \$165 | \$75 | \$438 | \$ 678 | \$6,288 | \$ 6,966 | \$ 55 | \$ 34 | |

Past due financing receivables are those that are 31 days or more past due according to their contractual payment terms. The data in the preceding tables is presented by contract and the aging classification of each contract is based on the oldest outstanding receivable, and therefore past due amounts also include unbilled and current receivables within the same contract. The preceding aging tables exclude pending adjustments on billed tax assessment in certain international markets. The balances of either unbilled or current financing receivables included in the category of 91 days plus past due for lease receivables, loan receivables, and financed service contracts and other were, respectively, \$139 million, \$3 million, and \$313 million as of July 28, 2012; and were, respectively, \$116 million, \$15 million, and \$230 million as of July 30, 2011.

As of July 28, 2012, the Company had financing receivables of \$109 million, net of unbilled or current receivables from the same contract, that were in the category for 91 days plus past due but remained on accrual status. Such balance was \$50 million as of July 30, 2011. A financing receivable may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain.

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(c) Allowance for Credit Loss Rollforward

The allowances for credit loss and the related financing receivables are summarized as follows (in millions):

| | CREDIT LOSS ALLOWANCES | | | |
|--|------------------------|-----------------|------------------|------------------------|
| | Lease | Loan | Financed Service | |
| | | | Receivables | Contracts and Other |
| Allowance for credit loss as of July 30, 2011 | \$ 237 | \$ 103 | \$ 27 | \$367 |
| Provisions | 22 | 22 | (13) | 31 |
| Write-offs net of recoveries | (2) | - | (1) | (3) |
| Foreign exchange and other | (10) | (3) | (2) | (15) |
| Allowance for credit loss as of July 28, 2012 | \$ 247 | \$ 122 | \$ 11 | \$380 |
| Gross receivables as of July 28, 2012, net of unearned income | \$ 3,179 | \$ 1,796 | \$ 2,651 | \$7,626 |

| | CREDIT LOSS ALLOWANCES | | | |
|---|------------------------|----------|------------------|------------------------|
| | Lease | Loan | Financed Service | |
| | | | Receivables | Contracts and Other |
| Allowance for credit loss as of July 31, 2010 | \$ 207 | \$ 73 | \$ 21 | \$301 |
| Provisions | 31 | 43 | 8 | 82 |
| Write-offs net of recoveries | (13) | (18) | (2) | (33) |
| Foreign exchange and other | 12 | 5 | - | 17 |
| Allowance for credit loss as of July 30, 2011 | \$ 237 | \$ 103 | \$ 27 | \$367 |
| Gross receivables as of July 30, 2011, net of unearned income | \$ 2,861 | \$ 1,468 | \$ 2,637 | \$6,966 |

Financing receivables that were individually evaluated for impairment during the fiscal years presented were not material and therefore are not presented separately in the preceding table.

(d) Financing Guarantees

In the ordinary course of business, the Company provides financing guarantees for various third-party financing arrangements extended to channel partners and end-user customers. Payments under these financing guarantee arrangements were not material for the periods presented.

Channel Partner Financing Guarantees The Company facilitates arrangements for third-party financing extended to channel partners, consisting of revolving short-term financing, generally with payment terms ranging from 60 to 90 days. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, the Company guarantees a portion of these arrangements. The volume of channel partner financing was \$21.3 billion, \$18.2 billion and \$17.2 billion for fiscal 2012, 2011, and 2010, respectively. The balance of the channel partner financing subject to guarantees was \$1.2 billion and \$1.4 billion as of July 28, 2012 and July 30, 2011, respectively.

End-User Financing Guarantees The Company also provides financing guarantees for third-party financing arrangements extended to end-user customers related to leases and loans, which typically have terms of up to three years. The volume of financing provided by third parties for leases and loans for which the Company had provided guarantees was \$227 million for fiscal 2012, \$247 million for fiscal 2011 and \$180 million for fiscal 2010.

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Financing Guarantee Summary The aggregate amounts of financing guarantees outstanding at July 28, 2012 and July 30, 2011, representing the total maximum potential future payments under financing arrangements with third parties along with the related deferred revenue, are summarized in the following table (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|------------------|------------------|
| Maximum potential future payments relating to financing guarantees: | | |
| Channel partner | \$ 277 | \$ 336 |
| End user | 232 | 277 |
| Total | <u>\$ 509</u> | <u>\$ 613</u> |
| Deferred revenue associated with financing guarantees: | | |
| Channel partner | \$ (193) | \$ (248) |
| End user | (200) | (248) |
| Total | <u>\$ (393)</u> | <u>\$ (496)</u> |
| Maximum potential future payments relating to financing guarantees, net of associated deferred revenue | <u>\$ 116</u> | <u>\$ 117</u> |

8. Investments

(a) Summary of Available-for-Sale Investments

The following tables summarize the Company's available-for-sale investments (in millions):

| | July 28, 2012 | | | |
|---|-------------------|------------------------------|-------------------------------|-----------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$24,201 | \$ 41 | \$ (1) | \$24,241 |
| U.S. government agency securities | 5,367 | 21 | - | 5,388 |
| Non-U.S. government and agency securities | 1,629 | 9 | - | 1,638 |
| Corporate debt securities | 5,959 | 74 | (3) | 6,030 |
| Total fixed income securities | <u>37,156</u> | <u>145</u> | <u>(4)</u> | <u>37,297</u> |
| Publicly traded equity securities | 1,107 | 524 | (11) | 1,620 |
| Total | <u>\$38,263</u> | <u>\$ 669</u> | <u>\$ (15)</u> | <u>\$38,917</u> |
| | July 30, 2011 | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$19,087 | \$ 52 | \$ - | \$19,139 |
| U.S. government agency securities | 8,742 | 35 | (1) | 8,776 |
| Non-U.S. government and agency securities | 3,119 | 14 | (1) | 3,132 |
| Corporate debt securities | 4,333 | 65 | (4) | 4,394 |
| Asset-backed securities | 120 | 5 | (4) | 121 |
| Total fixed income securities | <u>35,401</u> | <u>171</u> | <u>(10)</u> | <u>35,562</u> |
| Publicly traded equity securities | 734 | 639 | (12) | 1,361 |
| Total | <u>\$36,135</u> | <u>\$ 810</u> | <u>\$ (22)</u> | <u>\$36,923</u> |

U.S. government agency securities include corporate debt securities that are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”), while non-U.S. government and agency securities include agency and corporate debt securities that are guaranteed by non-U.S. governments.

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(b) Gains and Losses on Available-for-Sale Investments

The following table presents the gross realized gains and gross realized losses related to the Company's available-for-sale investments (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|-----------------------|----------------------|----------------------|----------------------|
| Gross realized gains | \$ 641 | \$ 348 | \$ 279 |
| Gross realized losses | (540) | (169) | (110) |
| Total | \$ 101 | \$ 179 | \$ 169 |

The following table presents the realized net gains (losses) related to the Company's available-for-sale investments (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Net gains on investments in publicly traded equity securities | \$ 43 | \$ 88 | \$ 66 |
| Net gains on investments in fixed income securities | 58 | 91 | 103 |
| Total | \$ 101 | \$ 179 | \$ 169 |

Impairment charges on available-for-sale investments were not material for the periods presented.

The following table summarizes the activity related to credit losses for fixed income securities (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|----------------------|----------------------|
| Balance at beginning of fiscal year | \$ (23) | \$ (95) |
| Sales of other-than-temporarily impaired fixed income securities | 23 | 72 |
| Balance at end of fiscal year | \$ - | \$ (23) |

The following tables present the breakdown of the available-for-sale investments with gross unrealized losses and the duration that those losses had been unrealized at July 28, 2012 and July 30, 2011 (in millions):

| | <u>UNREALIZED LOSSES</u> | | <u>UNREALIZED LOSSES</u> | | <u>TOTAL</u> | |
|--|----------------------------|--------------------------------|-----------------------------|--------------------------------|-------------------|--------------------------------|
| | <u>LESS THAN 12 MONTHS</u> | | <u>12 MONTHS OR GREATER</u> | | | |
| | <u>Fair Value</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> | <u>Gross Unrealized Losses</u> |
| July 28, 2012 | | | | | | |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 5,357 | \$ (1) | \$ - | \$ - | \$ 5,357 | \$ (1) |
| Corporate debt securities | 603 | (3) | 14 | - | 617 | (3) |
| Total fixed income securities | 5,960 | (4) | 14 | - | 5,974 | (4) |
| Publicly traded equity securities | 167 | (8) | 20 | (3) | 187 | (11) |
| Total | \$ 6,127 | \$ (12) | \$ 34 | \$ (3) | \$ 6,161 | \$ (15) |

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| | UNREALIZED LOSSES | | UNREALIZED LOSSES | | TOTAL | |
|---|---------------------|-------------------|----------------------|-------------------|-----------------|-------------------|
| | LESS THAN 12 MONTHS | | 12 MONTHS OR GREATER | | | |
| | July 30, 2011 | Gross | Gross | Gross | Gross | Gross |
| Fair Value | | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 2,310 | \$ (1) | \$ - | \$ - | \$ 2,310 | \$ (1) |
| Non-U.S. government and agency securities | 875 | (1) | - | - | 875 | (1) |
| Corporate debt securities | 548 | (2) | 56 | (2) | 604 | (4) |
| Asset-backed securities | - | - | 105 | (4) | 105 | (4) |
| Total fixed income securities | 3,733 | (4) | 161 | (6) | 3,894 | (10) |
| Publicly traded equity securities | 112 | (12) | - | - | 112 | (12) |
| Total | <u>\$ 3,845</u> | <u>\$ (16)</u> | <u>\$ 161</u> | <u>\$ (6)</u> | <u>\$ 4,006</u> | <u>\$ (22)</u> |

As of July 28, 2012, for fixed income securities that were in unrealized loss positions, the Company has determined that (i) it does not have the intent to sell any of these investments and (ii) it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. In addition, as of July 28, 2012, the Company anticipates that it will recover the entire amortized cost basis of such fixed income securities and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the year ended July 28, 2012.

The Company has evaluated its publicly traded equity securities as of July 28, 2012 and has determined that there was no indication of other-than-temporary impairments in the respective categories of unrealized losses. This determination was based on several factors, which include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the publicly traded equity securities for a period of time sufficient to allow for any anticipated recovery in market value.

(c) Maturities of Fixed Income Securities

The following table summarizes the maturities of the Company's fixed income securities at July 28, 2012 (in millions):

| | Amortized | |
|---------------------|-----------------|-----------------|
| | Cost | Fair Value |
| Less than 1 year | \$16,257 | \$16,274 |
| Due in 1 to 2 years | 12,277 | 12,323 |
| Due in 2 to 5 years | 8,549 | 8,623 |
| Due after 5 years | 73 | 77 |
| Total | <u>\$37,156</u> | <u>\$37,297</u> |

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

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(d) Securities Lending

The Company periodically engages in securities lending activities with certain of its available-for-sale investments. These transactions are accounted for as a secured lending of the securities, and the securities are typically loaned only on an overnight basis. The average daily balance of securities lending for fiscal 2012 and 2011 was \$0.5 billion and \$1.6 billion, respectively. The Company requires collateral equal to at least 102% of the fair market value of the loaned security in the form of cash or liquid, high-quality assets. The Company engages in these secured lending transactions only with highly creditworthy counterparties, and the associated portfolio custodian has agreed to indemnify the Company against collateral losses. The Company did not experience any losses in connection with the secured lending of securities during the periods presented. As of July 28, 2012 and July 30, 2011, the Company had no outstanding securities lending transactions.

9. Fair Value

Fair value is defined 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 or permitted to be either recorded or disclosed at fair value, the Company considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

(a) Fair Value Hierarchy

The accounting guidance for fair value measurement requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

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(b) Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of July 28, 2012 and July 30, 2011 were as follows (in millions):

| | JULY 28, 2012 | | | | JULY 30, 2011 | | | |
|---|-------------------------|----------|---------|------------------|-------------------------|----------|---------|------------------|
| | FAIR VALUE MEASUREMENTS | | | | FAIR VALUE MEASUREMENTS | | | |
| | Level 1 | Level 2 | Level 3 | Total Balance | Level 1 | Level 2 | Level 3 | Total Balance |
| Assets | | | | | | | | |
| Cash equivalents: | | | | | | | | |
| Money market funds | \$2,506 | \$- | \$- | \$2,506 | \$5,852 | \$- | \$- | \$5,852 |
| U.S. government agency securities | - | - | - | - | - | 1 | - | 1 |
| Available-for-sale investments: | | | | | | | | |
| U.S. government securities | - | 24,241 | - | 24,241 | - | 19,139 | - | 19,139 |
| U.S. government agency securities | - | 5,388 | - | 5,388 | - | 8,776 | - | 8,776 |
| Non-U.S. government and agency securities | - | 1,638 | - | 1,638 | - | 3,132 | - | 3,132 |
| Corporate debt securities | - | 6,030 | - | 6,030 | - | 4,394 | - | 4,394 |
| Asset-backed securities | - | - | - | - | - | - | 121 | 121 |
| Publicly traded equity securities | 1,620 | - | - | 1,620 | 1,361 | - | - | 1,361 |
| Derivative assets | - | 263 | 1 | 264 | - | 220 | 2 | 222 |
| Total | \$4,126 | \$37,560 | \$1 | \$41,687 | \$7,213 | \$35,662 | \$123 | \$42,998 |
| Liabilities: | | | | | | | | |
| Derivative liabilities | \$- | \$42 | \$- | \$42 | \$- | \$24 | \$- | \$24 |
| Total | \$- | \$42 | \$- | \$42 | \$- | \$24 | \$- | \$24 |

Level 2 fixed income securities are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets and liabilities. The Company uses such pricing data as the primary input to make its assessments and determinations as to the ultimate valuation of its investment portfolio and has not made, during the periods presented, any material adjustments to such inputs. The Company is ultimately responsible for the financial statements and underlying estimates. The Company's derivative instruments are primarily classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

Level 3 assets include certain derivative instruments, the values of which are determined based on discounted cash flow models using inputs that the Company could not corroborate with market data.

The following tables present a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 28, 2012 and July 30, 2011 (in millions):

| | Asset- Backed Securities | Derivative Assets | Total |
|--|--------------------------------|----------------------|-------|
| Balance at July 30, 2011 | \$ 121 | \$ 2 | \$123 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | - | 3 |
| Included in other comprehensive income | (3) | - | (3) |
| Sales | (14) | (1) | (15) |

| | | | |
|---------------------------------|---------------|-------------|--------------|
| Transfer into Level 2 | (107) | - | (107) |
| Balance at July 28, 2012 | \$- | \$ 1 | \$1 |

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The Company's asset-backed securities, prior to being sold, were reclassified from Level 3 to Level 2 during fiscal 2012, as the Company observed an increase in market activity and that observable market data was available for these financial assets.

| | Asset- Backed Securities | Derivative Assets | Total |
|--|--------------------------------|----------------------|--------------|
| Balance at July 31, 2010 | \$ 149 | \$ 3 | \$152 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | (1) | 2 |
| Purchases, sales and maturities | (31) | - | (31) |
| Balance at July 30, 2011 | <u>\$ 121</u> | <u>\$ 2</u> | <u>\$123</u> |
| Losses attributable to assets still held as of July 30, 2011 | \$- | \$ (1) | \$(1) |

(c) Assets Measured at Fair Value on a Nonrecurring Basis

The following tables present the Company's financial instruments and nonfinancial assets that were measured at fair value on a nonrecurring basis during the indicated periods and the related recognized gains and losses for the periods (in millions):

| | <u>July 28, 2012</u> | | <u>July 30, 2011</u> | | <u>July 31, 2010</u> | |
|---|---|--|---|--|---|--|
| | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended |
| Property held for sale | \$ 63 | \$ (413) | \$ 20 | \$ (38) | \$ 25 | \$ (86) |
| Investments in privately held companies | \$ 47 | (23) | \$ 13 | (10) | \$ 45 | (25) |
| Purchased intangible assets | \$ - | (12) | \$ - | (164) | \$ - | (28) |
| Manufacturing operations held for sale | \$ - | - | \$ 167 | (61) | \$ - | - |
| Gains on assets no longer held at end of fiscal year | | <u>14</u> | | <u>-</u> | | <u>2</u> |
| Total losses for nonrecurring measurements | | <u>\$ (434)</u> | | <u>\$ (273)</u> | | <u>\$ (137)</u> |

The assets in the preceding table were measured at fair value due to events or circumstances the Company identified as having significant impact on their fair value during the respective periods. To arrive at the valuation of these assets, the Company considers any significant changes in the financial metrics and economic variables and also uses third-party valuation reports to assist in the valuation as necessary. These assets were classified as Level 3 assets because the Company used unobservable inputs to value them.

The property held for sale represents land and buildings which met the criteria to be classified as held for sale. The fair value of property held for sale was measured with the assistance of third-party valuation models which used comparable property values or discounted cash flow techniques as part of its analysis. The fair value measurement was categorized as Level 3 as significant unobservable inputs were used in the valuation report. The impairment charges as a result of the valuations, which represented the difference between the fair value less cost to sell and the carrying amount of the assets held for sale, were included in G&A expenses.

The fair value measurement of the impaired investments was classified as Level 3 because significant unobservable inputs were used in the valuation due to the absence of quoted market prices and inherent lack of liquidity. Significant unobservable inputs, which included financial metrics of comparable private and public companies, financial condition and near-term prospects of the investees, recent financing activities of the investee, and the investee's capital structure as well as other economic variables, reflected the assumptions market participants would use in pricing these assets. The impairment charges, representing the difference between the cost and the fair value as a result of the evaluation, were recorded to other income, net.

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The fair value of purchased intangible assets measured at fair value on a nonrecurring basis was categorized as Level 3 due to the use of significant unobservable inputs in the valuation. Significant unobservable inputs that were used included expected revenues and net income related to the assets and the expected life of the assets. The difference between the estimated fair value and the carrying value of the assets was recorded as an impairment charge. For the years ended July 28, 2012, July 30, 2011, and July 31, 2010, such impairment charges were recorded in cost of sales and operating expenses as appropriate. See Note 4.

The loss related to the manufacturing operations held for sale was primarily related to a reduction in goodwill related to the sale of the Company's set-top box manufacturing operations in Juarez, Mexico. See Note 5. This goodwill reduction represents the difference between the carrying value and the implied fair value of the goodwill associated with the disposal group being evaluated.

(d) Other Fair Value Disclosures

As of July 28, 2012, the carrying value of the Company's investments in privately held companies that were accounted for under the cost method was \$249 million. It was not practicable to estimate the fair value of this portfolio.

The fair value of the Company's short-term loan receivables and financed service contracts approximates their carrying value due to their short duration.

The aggregate carrying value of the Company's long-term loan receivables and financed service contracts and other as of July 28, 2012 and July 30, 2011 was \$1.9 billion and \$2.0 billion, respectively. The estimated fair value of the Company's long-term loan receivables and financed service contracts and other approximates their carrying value. The Company uses significant unobservable inputs in determining discounted cash flows to estimate the fair value of its long-term loan receivables and financed service contracts and therefore they are categorized as Level 3.

As of July 28, 2012, the fair value of the Company's long-term debt was \$18.8 billion with a carrying amount of \$16.3 billion. This compares to a fair value of \$17.4 billion and a carrying amount of \$16.2 billion as of July 30, 2011. The fair value of the long-term debt was determined based on observable market prices in a less active market and was categorized as Level 2 in the fair value hierarchy.

10. Borrowings

(a) Short-Term Debt

The following table summarizes the Company's short-term debt (in millions, except percentages):

| | July 28, 2012 | | July 30, 2011 | |
|----------------------------|---------------|--------------------------------|---------------|--------------------------------|
| | Amount | Weighted-Average Interest Rate | Amount | Weighted-Average Interest Rate |
| Commercial paper | \$- | - | \$ 500 | 0.14 % |
| Other notes and borrowings | 31 | 6.72 % | 88 | 4.59 % |
| Total short-term debt | <u>\$31</u> | | <u>\$ 588</u> | |

In fiscal 2011, the Company established a short-term debt financing program of up to \$3.0 billion through the issuance of commercial paper notes. The Company uses the proceeds from the issuance of commercial paper notes for general corporate purposes.

Other notes and borrowings in the preceding table consist of notes and credit facilities established with a number of financial institutions that are available to certain foreign subsidiaries of the Company. These notes and credit facilities are subject to various terms and foreign currency market interest rates pursuant to individual financial arrangements between the financing institution and the applicable foreign subsidiary.

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As of July 28, 2012 and July 30, 2011, the estimated fair value of the short-term debt approximates its carrying value due to the short maturities.

(b) Long-Term Debt

The following table summarizes the Company's long-term debt (in millions, except percentages):

| | July 28, 2012 | | | July 30, 2011 | | |
|---|---------------|----------------|---|---------------|----------------|---|
| | Amount | Effective Rate | | Amount | Effective Rate | |
| Senior Notes: | | | | | | |
| Floating-rate notes, due 2014 | \$1,250 | 0.81 | % | \$1,250 | 0.60 | % |
| 1.625% fixed-rate notes, due 2014 | 2,000 | 0.84 | % | 2,000 | 0.58 | % |
| 2.90% fixed-rate notes, due 2014 | 500 | 3.11 | % | 500 | 3.11 | % |
| 5.50% fixed-rate notes, due 2016 | 3,000 | 3.16 | % | 3,000 | 3.06 | % |
| 3.15% fixed-rate notes, due 2017 | 750 | 1.03 | % | 750 | 0.81 | % |
| 4.95% fixed-rate notes, due 2019 | 2,000 | 5.08 | % | 2,000 | 5.08 | % |
| 4.45% fixed-rate notes, due 2020 | 2,500 | 4.50 | % | 2,500 | 4.50 | % |
| 5.90% fixed-rate notes, due 2039 | 2,000 | 6.11 | % | 2,000 | 6.11 | % |
| 5.50% fixed-rate notes, due 2040 | 2,000 | 5.67 | % | 2,000 | 5.67 | % |
| Total | 16,000 | | | 16,000 | | |
| Other long-term debt | 10 | 0.19 | % | – | | |
| Unaccreted discount | (70) | | | (73) | | |
| Hedge accounting fair value adjustments | 357 | | | 307 | | |
| Total long-term debt | \$16,297 | | | \$16,234 | | |

To achieve its interest rate risk management objectives, the Company entered into interest rate swaps with an aggregate notional amount of \$4.25 billion designated as fair value hedges of certain fixed-rate senior notes. In effect, these swaps convert the fixed interest rates of the fixed-rate notes to floating interest rates based on the London InterBank Offered Rate ("LIBOR"). The gains and losses related to changes in the fair value of the interest rate swaps substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to the changes in market interest rates. See Note 11.

The effective rates for the fixed-rate debt include the interest on the notes, the accretion of the discount, and, if applicable, adjustments related to hedging. Interest is payable semiannually on each class of the senior fixed-rate notes and payable quarterly on the floating-rate notes. Each of the senior fixed-rate notes is redeemable by the Company at any time, subject to a make-whole premium.

The senior notes rank at par with the issued commercial paper notes, as well as any other commercial paper notes that may be issued in the future pursuant to the short-term debt financing program, as discussed earlier under "Short-Term Debt." As of July 28, 2012, the Company was in compliance with all debt covenants.

Future principal payments for long-term debt as of July 28, 2012 are summarized as follows (in millions):

| | Fiscal Year | Amount |
|--|-------------|----------|
| | 2013 | \$– |
| | 2014 | 3,260 |
| | 2015 | 500 |
| | 2016 | 3,000 |
| | 2017 | 750 |
| | Thereafter | 8,500 |
| | Total | \$16,010 |

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(c) Credit Facility

On February 17, 2012, the Company entered into a credit agreement with certain institutional lenders that provides for a \$3.0 billion unsecured revolving credit facility that is scheduled to expire on February 17, 2017. Any advances under the credit agreement will accrue interest at rates that are equal to, based on certain conditions, either (i) the higher of the Federal Funds rate plus 0.50%, Bank of America's "prime rate" as announced from time to time, or one-month LIBOR plus 1.00%, or (ii) LIBOR plus a margin that is based on the Company's senior debt credit ratings as published by Standard & Poor's Financial Services, LLC and Moody's Investors Service, Inc. The credit agreement requires the Company to comply with certain covenants, including that it maintains an interest coverage ratio as defined in the agreement. As of July 28, 2012, the Company was in compliance with all such required covenants, and the Company had not borrowed any funds under the credit facility.

The Company may also, upon the agreement of either the then-existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional \$2.0 billion and/or extend the expiration date of the credit facility up to February 17, 2019.

This credit facility replaces the Company's prior credit facility that was entered into on August 17, 2007, which was terminated in connection with its entering into the new credit facility.

11. Derivative Instruments

(a) Summary of Derivative Instruments

The Company uses derivative instruments primarily to manage exposures to foreign currency exchange rate, interest rate, and equity price risks. The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates, interest rates, and equity prices. The Company's derivatives expose it to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. The Company does, however, seek to mitigate such risks by limiting its counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored. Management does not expect material losses as a result of defaults by counterparties.

The fair values of the Company's derivative instruments and the line items on the Consolidated Balance Sheets to which they were recorded are summarized as follows (in millions):

| | DERIVATIVE ASSETS | | | DERIVATIVE LIABILITIES | | |
|--|-------------------------|------------------|------------------|-----------------------------|------------------|------------------|
| | Balance Sheet Line Item | July 28, 2012 | July 30, 2011 | Balance Sheet Line Item | July 28, 2012 | July 30, 2011 |
| Derivatives designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | \$ 24 | \$ 67 | Other current liabilities | \$ 26 | \$ 12 |
| Interest rate derivatives | Other assets | 223 | 146 | Other long-term liabilities | – | – |
| Equity derivatives | Other current assets | – | – | Other current liabilities | 4 | – |
| Total | | <u>247</u> | <u>213</u> | | <u>30</u> | <u>12</u> |
| Derivatives not designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | 16 | 7 | Other current liabilities | 12 | 12 |
| Equity derivatives | Other assets | 1 | 2 | Other long-term liabilities | – | – |
| Total | | <u>17</u> | <u>9</u> | | <u>12</u> | <u>12</u> |
| Total | | <u>\$ 264</u> | <u>\$ 222</u> | | <u>\$ 42</u> | <u>\$ 24</u> |

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The effects of the Company's cash flow and net investment hedging instruments on OCI and the Consolidated Statements of Operations are summarized as follows (in millions):

| | GAINS (LOSSES) RECOGNIZED IN OCI ON DERIVATIVES FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | GAINS (LOSSES) RECLASSIFIED FROM AOCI INTO INCOME FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | |
|---|---|-----------------------|----------------------|---|-----------------------|----------------------|----------------------|
| | July 28, 2012 | July 30, 2011 | July 31, 2010 | Line Item in Statements of Operations | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Derivatives designated as cash flow hedging instruments: | | | | | | | |
| Foreign currency derivatives | \$(131) | \$ 87 | \$ 33 | Operating expenses | \$(59) | \$89 | \$(1) |
| | | | | Cost of sales - service | (14) | 17 | - |
| Interest rate derivatives | - | - | 23 | Interest expense | 1 | 2 | - |
| Total | <u>\$(131)</u> | <u>\$ 87</u> | <u>\$ 56</u> | | <u>\$(72)</u> | <u>\$ 108</u> | <u>\$(1)</u> |
| Derivatives designated as net investment hedging instruments: | | | | | | | |
| Foreign currency derivatives | <u>\$23</u> | <u>\$(10)</u> | <u>\$(2)</u> | Other income, net | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

During each of the fiscal years presented, the amounts recognized in earnings on derivative instruments designated as cash flow hedges related to the ineffective portion were not material, and the Company did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness. As of July 28, 2012, the Company estimates that approximately \$41 million of net derivative gains related to its cash flow hedges included in AOCI will be reclassified into earnings within the next 12 months.

The effect on the Consolidated Statements of Operations of derivative instruments designated as fair value hedges and the underlying hedged items is summarized as follows (in millions):

| | Line Item in Statements of Operations | GAINS (LOSSES) ON DERIVATIVES INSTRUMENTS FOR THE YEARS ENDED | | | GAINS (LOSSES) RELATED TO HEDGED ITEMS FOR THE YEARS ENDED | | |
|---|--|--|--------------------|---------------------|---|-----------------------|-----------------------|
| | | July 28, 2012 | July 30, 2011 | July 31, 2010 | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Derivatives Designated as Fair Value Hedging Instruments | | | | | | | |
| Equity derivatives | Other income, net | \$(4) | \$- | \$ 3 | \$4 | \$- | \$(3) |
| Interest rate derivatives | Interest expense | 78 | 74 | 72 | (80) | (77) | (77) |
| Total | | <u>\$ 74</u> | <u>\$74</u> | <u>\$ 75</u> | <u>\$(76)</u> | <u>\$(77)</u> | <u>\$(80)</u> |

The Company did not exclude from the assessment of hedge effectiveness any component of the changes in fair value of the derivative instruments designated as fair value hedges.

The effect on the Consolidated Statements of Operations of derivative instruments not designated as hedges is summarized as follows (in millions):

| | Line Item in Statements of Operations | GAINS (LOSSES) FOR THE YEARS ENDED | | |
|---|---------------------------------------|---------------------------------------|------------------|------------------|
| Derivatives Not Designated as Hedging Instruments | | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Foreign currency derivatives | Other income, net | \$(206) | \$264 | \$(100) |
| Total return swaps - deferred compensation | Cost of sales - product | 4 | - | - |

| | | | | |
|--|--------------------|-----------------------|---------------------|----------------------|
| Total return swaps - deferred compensation | Operating expenses | 3 | 33 | 18 |
| Equity derivatives | Other income, net | 6 | 25 | 12 |
| Total | | <u>\$(193)</u> | <u>\$322</u> | <u>\$(70)</u> |

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The notional amounts of the Company's outstanding derivatives are summarized as follows (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|---|-------------------------|-------------------------|
| Derivatives designated as hedging instruments: | | |
| Foreign currency derivatives - cash flow hedges | \$ 2,910 | \$ 3,433 |
| Interest rate derivatives | 4,250 | 4,250 |
| Net investment hedging instruments | 468 | 73 |
| Equity derivatives | 272 | – |
| Derivatives not designated as hedging instruments: | | |
| Foreign currency derivatives | 6,241 | 4,565 |
| Total return swaps-deferred compensation | 269 | 262 |
| Total | <u>\$ 14,410</u> | <u>\$ 12,583</u> |

(b) Foreign Currency Exchange Risk

The Company conducts business globally in numerous currencies. Therefore, it is exposed to adverse movements in foreign currency exchange rates. To limit the exposure related to foreign currency changes, the Company enters into foreign currency contracts. The Company does not enter into such contracts for trading purposes.

The Company hedges forecasted foreign currency transactions related to certain operating expenses and service cost of sales with currency options and forward contracts. These currency option and forward contracts, designated as cash flow hedges, generally have maturities of less than 18 months. The Company assesses effectiveness based on changes in total fair value of the derivatives. The effective portion of the derivative instrument's gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion, if any, of the gain or loss is reported in earnings immediately. During the fiscal years presented, the Company did not discontinue any cash flow hedges for which it was probable that a forecasted transaction would not occur.

The Company enters into foreign exchange forward and option contracts to reduce the short-term effects of foreign currency fluctuations on assets and liabilities such as foreign currency receivables, including long-term customer financings, investments, and payables. These derivatives are not designated as hedging instruments. Gains and losses on the contracts are included in other income, net, and substantially offset foreign exchange gains and losses from the remeasurement of intercompany balances or other current assets, investments, or liabilities denominated in currencies other than the functional currency of the reporting entity.

The Company hedges certain net investments in its foreign operations with forward contracts to reduce the effects of foreign currency fluctuations on the Company's net investment in those foreign subsidiaries. These derivative instruments generally have maturities of up to six months.

(c) Interest Rate Risk

Interest Rate Derivatives, Investments The Company's primary objective for holding fixed income securities is to achieve an appropriate investment return consistent with preserving principal and managing risk. To realize these objectives, the Company may utilize interest rate swaps or other derivatives designated as fair value or cash flow hedges. As of July 28, 2012 and July 30, 2011, the Company did not have any outstanding interest rate derivatives related to its fixed income securities.

Interest Rate Derivatives Designated as Fair Value Hedge, Long-Term Debt In fiscal 2011, the Company entered into interest rate swaps designated as fair value hedges related to fixed-rate senior notes that were issued in March 2011 and are due in 2014 and 2017. In fiscal 2010, the Company entered into interest rate swaps designated as fair value hedges for a portion of senior fixed-rate notes that were issued in 2006 and are due in 2016. Under these interest rate swaps, the Company receives fixed-rate interest payments and makes interest

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payments based on LIBOR plus a fixed number of basis points. The effect of such swaps is to convert the fixed interest rates of the senior fixed-rate notes to floating interest rates based on LIBOR. The gains and losses related to changes in the fair value of the interest rate swaps are included in interest expense and substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to the changes in market interest rates. The fair value of the interest rate swaps was reflected in other assets.

Interest Rate Derivatives Designated as Cash Flow Hedge, Long-Term Debt In fiscal 2010, the Company entered into contracts related to interest rate derivatives designated as cash flow hedges, with an aggregate notional amount of \$3.7 billion, to hedge against interest rate movements in connection with its anticipated issuance of senior notes. These derivative instruments were settled in connection with the actual issuance of the senior notes. The effective portion of these hedges was recorded to AOCI, net of tax, and is being amortized to interest expense over the respective lives of the notes.

(d) Equity Price Risk

The Company may hold equity securities for strategic purposes or to diversify its overall investment portfolio. The publicly traded equity securities in the Company's portfolio are subject to price risk. To manage its exposure to changes in the fair value of certain equity securities, the Company may enter into equity derivatives that are designated as fair value hedges. The changes in the value of the hedging instruments are included in other income, net, and offset the change in the fair value of the underlying hedged investment. In addition, the Company periodically manages the risk of its investment portfolio by entering into equity derivatives that are not designated as accounting hedges. The changes in the fair value of these derivatives are also included in other income, net.

The Company is also exposed to variability in compensation charges related to certain deferred compensation obligations to employees. Although not designated as accounting hedges, the Company utilizes derivatives such as total return swaps to economically hedge this exposure.

(e) Credit-Risk-Related Contingent Features

Certain derivative instruments are executed under agreements that have provisions requiring the Company and the counterparty to maintain a specified credit rating from certain credit rating agencies. If the Company's or the counterparty's credit-rating falls below a specified credit rating, either party has the right to request collateral on the derivatives' net liability position. Such provisions did not affect the Company's financial position as of July 28, 2012 and July 30, 2011.

12. Commitments and Contingencies

(a) Operating Leases

The Company leases office space in many U.S. locations. Outside the United States, larger leased sites include sites in Australia, Belgium, China, Germany, India, Israel, Italy, Japan, Norway, and the United Kingdom. Rent expense for office space and equipment totaled \$404 million, \$428 million, and \$364 million in fiscal 2012, 2011, and 2010, respectively. The Company also leases equipment and vehicles. Future minimum lease payments under all noncancelable operating leases with an initial term in excess of one year as of July 28, 2012 are as follows (in millions):

| | <u>Fiscal Year</u> | <u>Amount</u> |
|------------|--------------------|----------------|
| 2013 | | \$328 |
| 2014 | | 243 |
| 2015 | | 199 |
| 2016 | | 97 |
| 2017 | | 70 |
| Thereafter | | <u>202</u> |
| Total | | <u>\$1,139</u> |

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(b) Purchase Commitments with Contract Manufacturers and Suppliers

The Company purchases components from a variety of suppliers and uses several contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by the Company or establish the parameters defining the Company's requirements. A significant portion of the Company's reported purchase commitments arising from these agreements consists of firm, noncancelable, and unconditional commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust the Company's requirements based on its business needs prior to firm orders being placed. As of July 28, 2012 and July 30, 2011, the Company had total purchase commitments for inventory of \$3,869 million and \$4,313 million, respectively.

The Company records a liability for firm, noncancelable, and unconditional purchase commitments for quantities in excess of its future demand forecasts consistent with the valuation of the Company's excess and obsolete inventory. As of July 28, 2012 and July 30, 2011, the liability for these purchase commitments was \$193 million and \$168 million, respectively, and was included in other current liabilities.

(c) Other Commitments

In connection with the Company's business combinations and asset purchases, the Company has agreed to pay certain additional amounts contingent upon the achievement of certain agreed-upon technology, development, product, or other milestones or the continued employment with the Company of certain employees of the acquired entities. The Company recognized such compensation expense of \$50 million, \$127 million, and \$120 million during fiscal 2012, 2011, and 2010, respectively. As of July 28, 2012, the Company estimated that future compensation expense and contingent consideration of up to \$789 million may be required to be recognized pursuant to the applicable business combination and asset purchase agreements, which included the \$750 million milestone payments related to Insieme as discussed later.

The Company also has certain funding commitments, primarily related to its investments in privately held companies and venture funds, some of which are based on the achievement of certain agreed-upon milestones, and some of which are required to be funded on demand. The funding commitments were \$120 million and \$192 million as of July 28, 2012 and July 30, 2011, respectively.

(d) Variable Interest Entities

VCE Joint Venture VCE is a joint venture that the Company formed in fiscal 2010 with EMC Corporation ("EMC"), with investments from VMware, Inc. ("VMware") and Intel Corporation. VCE helps organizations leverage best-in-class technologies and disciplines from Cisco, EMC, and VMware to enable the transformation to cloud computing.

As of July 28, 2012, the Company's cumulative gross investment in VCE was approximately \$392 million, inclusive of accrued interest, and its ownership percentage was approximately 35%. The Company invested approximately \$276 million in VCE during fiscal 2012 and \$90 million during fiscal 2011.

The Company accounts for its investment in VCE under the equity method, and its portion of VCE's net loss is recognized in other income, net. The Company's consolidated share of VCE's losses, based upon its portion of the overall funding, was approximately 36.8%, 36.8%, and 35.0% for the fiscal years ended July 28, 2012, July 30, 2011, and July 31, 2010, respectively. As of July 28, 2012, the Company has recorded cumulative losses from VCE of \$239 million since inception, of which \$160 million, \$76 million, and \$3 million were recorded for the fiscal years ended July 28, 2012, July 30, 2011, and July 31, 2010, respectively. The Company's carrying value in VCE as of July 28, 2012 was \$153 million and the balance was recorded in other assets.

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Over the next 12 months, as VCE scales its operations, the Company expects that it will make additional investments in VCE and may incur additional losses proportionate with the Company's share ownership.

From time to time, EMC and Cisco may enter into guarantee agreements on behalf of VCE to indemnify third parties, such as customers, for monetary damages. Such guarantees were not material as of July 28, 2012.

Insieme Networks, Inc. In the third quarter of fiscal 2012, the Company made an investment in Insieme Networks, Inc. ("Insieme"), an early stage company focused on research and development in the data center market. This investment includes \$100 million of funding and a license to certain of the Company's technology. As a result of this investment, the Company owns approximately 86% of Insieme and has consolidated the results of Insieme in its Consolidated Financial Statements beginning in the third quarter of fiscal 2012. The net loss attributable to the noncontrolling interests was not presented separately in the Consolidated Statements of Operations due to the amount being immaterial.

In connection with this investment, the Company and Insieme have entered into a put/call option agreement that provides the Company with the right to purchase the remaining interests in Insieme. In addition, the noncontrolling interest holders can require the Company to purchase their shares upon the occurrence of certain events. If the Company acquires the remaining interests of Insieme, the noncontrolling interest holders are eligible to receive two milestone payments, which will be determined using agreed-upon formulas based on revenue for certain of Insieme's products. The Company will begin recognizing the amounts due under the milestone payments when it is determined that such payments are probable of being earned, which the Company expects may be in fiscal 2014. When such a determination is made, the milestone payments will then be recorded as compensation expense by the Company based on an estimate of the fair value of the amounts probable of being earned, pursuant to a vesting schedule. Subsequent changes to the fair value of the amounts probable of being earned and the continued vesting will result in adjustments to the recorded compensation expense. The maximum amount that could be recorded as compensation expense by the Company is approximately \$750 million. The milestone payments, if earned, are expected to be paid primarily during fiscal 2016 and fiscal 2017.

Other Variable Interest Entities In the ordinary course of business, the Company has investments in other privately held companies and provides financing to certain customers. These other privately held companies and customers may be considered to be variable interest entities. The Company evaluates on an ongoing basis its investments in these other privately held companies and its customer financings and has determined that as of July 28, 2012 there were no other variable interest entities that require to be consolidated in the Company's Consolidated Financial Statements.

(e) Product Warranties and Guarantees

The following table summarizes the activity related to product warranty liability during fiscal 2012 and 2011 (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|-------------------------------------|----------------------|----------------------|
| Balance at beginning of fiscal year | \$ 342 | \$ 360 |
| Provision for warranties issued | 661 | 456 |
| Payments | (588) | (474) |
| Balance at end of fiscal year | <u>\$ 415</u> | <u>\$ 342</u> |

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, labor costs for technical support staff, and associated overhead. The Company's products are generally covered by a warranty for periods ranging from 90 days to five years, and for some products the Company provides a limited lifetime warranty.

In the normal course of business, the Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold

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the other parties harmless against losses arising from a breach of representations or covenants or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors, and the Company's Amended and Restated Bylaws contain similar indemnification obligations to the Company's agents. It is not possible to determine the maximum potential amount under these indemnification agreements due to the Company's limited history with prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material effect on the Company's operating results, financial position, or cash flows.

The Company also provides financing guarantees, which are generally for various third-party financing arrangements to channel partners and other end-user customers. See Note 7. The Company's other guarantee arrangements as of July 28, 2012 and July 30, 2011 that were subject to recognition and disclosure requirements were not material.

(f) Legal Proceedings

Brazilian authorities have investigated the Company's Brazilian subsidiary and certain of its current and former employees, as well as a Brazilian importer of the Company's products, and its affiliates and employees, relating to alleged evasion of import taxes and alleged improper transactions involving the subsidiary and the importer. Brazilian tax authorities have assessed claims against the Company's Brazilian subsidiary based on a theory of joint liability with the Brazilian importer for import taxes, interest, and penalties. In addition to claims asserted by the Brazilian federal tax authorities, tax authorities from the Brazilian state of Sao Paulo have asserted similar claims on the same legal basis. In the first quarter of fiscal 2013, the Brazilian federal tax authorities asserted an additional claim against the Company's Brazilian subsidiary based on a theory of joint liability with respect to an alleged underpayment of income taxes, social taxes, interest, and penalties by a Brazilian distributor.

The asserted claims by Brazilian federal tax authorities are for calendar years 2003 through 2008, and the asserted claims by the tax authorities from the state of Sao Paulo, are for calendar years 2005 through 2007. The total asserted claims by Brazilian state and federal tax authorities aggregate to approximately \$427 million for the alleged evasion of import and other taxes, approximately \$1.0 billion for interest, and approximately \$1.9 billion for various penalties, all determined using an exchange rate as of July 28, 2012. The Company has completed a thorough review of the matters and believes the asserted tax claims against it are without merit, and the Company is defending the claims vigorously. While the Company believes there is no legal basis for its alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserting joint liability with the importer, the Company is unable to determine the likelihood of an unfavorable outcome against it and is unable to reasonably estimate a range of loss, if any. The Company does not expect a final judicial determination for several years.

On March 31, 2011 and April 12, 2011, purported shareholder class action lawsuits were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and directors. The lawsuits have been consolidated, and an amended consolidated complaint was filed on December 2, 2011. The consolidated action is purportedly brought on behalf of purchasers of the Company's publicly traded securities between February 3, 2010 and May 11, 2011. Plaintiffs allege that defendants made false and misleading statements, purport to assert claims for violations of the federal securities laws, and seek unspecified compensatory damages and other relief. The Company believes the claims are without merit and intends to defend the actions vigorously. While the Company believes there is no legal basis for liability, due to the uncertainty surrounding the litigation process, the Company is unable to reasonably estimate a range of loss, if any, at this time.

Beginning on April 8, 2011, a number of purported shareholder derivative lawsuits were filed in both the United States District Court for the Northern District of California and the California Superior Court for the County of Santa Clara against the Company's Board of Directors and several of its officers. The federal lawsuits have been

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consolidated in the Northern District of California. Plaintiffs in both the federal and state derivative actions allege that the Board allowed certain officers to make allegedly false and misleading statements. The complaint includes claims for violation of the federal securities laws, breach of fiduciary duties, waste of corporate assets, unjust enrichment, and violations of the California Corporations Code. The complaint seeks compensatory damages, disgorgement, and other relief.

In addition, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. While the outcome of these matters is currently not determinable, the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

13. Shareholders' Equity

(a) Stock Repurchase Program

In September 2001, the Company's Board of Directors authorized a stock repurchase program. As of July 28, 2012, the Company's Board of Directors had authorized an aggregate repurchase of up to \$82 billion of common stock under this program, and the remaining authorized repurchase amount was \$5.9 billion with no termination date. A summary of the stock repurchase activity under the stock repurchase program, reported based on the trade date, is summarized as follows (in millions, except per-share amounts):

| | Shares Repurchased | Weighted- Average Price per Share | Amount Repurchased |
|--|-----------------------|---|-----------------------|
| Cumulative balance at July 31, 2010 | 3,127 | \$ 20.78 | \$ 64,982 |
| Repurchase of common stock under the stock repurchase program | 351 | 19.36 | 6,791 |
| Cumulative balance at July 30, 2011 | 3,478 | \$ 20.64 | \$ 71,773 |
| Repurchase of common stock under the stock repurchase program | 262 | 16.64 | 4,360 |
| Cumulative balance at July 28, 2012 | 3,740 | \$ 20.36 | \$ 76,133 |

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity. The Company is required to allocate the purchase price of the repurchased shares as (i) a reduction to retained earnings and (ii) a reduction of common stock and additional paid-in capital. Issuance of common stock and the tax benefit related to employee stock incentive plans are recorded as an increase to common stock and additional paid-in capital.

(b) Cash Dividends on Shares of Common Stock

During fiscal 2012, the Company paid cash dividends of \$0.28 per common share, or \$1.5 billion, on the Company's outstanding common stock. During fiscal 2011, the Company paid cash dividends of \$0.12 per common share, or \$658 million, on the Company's outstanding common stock.

On August 14, 2012, the Company's Board of Directors declared a quarterly dividend of \$0.14 per common share to be paid on October 24, 2012 to all shareholders of record as of the close of business on October 4, 2012.

Any future dividends will be subject to the approval of the Company's Board of Directors.

(c) Other Repurchases of Common Stock

For the years ended July 28, 2012 and July 30, 2011, the Company repurchased approximately 12 million and 10 million shares, or \$200 million and \$183 million, of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock or stock units.

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(d) Preferred Stock

Under the terms of the Company's Articles of Incorporation, the Board of Directors may determine the rights, preferences, and terms of the Company's authorized but unissued shares of preferred stock.

(e) Comprehensive Income

The components of comprehensive income, net of tax, are as follows (in millions):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|--------------------|----------------------|----------------------|----------------------|
| Net income | | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| Net change in unrealized gains/losses on available-for-sale investments: | | | | |
| Change in net unrealized (losses) gains, net of tax benefit (expense) of \$6, \$(151), and \$(199) for fiscal 2012, 2011, and 2010, respectively | | (31) | 281 | 334 |
| Net (gains) losses reclassified into earnings, net of tax effects of \$36, \$68, and \$17 for fiscal 2012, 2011, and 2010, respectively | | (65) | (112) | (151) |
| | | (96) | 169 | 183 |
| Net change in unrealized gains/losses on derivative instruments: | | | | |
| Change in derivative instruments, net of tax benefit (expense) of \$0, \$0 and \$(9) for fiscal 2012, 2011, and 2010, respectively | | (131) | 87 | 46 |
| Net losses (gains) reclassified into earnings | | 72 | (108) | 2 |
| | | (59) | (21) | 48 |
| Net change in cumulative translation adjustment and other, net of tax benefit (expense) of \$36, \$(34), and \$(9) for fiscal 2012, 2011, and 2010, respectively | | (496) | 538 | (55) |
| Comprehensive income | | 7,390 | 7,176 | 7,943 |
| Comprehensive loss (income) attributable to noncontrolling interests | | 18 | (15) | 12 |
| Comprehensive income attributable to Cisco Systems, Inc. | | \$ 7,408 | \$ 7,161 | \$ 7,955 |

The components of AOCI, net of tax, are summarized as follows (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Net unrealized gains on investments | \$ 409 | \$ 487 | \$ 333 |
| Net unrealized (losses) gains on derivative instruments | (53) | 6 | 27 |
| Cumulative translation adjustment and other | 305 | 801 | 263 |
| Total | \$ 661 | \$ 1,294 | \$ 623 |

14. Employee Benefit Plans

(a) Employee Stock Incentive Plans

Stock Incentive Plan Program Description As of July 28, 2012, the Company had five stock incentive plans: the 2005 Stock Incentive Plan (the "2005 Plan"); the 1996 Stock Incentive Plan (the "1996 Plan"); the 1997 Supplemental Stock Incentive Plan (the "Supplemental Plan"); the Cisco Systems, Inc. SA Acquisition Long-Term Incentive Plan (the "SA Acquisition Plan"); and the Cisco Systems, Inc. WebEx Acquisition Long-Term Incentive Plan (the "WebEx Acquisition Plan"). In addition, the Company has, in connection with the acquisitions of various companies, assumed the share-based awards granted under stock incentive plans of the acquired companies or issued share-based awards in replacement thereof. Share-based awards are designed to reward employees for their long-term contributions to the Company and provide incentives for them to remain

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with the Company. The number and frequency of share-based awards are based on competitive practices, operating results of the Company, government regulations, and other factors. Since the inception of the stock incentive plans, the Company has granted share-based awards to a significant percentage of its employees, and the majority has been granted to employees below the vice president level. The Company's primary stock incentive plans are summarized as follows:

2005 Plan As amended on November 15, 2007, the maximum number of shares issuable under the 2005 Plan over its term is 559 million shares plus the amount of any shares underlying awards outstanding on November 15, 2007 under the 1996 Plan, the SA Acquisition Plan, and the WebEx Acquisition Plan that are forfeited or are terminated for any other reason before being exercised or settled. If any awards granted under the 2005 Plan are forfeited or are terminated for any other reason before being exercised or settled, then the shares underlying the awards will again be available under the 2005 Plan.

Pursuant to an amendment approved by the Company's shareholders on November 12, 2009, the number of shares available for issuance under the 2005 Plan was reduced by 1.5 shares for each share awarded as a stock grant or a stock unit, and any shares underlying awards outstanding under the 1996 Plan, the SA Acquisition Plan, and the WebEx Acquisition Plan that expire unexercised at the end of their maximum terms become available for reissuance under the 2005 Plan. The 2005 Plan permits the granting of stock options, restricted stock, restricted stock units ("RSU"), the vesting of which may be performance-based or market-based along with the requisite service requirement, and stock appreciation rights to employees (including employee directors and officers), consultants of the Company and its subsidiaries and affiliates, and non-employee directors of the Company. Stock options and stock appreciation rights granted under the 2005 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and prior to November 12, 2009 have an expiration date no later than nine years from the grant date. The expiration date for stock options and stock appreciation rights granted subsequent to the amendment approved on November 12, 2009 shall be no later than 10 years from the grant date. The stock options will generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively. Time-based stock grants and time-based RSUs will generally vest with respect to 20% or 25% of the shares or share units covered by the grant on each of the first through fifth or fourth anniversaries of the date of the grant, respectively. The Compensation and Management Development Committee of the Board of Directors has the discretion to use different vesting schedules. Stock appreciation rights may be awarded in combination with stock options or stock grants, and such awards shall provide that the stock appreciation rights will not be exercisable unless the related stock options or stock grants are forfeited. Stock grants may be awarded in combination with non-statutory stock options, and such awards may provide that the stock grants will be forfeited in the event that the related non-statutory stock options are exercised.

1996 Plan The 1996 Plan expired on December 31, 2006, and the Company can no longer make equity awards under the 1996 Plan. The maximum number of shares issuable over the term of the 1996 Plan was 2.5 billion shares. Stock options granted under the 1996 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and expire no later than nine years from the grant date. The stock options generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively. Certain other grants have utilized a 60-month ratable vesting schedule. In addition, the Board of Directors, or other committees administering the 1996 Plan, have the discretion to use a different vesting schedule and have done so from time to time.

Supplemental Plan The Supplemental Plan expired on December 31, 2007, and the Company can no longer make equity awards under the Supplemental Plan. Officers and members of the Company's Board of Directors were not eligible to participate in the Supplemental Plan. Nine million shares were reserved for issuance under the Supplemental Plan.

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Acquisition Plans In connection with the Company's acquisitions of Scientific-Atlanta, Inc. ("Scientific-Atlanta") and WebEx Communications, Inc. ("WebEx"), the Company adopted the SA Acquisition Plan and the WebEx Acquisition Plan, respectively, each effective upon completion of the applicable acquisition. These plans constitute assumptions, amendments, restatements, and renamings of the 2003 Long-Term Incentive Plan of Scientific-Atlanta and the WebEx Communications, Inc. Amended and Restated 2000 Stock Incentive Plan, respectively. The plans permit the grant of stock options, stock, stock units, and stock appreciation rights to certain employees of the Company and its subsidiaries and affiliates who had been employed by Scientific-Atlanta or its subsidiaries or WebEx or its subsidiaries, as applicable. As a result of the shareholder approval of the amendment and extension of the 2005 Plan, as of November 15, 2007, the Company will no longer make stock option grants or direct share issuances under either the SA Acquisition Plan or the WebEx Acquisition Plan.

(b) Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan, which includes its subplan, the International Employee Stock Purchase Plan (together, the "Purchase Plan"), under which 471.4 million shares of the Company's common stock have been reserved for issuance as of July 28, 2012. Eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods. Employees may purchase a limited number of shares of the Company's stock at a discount of up to 15% of the lesser of the market value at the beginning of the offering period or the end of each 6-month purchase period. The Purchase Plan is scheduled to terminate on January 3, 2020. The Company issued 35 million, 34 million, and 27 million shares under the Purchase Plan in fiscal 2012, 2011, and 2010, respectively. As of July 28, 2012, 87 million shares were available for issuance under the Purchase Plan.

(c) Summary of Share-Based Compensation Expense

Share-based compensation expense consists primarily of expenses for stock options, stock purchase rights, restricted stock, and restricted stock units granted to employees. The following table summarizes share-based compensation expense (in millions):

| | Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|-------------|---------------|---------------|---------------|
| Cost of sales—product | | \$ 53 | \$ 61 | \$ 57 |
| Cost of sales—service | | 156 | 177 | 164 |
| Share-based compensation expense in cost of sales | | 209 | 238 | 221 |
| Research and development | | 401 | 481 | 450 |
| Sales and marketing | | 588 | 651 | 602 |
| General and administrative | | 203 | 250 | 244 |
| Share-based compensation expense in operating expenses | | 1,192 | 1,382 | 1,296 |
| Total share-based compensation expense | | \$ 1,401 | \$ 1,620 | \$ 1,517 |

As of July 28, 2012, the total compensation cost related to unvested share-based awards not yet recognized was \$2.0 billion, which is expected to be recognized over approximately 2.4 years on a weighted-average basis. The income tax benefit for share-based compensation expense was \$335 million, \$444 million, and \$415 million for fiscal 2012, 2011, and 2010, respectively.

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(d) Share-Based Awards Available for Grant

A summary of share-based awards available for grant is as follows (in millions):

| | Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|-------------|---------------|---------------|---------------|
| Balance at beginning of fiscal year | | 255 | 295 | 253 |
| Options granted | | – | – | (4) |
| Restricted stock, stock units, and other share-based awards granted | | (95) | (82) | (81) |
| Share-based awards canceled/forfeited/expired | | 64 | 42 | 123 |
| Other | | (6) | – | 4 |
| Balance at end of fiscal year | | <u>218</u> | <u>255</u> | <u>295</u> |

As reflected in the preceding table, for each share awarded as restricted stock or subject to a restricted stock unit award under the 2005 Plan, an equivalent of 1.5 shares was deducted from the available share-based award balance. For restricted stock units that were awarded with vesting contingent upon the achievement of future financial performance or market-based metrics, the maximum awards that can be achieved upon full vesting of such awards were reflected in the preceding table.

(e) Restricted Stock and Stock Unit Awards

A summary of the restricted stock and stock unit activity, which includes time-based and performance-based or market-based restricted stock, is as follows (in millions, except per-share amounts):

| | Restricted Stock/ Stock Units | Weighted-Average Grant Date Fair Value per Share | Aggregated Fair Market Value |
|---------------------------------|----------------------------------|--|---------------------------------|
| BALANCE AT JULY 25, 2009 | 62 | \$ 21.25 | |
| Granted and assumed | 54 | 23.40 | |
| Vested | (16) | 21.56 | \$ 378 |
| Canceled/forfeited | (3) | 22.40 | |
| BALANCE AT JULY 31, 2010 | 97 | 22.35 | |
| Granted and assumed | 56 | 20.62 | |
| Vested | (27) | 22.54 | \$ 529 |
| Canceled/forfeited | (10) | 22.04 | |
| BALANCE AT JULY 30, 2011 | 116 | 21.50 | |
| Granted and assumed | 65 | 17.45 | |
| Vested | (35) | 21.94 | \$ 580 |
| Canceled/forfeited | (18) | 20.38 | |
| BALANCE AT JULY 28, 2012 | <u>128</u> | <u>\$ 19.46</u> | |

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(f) Stock Option Awards

A summary of the stock option activity is as follows (in millions, except per-share amounts):

| | STOCK OPTIONS OUTSTANDING | |
|-----------------------------------|---------------------------|---|
| | Number Outstanding | Weighted-Average Exercise Price per Share |
| BALANCE AT JULY 25, 2009 | 1,004 | \$ 24.29 |
| Granted and assumed | 15 | 13.23 |
| Exercised | (158) | 17.88 |
| Canceled/forfeited/expired | (129) | 47.31 |
| BALANCE AT JULY 31, 2010 | 732 | 21.39 |
| Exercised | (80) | 16.55 |
| Canceled/forfeited/expired | (31) | 25.91 |
| BALANCE AT JULY 30, 2011 | 621 | 21.79 |
| Assumed from acquisitions | 1 | 2.08 |
| Exercised | (66) | 13.51 |
| Canceled/forfeited/expired | (36) | 23.40 |
| BALANCE AT JULY 28, 2012 | 520 | \$ 22.68 |

The total pretax intrinsic value of stock options exercised during fiscal 2012, 2011, and 2010 was \$333 million, \$312 million, and \$1.0 billion, respectively.

The following table summarizes significant ranges of outstanding and exercisable stock options as of July 28, 2012 (in millions, except years and share prices):

| Range of Exercise Prices | STOCK OPTIONS OUTSTANDING | | | | STOCK OPTIONS EXERCISABLE | | |
|--------------------------|---------------------------|--|---|---------------------------|---------------------------|---|---------------------------|
| | Number Outstanding | Weighted-Average Remaining Contractual Life (in Years) | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value | Number Exercisable | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value |
| \$ 0.01 - 15.00 | 10 | 4.10 | \$6.95 | \$ 92 | 9 | \$ 7.18 | \$ 82 |
| 15.01 - 18.00 | 83 | 2.12 | 17.79 | – | 83 | 17.79 | – |
| 18.01 - 20.00 | 150 | 0.93 | 19.31 | – | 150 | 19.31 | – |
| 20.01 - 25.00 | 143 | 2.87 | 22.75 | – | 141 | 22.76 | – |
| 25.01 - 35.00 | 134 | 4.08 | 30.64 | – | 129 | 30.67 | – |
| Total | 520 | 2.53 | \$22.68 | \$ 92 | 512 | \$ 22.65 | \$ 82 |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$15.69 as of July 27, 2012, which would have been received by the option holders had those option holders exercised their stock options as of that date. The total number of in-the-money stock options exercisable as of July 28, 2012 was 10 million. As of July 30, 2011, 575 million outstanding stock options were exercisable and the weighted-average exercise price was \$21.37.

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(g) Valuation of Employee Share-Based Awards

The valuation of time-based RSU's and the underlying assumptions being used are summarized as follows:

| | Years Ended | RESTRICTED STOCK UNITS | | | |
|--|-------------|------------------------|---|---------------|---|
| | | July 28, 2012 | | July 30, 2011 | |
| Number of shares granted (in millions) | | 62 | | 54 | |
| Weighted-average assumptions/inputs: | | | | | |
| Grant date fair value per share | | \$ 17.26 | | \$ 20.59 | |
| Expected dividend | | 1.5 | % | 0.3 | % |

Prior to the initial declaration of a quarterly cash dividend on March 17, 2011, the fair value of time-based RSUs was measured based on the grant date share price, as the Company did not historically pay cash dividends on its common stock. For awards granted on or subsequent to March 17, 2011, the Company used the preceding assumptions, in addition to risk-free interest rates, to determine the grant date fair value of time-based restricted stock units.

In addition to the time-based RSUs in the preceding table, in fiscal 2012, the Company granted approximately 2 million performance-based stock unit awards ("PRSUs"), which are contingent on the achievement of the Company's financial performance metrics or its market-based returns. On the date of grant, the Company estimated the fair value of restricted stock units with market-based conditions using a Monte Carlo simulation model. The Company used the assumptions in the preceding table to determine the grant date fair value of restricted stock units with performance metrics conditions.

The valuation of employee stock purchase rights and the underlying assumptions being used are summarized as follows:

| | Years Ended | EMPLOYEE STOCK PURCHASE RIGHTS | | | | | |
|--|-------------|--------------------------------|---|---------------|---|---------------|---|
| | | July 28, 2012 | | July 30, 2011 | | July 31, 2010 | |
| Weighted-average assumptions: | | | | | | | |
| Expected volatility | | 27.2 | % | 35.1 | % | 34.8 | % |
| Risk-free interest rate | | 0.2 | % | 0.9 | % | 0.4 | % |
| Expected dividend | | 1.5 | % | 0.0 | % | 0.0 | % |
| Expected life (in years) | | 0.8 | | 1.8 | | 0.8 | |
| Weighted-average estimated grant date fair value per share | | \$ 3.81 | | \$ 6.31 | | \$ 5.03 | |

The valuation of employee stock options and the underlying assumptions being used are summarized as follows:

| | Year Ended | July 31, 2010 |
|---|------------|---------------|
| Weighted-average assumptions: | | |
| Expected volatility | | 30.5 % |
| Risk-free interest rate | | 2.3 % |
| Expected dividend | | 0.0 % |
| Kurtosis | | 4.1 |
| Skewness | | 0.20 |
| Weighted-average expected life (in years) | | 5.1 |
| Weighted-average estimated grant date fair value per option | | \$ 6.50 |

The valuation of employee stock purchase rights and the related assumptions are for the employee stock purchases made during the respective fiscal years. The valuation of employee stock options and the related assumptions are for awards granted during the indicated fiscal year.

The Company uses third-party analyses to assist in developing the assumptions used in, as well as calibrating, its lattice-binomial and Black-Scholes models. The Company is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

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The Company used the implied volatility for traded options (with contract terms corresponding to the expected life of the employee stock purchase rights) on the Company's stock as the expected volatility assumption required in the Black-Scholes model. The implied volatility is more representative of future stock price trends than historical volatility. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of the Company's employee stock purchase rights. The dividend yield assumption is based on the history and expectation of dividend payouts at the grant date. Prior to the initial declaration of a quarterly cash dividend on March 17, 2011, the expected dividend yield was 0% as the Company did not historically pay cash dividends on its common stock. For awards granted on or subsequent to March 17, 2011, the Company used an annualized dividend yield based on the then current per-share dividend declared by its Board of Directors.

The use of the lattice-binomial model requires extensive actual employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions as presented in the preceding table. The estimated kurtosis and skewness are technical measures of the distribution of stock price returns, which affect expected employee stock option exercise behaviors, and are based on the Company's stock price return history as well as consideration of various academic analyses. The expected life of employee stock options is a derived output of the lattice-binomial model, which represents the weighted-average period the stock options are expected to remain outstanding.

(h) Employee 401(k) Plans

The Company sponsors the Cisco Systems, Inc. 401(k) Plan (the "Plan") to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides for tax-deferred salary contributions and after-tax contributions for eligible employees. The Plan allows employees to contribute from 1% to 75% of their annual compensation to the Plan on a pretax and after-tax basis, and effective January 1, 2011, the Plan also allows employees to make Roth contributions. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. The Company matches pretax employee contributions up to 100% of the first 4.5% of eligible earnings that are contributed by employees. Therefore, the maximum matching contribution that the Company may allocate to each participant's account will not exceed \$11,250 for the 2012 calendar year due to the \$250,000 annual limit on eligible earnings imposed by the Internal Revenue Code. All matching contributions vest immediately. The Company's matching contributions to the Plan totaled \$231 million, \$239 million, and \$210 million in fiscal 2012, 2011, and 2010, respectively.

The Plan allows employees who meet the age requirements and reach the Plan contribution limits to make a catch-up contribution not to exceed the lesser of 75% of their eligible compensation or the limit set forth in the Internal Revenue Code. The catch-up contributions are not eligible for matching contributions. In addition, the Plan provides for discretionary profit-sharing contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. There were no discretionary profit-sharing contributions made in fiscal 2012, 2011, or 2010.

The Company also sponsors other 401(k) plans that arose from acquisitions of other companies. The Company's contributions to these plans were not material to the Company on either an individual or aggregate basis for any of the fiscal years presented.

(i) Deferred Compensation Plans

The Cisco Systems, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"), a nonqualified deferred compensation plan, became effective in 2007. As required by applicable law, participation in the Deferred Compensation Plan is limited to a select group of the Company's management employees. Under the Deferred Compensation Plan, which is an unfunded and unsecured deferred compensation arrangement, a participant may elect to defer base salary, bonus, and/or commissions, pursuant to such rules as may be established by the Company, up to the maximum percentages for each deferral election as described in the plan. The Company may also, at its discretion, make a matching contribution to the employee under the Deferred

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Compensation Plan. A matching contribution equal to 4.5% of eligible compensation in excess of the Internal Revenue Code limit for qualified plans for calendar year 2012 that is deferred by participants under the Deferred Compensation Plan (with a \$1.5 million cap on eligible compensation) will be made to eligible participants' accounts at the end of calendar year 2012. The deferred compensation liability under the Deferred Compensation Plan, together with a deferred compensation plan assumed from Scientific-Atlanta, was approximately \$355 million and \$375 million as of July 28, 2012 and July 30, 2011, respectively, and was recorded primarily in other long-term liabilities.

15. Income Taxes

(a) Provision for Income Taxes

The provision for income taxes consists of the following (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------|------------------------|------------------------|------------------------|
| Federal: | | | |
| Current | \$ 1,836 | \$ 914 | \$ 1,469 |
| Deferred | (270) | (168) | (435) |
| | <u>1,566</u> | <u>746</u> | <u>1,034</u> |
| State: | | | |
| Current | 119 | 49 | 186 |
| Deferred | (53) | 83 | – |
| | <u>66</u> | <u>132</u> | <u>186</u> |
| Foreign: | | | |
| Current | 477 | 529 | 470 |
| Deferred | 9 | (72) | (42) |
| | <u>486</u> | <u>457</u> | <u>428</u> |
| Total | <u>\$ 2,118</u> | <u>\$ 1,335</u> | <u>\$ 1,648</u> |

Income before provision for income taxes consists of the following (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---------------|-------------------------|------------------------|------------------------|
| United States | \$ 3,235 | \$ 1,214 | \$ 1,102 |
| International | 6,924 | 6,611 | 8,313 |
| Total | <u>\$ 10,159</u> | <u>\$ 7,825</u> | <u>\$ 9,415</u> |

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consist of the following:

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|----------------------|----------------------|----------------------|
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Effect of: | | | |
| State taxes, net of federal tax benefit | 0.4 | 1.5 | 1.4 |
| Foreign income at other than U.S. rates | (15.6) | (19.4) | (19.3) |
| Tax credits | (0.4) | (3.0) | (0.5) |
| Transfer pricing adjustment related to share-based compensation | – | – | (1.7) |
| Nondeductible compensation | 1.8 | 2.5 | 2.0 |
| Other, net | (0.4) | 0.5 | 0.6 |
| Total | <u>20.8 %</u> | <u>17.1 %</u> | <u>17.5 %</u> |

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During fiscal 2011, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reinstated the U.S. federal R&D tax credit through December 31, 2011, retroactive to January 1, 2010. As a result, the tax provision in fiscal 2011 includes a tax benefit of \$65 million related to the R&D tax credit for fiscal 2010.

During fiscal 2010, the U.S. Court of Appeals for the Ninth Circuit (the "Ninth Circuit") withdrew its prior holding and reaffirmed the 2005 U.S. Tax Court ruling in *Xilinx, Inc. v. Commissioner*. This final decision impacted the tax treatment of share-based compensation expenses for the purpose of determining intangible development costs under a company's research and development cost-sharing arrangement. While the Company was not a named party to the case, this decision resulted in a change in the Company's tax benefits recognized in its financial statements. As a result of the decision, the Company recognized in fiscal 2011 a combined tax benefit of \$724 million, of which \$158 million was recorded as a reduction to the provision for income taxes and \$566 million was recorded as an increase to additional paid-in capital.

U.S. income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries were not provided for on a cumulative total of \$41.3 billion of undistributed earnings for certain foreign subsidiaries as of the end of fiscal 2012. The Company intends to reinvest these earnings indefinitely in its foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

As a result of certain employment and capital investment actions, the Company's income in certain foreign countries is subject to reduced tax rates and in some cases is wholly exempt from taxes. A portion of these tax incentives will expire at the end of fiscal 2015, and the majority of the remaining balance will expire at the end of fiscal 2025. The gross income tax benefit attributable to tax incentives were estimated to be \$1.3 billion (\$0.24 per diluted share) in fiscal 2012, of which, approximately \$0.5 billion (\$0.09 per diluted share) is based on tax incentives that will expire at the end of fiscal 2015. As of the end of fiscal 2011 and fiscal 2010, the gross income tax benefits attributable to tax incentives were estimated to be \$1.3 billion (\$0.24 per diluted share) and \$1.7 billion (\$0.30 per diluted share), for the respective years. The gross income tax benefits for the respective years were partially offset by accruals of U.S. income taxes on undistributed earnings.

(b) Unrecognized Tax Benefits

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in millions):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|--------------------|----------------------|----------------------|----------------------|
| Beginning balance | | <u>\$ 2,948</u> | \$ 2,677 | \$ 2,816 |
| Additions based on tax positions related to the current year | | 155 | 374 | 246 |
| Additions for tax positions of prior years | | 54 | 93 | 60 |
| Reductions for tax positions of prior years | | (226) | (60) | (250) |
| Settlements | | (41) | (56) | (140) |
| Lapse of statute of limitations | | (71) | (80) | (55) |
| Ending balance | | <u>\$ 2,819</u> | <u>\$ 2,948</u> | <u>\$ 2,677</u> |

As of July 28, 2012, \$2.4 billion of the unrecognized tax benefits would affect the effective tax rate if realized. During fiscal 2012, the Company recognized \$146 million of net interest expense and \$21 million of penalties. During fiscal 2011, the Company recognized \$38 million of net interest expense and \$9 million of penalties. The Company's total accrual for interest and penalties was \$381 million and \$214 million as of the end of fiscal 2012 and 2011, respectively. The Company is no longer subject to U.S. federal income tax audit for returns covering tax years through fiscal 2001. With limited exceptions, the Company is no longer subject to foreign income tax

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audits for returns covering tax years through fiscal 2000 and state and local income tax audits for returns covering tax years through fiscal 1997.

During fiscal 2010, the Ninth Circuit withdrew its prior holding and reaffirmed the 2005 U.S. Tax Court ruling in *Xilinx, Inc. v. Commissioner*. As a result of this final decision in fiscal 2010, the Company decreased the amount of gross unrecognized tax benefits by approximately \$220 million and decreased the amount of accrued interest by \$218 million.

The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. The Company believes it is reasonably possible that certain federal, foreign, and state tax matters may be concluded in the next 12 months. Specific positions that may be resolved include issues involving transfer pricing and various other matters. The Company estimates that the unrecognized tax benefits at July 28, 2012 could be reduced by approximately \$1.1 billion in the next 12 months.

(c) Deferred Tax Assets and Liabilities

The following table presents the breakdown between current and noncurrent net deferred tax assets (in millions):

| | July 28, 2012 | July 30, 2011 |
|-------------------------------------|-----------------|-----------------|
| Deferred tax assets—current | \$ 2,294 | \$ 2,410 |
| Deferred tax liabilities—current | (123) | (131) |
| Deferred tax assets—noncurrent | 2,270 | 1,864 |
| Deferred tax liabilities—noncurrent | (133) | (264) |
| Total net deferred tax assets | <u>\$ 4,308</u> | <u>\$ 3,879</u> |

The components of the deferred tax assets and liabilities are as follows (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|-----------------|-----------------|
| ASSETS | | |
| Allowance for doubtful accounts and returns | \$ 433 | \$ 413 |
| Sales-type and direct-financing leases | 162 | 178 |
| Inventory write-downs and capitalization | 127 | 160 |
| Investment provisions | 261 | 226 |
| IPR&D, goodwill, and purchased intangible assets | 119 | 106 |
| Deferred revenue | 1,618 | 1,634 |
| Credits and net operating loss carryforwards | 721 | 713 |
| Share-based compensation expense | 1,059 | 1,084 |
| Accrued compensation | 481 | 507 |
| Other | 583 | 590 |
| Gross deferred tax assets | <u>5,564</u> | <u>5,611</u> |
| Valuation allowance | (60) | (82) |
| Total deferred tax assets | <u>5,504</u> | <u>5,529</u> |
| LIABILITIES | | |
| Purchased intangible assets | (809) | (997) |
| Depreciation | (131) | (298) |
| Unrealized gains on investments | (222) | (265) |
| Other | (34) | (90) |
| Total deferred tax liabilities | <u>(1,196)</u> | <u>(1,650)</u> |
| Total net deferred tax assets | <u>\$ 4,308</u> | <u>\$ 3,879</u> |

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As of July 28, 2012, the Company's federal, state, and foreign net operating loss carryforwards for income tax purposes were \$321 million, \$1.5 billion, and \$240 million, respectively. A significant amount of the federal net operating loss carryforwards relate to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. If not utilized, the federal net operating loss will begin to expire in fiscal 2019 and the foreign and state net operating loss carryforwards will begin to expire in fiscal 2013. The Company has provided a valuation allowance of \$55 million for deferred tax assets related to foreign net operating losses that are not expected to be realized.

As of July 28, 2012, the Company's federal, state and foreign tax credit carryforwards for income tax purposes were approximately \$6 million, \$562 million and \$4 million, respectively. The federal and foreign tax credit carryforwards will begin to expire in fiscal 2019 and 2027, respectively. The majority of state tax credits can be carried forward indefinitely.

16. Segment Information and Major Customers

(a) Net Sales and Gross Margin by Segment

The Company conducts business globally and is primarily managed on a geographic basis consisting of three segments: the Americas; EMEA; and APJC. In fiscal 2011, the Company had been organized into the following four segments: United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. As a result of this segment change effective in the first quarter of fiscal 2012, countries within the former Emerging Markets segment were consolidated into either EMEA or the Americas segment depending on their respective geographic locations. The Company has reclassified the segment data for the prior period to conform to the current year's presentation.

The Company's management makes financial decisions and allocates resources based on the information it receives from its internal management system. Sales are attributed to a segment based on the ordering location of the customer. The Company does not allocate research and development, sales and marketing, or general and administrative expenses to its segments in this internal management system because management does not include the information in its measurement of the performance of the operating segments. In addition, the Company does not allocate amortization of acquisition-related intangible assets, share-based compensation expense, charges related to asset impairments and restructurings, and certain other charges to the gross margin for each segment because management does not include this information in its measurement of the performance of the operating segments. Summarized financial information by segment for fiscal 2012, 2011, and 2010, based on the Company's internal management system and as utilized by the Company's Chief Operating Decision Maker ("CODM"), is as follows (in millions):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|-----------------------------|--------------------|----------------------|----------------------|----------------------|
| Net sales: | | | | |
| Americas | | \$ 26,501 | \$ 25,015 | \$ 23,334 |
| EMEA | | 12,075 | 11,604 | 10,825 |
| APJC | | 7,485 | 6,599 | 5,881 |
| Total | | \$ 46,061 | \$ 43,218 | \$ 40,040 |
| Gross margin: | | | | |
| Americas | | 16,639 | 15,766 | 15,042 |
| EMEA | | 7,605 | 7,452 | 7,235 |
| APJC | | 4,519 | 4,143 | 3,842 |
| Segment total | | 28,763 | 27,361 | 26,119 |
| Unallocated corporate items | | (554) | (825) | (476) |
| Total | | \$ 28,209 | \$ 26,536 | \$ 25,643 |

Net sales in the United States, which is included in the Americas, were \$22.6 billion, \$21.5 billion, and \$20.4 billion for fiscal 2012, 2011, and 2010, respectively.

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(b) Net Sales for Groups of Similar Products and Services

The Company designs, manufactures, and sells Internet Protocol (“IP”)-based networking and other products related to the communications and IT industry and provides services associated with these products and their use. The Company formerly grouped its products and technologies into categories of Switches, Routers, New Products, and Other. Effective in the first quarter of fiscal 2012, the Company recategorized its products and technologies into the following categories: Switching, NGN Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other Products. These products, primarily integrated by Cisco IOS Software, link geographically dispersed local-area networks (“LANs”), metropolitan-area networks (“MANs”), and wide-area networks (“WANs”). The Company has reclassified the prior periods to conform to the current year’s presentation.

The following table presents net sales for groups of similar products and services (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|------------------------|-------------------------|----------------------|----------------------|
| Net sales: | | | |
| Switching | \$ 14,531 | \$ 14,130 | \$ 14,074 |
| NGN Routing | 8,425 | 8,264 | 7,868 |
| Collaboration | 4,139 | 4,013 | 2,981 |
| Service Provider Video | 3,858 | 3,483 | 3,294 |
| Wireless | 1,699 | 1,427 | 1,134 |
| Security | 1,349 | 1,200 | 1,302 |
| Data Center | 1,298 | 694 | 196 |
| Other | 1,027 | 1,315 | 1,571 |
| Product | 36,326 | 34,526 | 32,420 |
| Service | 9,735 | 8,692 | 7,620 |
| Total | <u>\$ 46,061</u> | <u>\$ 43,218</u> | <u>\$ 40,040</u> |

(c) Additional Segment Information

The majority of the Company’s assets, excluding cash and cash equivalents and investments, as of July 28, 2012 and July 30, 2011 were attributable to its U.S. operations. The Company’s total cash and cash equivalents and investments held by various foreign subsidiaries were \$42.5 billion and \$39.8 billion as of July 28, 2012 and July 30, 2011, respectively, and the remaining \$6.2 billion and \$4.8 billion at the respective fiscal year ends was available in the United States. In fiscal 2012, 2011, and 2010, no single customer accounted for 10% or more of the Company’s net sales.

Property and equipment information is based on the physical location of the assets. The following table presents property and equipment information for geographic areas (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|------------------------------|------------------------|----------------------|----------------------|
| Property and equipment, net: | | | |
| United States | \$ 2,842 | \$ 3,284 | \$ 3,283 |
| International | 560 | 632 | 658 |
| Total | <u>\$ 3,402</u> | <u>\$ 3,916</u> | <u>\$ 3,941</u> |

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17. Net Income per Share

The following table presents the calculation of basic and diluted net income per share (in millions, except per-share amounts):

| | <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|--------------------|----------------------|----------------------|----------------------|
| Net income | | <u>\$ 8,041</u> | <u>\$ 6,490</u> | <u>\$ 7,767</u> |
| Weighted-average shares—basic | | <u>5,370</u> | <u>5,529</u> | <u>5,732</u> |
| Effect of dilutive potential common shares | | <u>34</u> | <u>34</u> | <u>116</u> |
| Weighted-average shares—diluted | | <u>5,404</u> | <u>5,563</u> | <u>5,848</u> |
| Net income per share—basic | | <u>\$ 1.50</u> | <u>\$ 1.17</u> | <u>\$ 1.36</u> |
| Net income per share—diluted | | <u>\$ 1.49</u> | <u>\$ 1.17</u> | <u>\$ 1.33</u> |
| Antidilutive employee share-based awards, excluded | | <u>591</u> | <u>379</u> | <u>344</u> |

Employee equity share options, unvested shares, and similar equity instruments granted by the Company are treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

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Supplementary Financial Data (Unaudited)

(in millions, except per-share amounts)

| <u>Quarters Ended</u> | <u>July 28, 2012</u> | <u>April 28, 2012</u> | <u>January 28, 2012</u> | <u>October 29, 2011</u> |
|---|----------------------|-----------------------|-------------------------|-------------------------|
| Net sales | \$ 11,690 | \$ 11,588 | \$ 11,527 | \$ 11,256 |
| Gross margin | \$ 7,085 | \$ 7,169 | \$ 7,065 | \$ 6,890 |
| Operating income | \$ 2,371 | \$ 2,750 | \$ 2,734 | \$ 2,210 |
| Net income | \$ 1,917 | \$ 2,165 | \$ 2,182 | \$ 1,777 |
| Net income per share—basic | \$ 0.36 | \$ 0.40 | \$ 0.41 | \$ 0.33 |
| Net income per share—diluted | \$ 0.36 | \$ 0.40 | \$ 0.40 | \$ 0.33 |
| Cash dividends declared per common share | \$ 0.08 | \$ 0.08 | \$ 0.06 | \$ 0.06 |
| Cash and cash equivalents and investments | \$ 48,716 | \$ 48,412 | \$ 46,742 | \$ 44,388 |

| <u>Quarters Ended</u> | <u>July 30, 2011⁽¹⁾</u> | <u>April 30, 2011</u> | <u>January 29, 2011</u> | <u>October 30, 2010</u> |
|---|------------------------------------|-----------------------|-------------------------|-------------------------|
| Net sales | \$ 11,195 | \$ 10,866 | \$ 10,407 | \$ 10,750 |
| Gross margin | \$ 6,861 | \$ 6,659 | \$ 6,261 | \$ 6,755 |
| Operating income | \$ 1,456 | \$ 2,183 | \$ 1,684 | \$ 2,351 |
| Net income | \$ 1,232 | \$ 1,807 | \$ 1,521 | \$ 1,930 |
| Net income per share—basic | \$ 0.22 | \$ 0.33 | \$ 0.27 | \$ 0.34 |
| Net income per share—diluted | \$ 0.22 | \$ 0.33 | \$ 0.27 | \$ 0.34 |
| Cash dividends declared per common share ⁽²⁾ | \$ 0.06 | \$ 0.06 | \$ — | \$ — |
| Cash and cash equivalents and investments | \$ 44,585 | \$ 43,367 | \$ 40,229 | \$ 38,925 |

(1) With regard to items which significantly impact the comparability of the above data, for the quarter ended July 30, 2011, operating income included restructuring and other charges of \$772 million and net income for the quarter ended July 30, 2011 included such charges of \$602 million, net of tax.

(2) The Company first declared a quarterly cash dividend on March 17, 2011.

Stock Market Information

Cisco common stock is traded on the NASDAQ Global Select Market under the symbol CSCO. The following table lists the high and low sales prices for each period indicated:

| <u>Fiscal</u> | <u>FISCAL 2012</u> | | <u>FISCAL 2011</u> | |
|----------------|--------------------|------------|--------------------|------------|
| | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Low</u> |
| First quarter | \$18.60 | \$13.30 | \$24.87 | \$19.82 |
| Second quarter | \$20.07 | \$17.22 | \$24.60 | \$19.00 |
| Third quarter | \$21.30 | \$19.27 | \$22.34 | \$16.52 |
| Fourth quarter | \$20.17 | \$14.96 | \$17.99 | \$14.78 |

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have 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")) are effective to ensure that information required to be disclosed by us in reports that we file or submit

under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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Internal Control over Financial Reporting

Management's report on our internal control over financial reporting and the report of our independent registered public accounting firm on our internal control over financial reporting are set forth, respectively, on page 80 under the caption "Management's Report on Internal Control Over Financial Reporting" and on page 79 of this report.

There was no change in our internal control over financial reporting during our fourth quarter of fiscal 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees is included under the captions "Proposal No. 1: Election of Directors-General," "Business Experience and Qualifications of Nominees," and "Board Committees and Meetings-Nomination and Governance Committee" in our Proxy Statement related to the 2012 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item regarding our Audit Committee is included under the caption "Proposal No. 1: Election of Directors-Board Committees and Meetings" in our Proxy Statement related to the 2012 Annual Meeting of Shareholders and is incorporated herein by reference.

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption "Executive Officers of the Registrant" in Part I of this report.

The information required by this item regarding compliance with Section 16(a) of the Securities Act of 1934 is included under the caption "Ownership of Securities-Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement related to the 2012 Annual Meeting of Shareholders and is incorporated herein by reference.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including the principal financial officer and principal accounting officer. This code of ethics, which consists of the "Special Ethics Obligations for Employees with Financial Reporting Responsibilities" section of our Code of Business Conduct that applies to employees generally, is posted on our website. The Internet address for our website is www.cisco.com, and the code of ethics may be found from our main webpage by clicking first on "About Cisco" and then on "Corporate Governance" under "Investor Relations," next on "Code of Business Conduct" under "Corporate Governance," and finally on "Special Ethics Obligations for Employees with Financial Reporting Responsibilities."

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, on the webpage found by clicking through to "Code of Business Conduct" as specified above.

Item 11. Executive Compensation

The information appearing under the headings "Proposal No. 1: Election of Directors-Director Compensation" and "Executive Compensation and Related Information" in our Proxy Statement related to the 2012 Annual Meeting of Shareholders is incorporated herein by reference.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management and the information relating to securities authorized for issuance under equity compensation plans are each included under the caption “Ownership of Securities,” in our Proxy Statement related to the 2012 Annual Meeting of Shareholders, and this information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item relating to review, approval or ratification of transactions with related persons is included under the caption “Certain Relationships and Related Transactions,” and the information required by this item relating to director independence is included under the caption “Proposal No. 1: Election of Directors–Independent Directors,” in each case in our Proxy Statement related to the 2012 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is included under the captions “Proposal No. 4: Ratification of Independent Registered Public Accounting Firm–Principal Accountant Fees and Services” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” in our Proxy Statement related to the 2012 Annual Meeting of Shareholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a) 1. Financial Statements
See the “Index to Consolidated Financial Statements” on page 78 of this report.
2. Financial Statement Schedule
See “Schedule II–Valuation and Qualifying Accounts” on page 135 of this report.
3. Exhibits
See the “Index to Exhibits” immediately following the signature page of this report.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in millions)

| | Allowances For | | |
|-------------------------------------|----------------------|---------------------|------------------------|
| | Lease Receivables | Loan Receivables | Accounts Receivable |
| Year ended July 31, 2010: | | | |
| Balance at beginning of fiscal year | \$ 213 | \$ 88 | \$ 216 |
| Provisions | 25 | 43 | 44 |
| Write-offs net of recoveries | (1) | (69) | (25) |
| Foreign exchange and other | (30) | 11 | - |
| Balance at end of fiscal year | <u>\$ 207</u> | <u>\$ 73</u> | <u>\$ 235</u> |
| Year ended July 30, 2011: | | | |
| Balance at beginning of fiscal year | \$ 207 | \$ 73 | \$ 235 |
| Provisions | 31 | 43 | 7 |
| Write-offs net of recoveries | (13) | (18) | (38) |
| Foreign exchange and other | 12 | 5 | - |
| Balance at end of fiscal year | <u>\$ 237</u> | <u>\$ 103</u> | <u>\$ 204</u> |
| Year ended July 28, 2012: | | | |
| Balance at beginning of fiscal year | \$ 237 | \$ 103 | \$ 204 |
| Provisions | 22 | 22 | 19 |
| Write-offs net of recoveries | (2) | - | (16) |
| Foreign exchange and other | (10) | (3) | - |
| Balance at end of fiscal year | <u>\$ 247</u> | <u>\$ 122</u> | <u>\$ 207</u> |

Foreign exchange and other includes the impact of foreign exchange and certain immaterial reclassifications.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

September 12, 2012

CISCO SYSTEMS, INC.

/s/ JOHN T. CHAMBERS

John T. Chambers
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John T. Chambers and Frank A. Calderoni, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|--|--------------------|
| <u>/s/ JOHN T. CHAMBERS</u> John T. Chambers | Chairman, Chief Executive Officer and Director (Principal Executive Officer) | September 12, 2012 |
| <u>/s/ FRANK A. CALDERONI</u> Frank A. Calderoni | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | September 12, 2012 |
| <u>/s/ PRAT S. BHATT</u> Prat S. Bhatt | Vice President and Corporate Controller (Principal Accounting Officer) | September 12, 2012 |
| <u>/s/ CAROL A. BARTZ</u> Carol A. Bartz | Lead Independent Director | September 12, 2012 |
| <u>/s/ MARC BENIOFF</u> Marc Benioff | Director | September 12, 2012 |
| <u>/s/ M. MICHELE BURNS</u> M. Michele Burns | Director | September 12, 2012 |
| <u>/s/ MICHAEL D. CAPELLAS</u> Michael D. Capellas | Director | September 12, 2012 |

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| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|--------------|--------------------|
| /s/ LARRY R. CARTER <hr/> Larry R. Carter | Director | September 12, 2012 |
| /s/ BRIAN L. HALLA <hr/> Brian L. Halla | Director | September 12, 2012 |
| /s/ JOHN L. HENNESSY <hr/> Dr. John L. Hennessy | Director | September 12, 2012 |
| /s/ KRISTINA M. JOHNSON <hr/> Dr. Kristina M. Johnson | Director | September 12, 2012 |
| /s/ RICHARD M. KOVACEVICH <hr/> Richard M. Kovacevich | Director | September 12, 2012 |
| /s/ RODERICK C. MCGEARY <hr/> Roderick C. McGeary | Director | September 12, 2012 |
| /s/ ARUN SARIN <hr/> Arun Sarin | Director | September 12, 2012 |
| /s/ STEVEN M. WEST <hr/> Steven M. West | Director | September 12, 2012 |
| /s/ JERRY YANG <hr/> Jerry Yang | Director | September 12, 2012 |

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INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Exhibit Description</u> | | | | | <u>Filed Herewith</u> |
|---------------------------|---|-------------|-----------------|----------------|--------------------|---------------------------|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | |
| 3.1 | Restated Articles of Incorporation of Cisco Systems, Inc., as currently in effect | S-3 | 333-56004 | 4.1 | 2/21/2001 | |
| 3.2 | Amended and Restated Bylaws of Cisco Systems, Inc., as currently in effect | 8-K | 000-18225 | 3.1 | 3/23/2007 | |
| 4.1 | Indenture, dated February 22, 2006, between Cisco Systems, Inc. and Deutsche Bank Trust Company Americas, as trustee | 8-K | 000-18225 | 4.1 | 2/22/2006 | |
| 4.2 | Indenture, dated February 17, 2009, between Cisco Systems, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee | 8-K | 000-18225 | 4.1 | 2/17/2009 | |
| 4.3 | Indenture, dated November 17, 2009, between Cisco Systems, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee | 8-K | 000-18225 | 4.1 | 11/17/2009 | |
| 4.4 | Indenture, dated March 16, 2011, between Cisco Systems, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee | 8-K | 000-18225 | 4.1 | 3/16/2011 | |
| 4.5 | Forms of Global Note for the registrant' s 5.25% Senior Notes due 2011 and 5.50% Senior Notes due 2016 | 8-K | 000-18225 | 4.1 | 2/22/2006 | |
| 4.6 | Forms of Global Note for the registrant' s 4.95% Senior Notes due 2019 and 5.90% Senior Notes due 2039 | 8-K | 000-18225 | 4.1 | 2/17/2009 | |
| 4.7 | Forms of Global Note for the registrant' s 2.90% Senior Notes due 2014, 4.45% Senior Notes due 2020, and 5.50% Senior Notes due 2040 | 8-K | 000-18225 | 4.1 | 11/17/2009 | |
| 4.8 | Forms of Global Note for the Company' s Floating Rate Notes due 2014, 1.625% Senior Notes due 2014 and 3.150% Senior Notes due 2017 | 8-K | 000-18225 | 4.1 | 3/16/2011 | |
| 10.1* | Cisco Systems, Inc. 2005 Stock Incentive Plan (including related form agreements) | | | | | X |
| 10.2* | Cisco Systems, Inc. Amended and Restated 1996 Stock Incentive Plan (including related form agreements) | 10-K | 000-18225 | 10.2 | 9/21/2010 | |
| 10.3* | 1997 Supplemental Stock Incentive Plan (including related form agreements) | 10-K | 000-18225 | 10.2 | 9/18/2007 | |
| 10.4* | Cisco Systems, Inc. SA Acquisition Long-Term Incentive Plan (amends and restates the 2003 Long-Term Incentive Plan of Scientific-Atlanta) (including related form agreements) | 10-K | 000-18225 | 10.4 | 9/18/2007 | |

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| <u>Exhibit Number</u> | <u>Exhibit Description</u> | | | | | <u>Filed Herewith</u> |
|---------------------------|---|-------------|-----------------|----------------|--------------------|---------------------------|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | |
| 10.5* | Cisco Systems, Inc. WebEx Acquisition Long-Term Incentive Plan. (amends and restates the WebEx Communications, Inc. Amended and Restated 2000 Stock Incentive Plan) (including related form agreements) | 10-K | 000-18225 | 10.5 | 9/18/2007 | |
| 10.6* | Cisco Systems, Inc. Employee Stock Purchase Plan | 8-K | 000-18225 | 10.2 | 11/12/2009 | |
| 10.7* | Notice of Grant of Stock Option and Stock Option Agreement between John T. Chambers and Cisco Systems, Inc. | 10-K | 000-18225 | 10.6 | 9/20/2004 | |
| 10.8* | Cisco Systems, Inc. Deferred Compensation Plan, as amended | 10-Q | 000-18225 | 10.3 | 11/22/2011 | |
| 10.9* | Cisco Systems, Inc. Executive Incentive Plan | 8-K | 000-18225 | 10.2 | 11/19/2007 | |
| 10.10 | Amended and Restated International Assignment Agreement dated as of September 16, 2011 by and between Cisco Systems, Inc. and Wim Elfrink | 8-K | 000-18225 | 10.1 | 9/20/2011 | |
| 10.11* | Form of Executive Officer Indemnification Agreement | 10-K | 000-18225 | 10.7 | 9/20/2004 | |
| 10.12* | Form of Director Indemnification Agreement | 10-K | 000-18225 | 10.8 | 9/20/2004 | |
| 10.13 | Credit Agreement dated as of February 17, 2012, by and among Cisco Systems, Inc. and Lenders party thereto, and Bank of America, N.A., as administration agent, swing line lender and an L/C issuer | 8-K | 000-18225 | 10.1 | 2/17/2012 | |
| 10.14 | Form of Commercial Paper Dealer Agreement | 10-Q | 000-18225 | 10.1 | 2/23/2011 | |
| 10.15 | Commercial Paper Issuing and Paying Agent Agreement dated January 31, 2011 between the Registrant and Bank of America, N.A. | 10-Q | 000-18225 | 10.2 | 2/23/2011 | |
| 21.1 | Subsidiaries of the Registrant | | | | | X |
| 23.1 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 24.1 | Power of Attorney (included on page 136 of this Annual Report on Form 10-K) | | | | | X |
| 31.1 | Rule 13a- 14(a)/15d- 14(a) Certification of Principal Executive Officer | | | | | X |
| 31.2 | Rule 13a- 14(a)/15d- 14(a) Certification of Principal Financial Officer | | | | | X |
| 32.1 | Section 1350 Certification of Principal Executive Officer | | | | | X |
| 32.2 | Section 1350 Certification of Principal Financial Officer | | | | | X |

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| <u>Exhibit Number</u> | <u>Exhibit Description</u> | | | | | <u>Filed Herewith</u> |
|---------------------------|--|-------------|-----------------|----------------|--------------------|---------------------------|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> | |
| 101.INS | XBRL Instance Document | | | | X | |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | X | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | X | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | X | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | X | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | X | |

* Indicates a management contract or compensatory plan or arrangement.

CISCO SYSTEMS, INC.
2005 STOCK INCENTIVE PLAN
AS AMENDED AND RESTATED
EFFECTIVE AS OF NOVEMBER 12, 2009

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CISCO SYSTEMS, INC.
2005 STOCK INCENTIVE PLAN
AS AMENDED AND RESTATED
(Effective as of November 12, 2009)

SECTION 1. INTRODUCTION.

The Company's shareholders approved the Cisco Systems, Inc. 2005 Stock Incentive Plan, as amended and restated and effective on November 15, 2007. The Company's Board of Directors approved an amendment and restatement of the Plan; provided that, the amendment and restatement of the Plan shall become effective upon its approval by Company shareholders. If the Company's shareholders do not approve the amendment and restatement of the Plan, Awards will be made under the Plan as approved by shareholders on November 15, 2007.

The purpose of the Plan is to promote the long-term success of the Company and the creation of shareholder value by offering Key Employees an opportunity to share in such long-term success by acquiring a proprietary interest in the Company.

The Plan seeks to achieve this purpose by providing for discretionary long-term incentive Awards in the form of Options (which may constitute Incentive Stock Options or Nonstatutory Stock Options), Stock Appreciation Rights, Stock Grants, and Stock Units.

The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or any related Stock Option Agreement, SAR Agreement, Stock Grant Agreement or Stock Unit Agreement.

SECTION 2. DEFINITIONS.

- (a) "Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.
- (b) "Award" means any award of an Option, SAR, Stock Grant or Stock Unit under the Plan.
- (c) "Board" means the Board of Directors of the Company, as constituted from time to time.
- (d) "Cashless Exercise" means, to the extent that a Stock Option Agreement so provides and as permitted by applicable law, a program approved by the Committee in which payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price and, if

applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates, including, but not limited to, U.S. federal and state income taxes, payroll taxes, and foreign taxes, if applicable.

(e) "Cause" means, except as may otherwise be provided in a Participant's employment agreement or Award agreement, a conviction of a Participant for a felony crime or the failure of a Participant to contest prosecution for a felony crime, or a Participant's misconduct, fraud or dishonesty (as such terms are defined by the Committee in its sole discretion), or any unauthorized use or disclosure of confidential information or trade secrets, in each case as determined by the Committee, and the Committee's determination shall be conclusive and binding.

(f) "Change In Control" except as may otherwise be provided in a Participant's employment agreement or Award agreement, means the occurrence of any of the following:

(i) A change in the composition of the Board over a period of thirty-six consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; or

(ii) The acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing more than 35% of the total combined voting power of the Company's then outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which the Board does not recommend such shareholders accept.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.

(h) "Committee" means a committee described in Section 3.

(i) "Common Stock" means the Company's common stock.

(j) "Company" means Cisco Systems, Inc., a California corporation.

(k) "Consultant" means an individual who performs bona fide services to the Company, a Parent, a Subsidiary or an Affiliate, other than as an Employee or Director or Non-Employee Director.

(l) “Corporate Transaction” except as may otherwise be provided in a Participant’s employment agreement or Award agreement, means the occurrence of any of the following shareholder approved transactions:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity’s securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company’s assets.

A transaction shall not constitute a Corporate Transaction if its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transactions.

(m) “Covered Employees” means those persons who are subject to the limitations of Code Section 162(m).

(n) “Director” means a member of the Board who is also an Employee.

(o) “Disability” means that the Key Employee is classified as disabled under a long-term disability policy of the Company or, if no such policy applies, the Key Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(p) “Employee” means an individual who is a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

(q) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(r) “Exercise Price” means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. “Exercise Price,” in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value in determining the amount payable upon exercise of such SAR.

(s) “Fair Market Value” means the market price of a Share as determined in good faith by the Committee. The Fair Market Value shall be determined by the following:

(i) If the Shares were traded over-the-counter or listed with NASDAQ on the date in question, then the Fair Market Value shall be equal to the last transaction price quoted by the NASDAQ system for the date in question or (ii) if the Common Stock is listed on the New York Stock Exchange or the American Stock Exchange on the date in question, the Fair Market Value is the closing selling price for the Common Stock as such price is officially quoted in the composite tape of transactions on the exchange determined by the Committee to be the primary market for the Common Stock for the date in question; provided, however, that if there is no such reported price for the Common Stock for the date in question under (i) or (ii), then such price on the last preceding date for which such price exists shall be determinative of Fair Market Value.

If neither (i) or (ii) are applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Western Edition of The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

(t) "Fiscal Year" means the Company's fiscal year.

(u) "Grant" means any grant of an Award under the Plan.

(v) "Incentive Stock Option" or "ISO" means an incentive stock option described in Code Section 422.

(w) "Key Employee" means an Employee, Director, Non-Employee Director or Consultant who has been selected by the Committee to receive an Award under the Plan.

(x) "Non-Employee Director" means a member of the Board who is not an Employee.

(y) "Nonstatutory Stock Option" or "NSO" means a stock option that is not an ISO.

(z) "Option" means an ISO or NSO granted under the Plan entitling the Optionee to purchase Shares.

(aa) "Optionee" means an individual, estate or other entity that holds an Option.

(bb) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(cc) "Participant" means an individual or estate or other entity that holds an Award.

(dd) “Performance Goal” means an objective formula or standard determined by the Committee with respect to each Performance Period utilizing one or more of the following factors and any objectively verifiable adjustment(s) thereto permitted and preestablished by the Committee in accordance with Code Section 162(m): (i) operating income; (ii) earnings before interest, taxes, depreciation and amortization; (iii) earnings; (iv) cash flow; (v) market share; (vi) sales; (vii) revenue; (viii) profits before interest and taxes; (ix) expenses; (x) cost of goods sold; (xi) profit/loss or profit margin; (xii) working capital; (xiii) return on capital, equity or assets; (xiv) earnings per share; (xv) economic value added; (xvi) stock price; (xvii) price/earnings ratio; (xviii) debt or debt-to-equity; (xix) accounts receivable; (xx) writeoffs; (xxi) cash; (xxii) assets; (xxiii) liquidity; (xxiv) operations; (xxv) intellectual property (e.g., patents); (xxvi) product development; (xxvii) regulatory activity; (xxviii) manufacturing, production or inventory; (xxix) mergers and acquisitions or divestitures; (xxx) financings; and/or (xxxi) customer satisfaction, each with respect to the Company and/or one or more of its affiliates or operating units. Awards issued to persons who are not Covered Employees may take into account other factors (including subjective factors).

(ee) “Performance Period” means any period not exceeding 36 months as determined by the Committee, in its sole discretion. The Committee may establish different Performance Periods for different Participants, and the Committee may establish concurrent or overlapping Performance Periods.

(ff) “Plan” means this Cisco Systems, Inc. 2005 Stock Incentive Plan as amended and restated, and as it may be further amended from time to time.

(gg) “Previous Plan Award” means any award of an Option, SAR, Stock Grant or Stock Unit under the Cisco Systems, Inc. 1996 Stock Incentive Plan, the Cisco Systems, Inc. SA Acquisition Long-Term Incentive Plan or the Cisco Systems, Inc. WebEx Acquisition Long-Term Incentive Plan.

(hh) “Re-Price” means that the Company has lowered or reduced the Exercise Price of outstanding Options and/or outstanding SARs for any Participant(s), whether through amendment, cancellation, or replacement grants, or any other means.

(ii) “SAR Agreement” means the agreement described in Section 8 evidencing each Award of a Stock Appreciation Right.

(jj) “SEC” means the Securities and Exchange Commission.

(kk) “Section 16 Persons” means those officers, directors or other persons who are subject to Section 16 of the Exchange Act.

(ll) “Securities Act” means the Securities Act of 1933, as amended.

(mm) “Service” means service as an Employee, Director, Non-Employee Director or Consultant. A Participant’s Service does not terminate when continued service crediting

is required by applicable law. However, for purposes of determining whether an Option is entitled to continuing ISO status, a common-law employee's Service will be treated as terminating ninety (90) days after such Employee went on leave, unless such Employee's right to return to active work is guaranteed by law or by a contract. Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Committee determines which leaves count toward Service, and when Service terminates for all purposes under the Plan. Further, unless otherwise determined by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides service to the Company, a Parent, Subsidiary or Affiliate, or a transfer between entities (the Company or any Parent, Subsidiary, or Affiliate); provided that there is no interruption or other termination of Service.

(nn) "Share" means one share of Common Stock.

(oo) "Stock Appreciation Right" or "SAR" means a stock appreciation right awarded under the Plan.

(pp) "Stock Grant" means Shares awarded under the Plan.

(qq) "Stock Grant Agreement" means the agreement described in Section 9 evidencing each Award of a Stock Grant.

(rr) "Stock Option Agreement" means the agreement described in Section 6 evidencing each Award of an Option.

(ss) "Stock Unit" means a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan.

(tt) "Stock Unit Agreement" means the agreement described in Section 10 evidencing each Award of a Stock Unit.

(uu) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(vv) "10-Percent Shareholder" means an individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

(a) Committee Composition. The Board or a Committee appointed by the Board shall administer the Plan. Unless the Board provides otherwise, the Company's Compensation & Management Development Committee shall be the Committee. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

The Committee shall have membership composition which enables (i) Awards to Section 16 Persons to qualify as exempt from liability under Section 16(b) of the Exchange Act and (ii) Awards to Covered Employees to qualify as performance-based compensation as provided under Code Section 162(m).

The Board may also appoint one or more separate committees of the Board, each composed of two or more directors of the Company who need not qualify under Rule 16b-3 or Code Section 162(m), that may administer the Plan with respect to Key Employees who are not Section 16 Persons or Covered Employees, respectively, may grant Awards under the Plan to such Key Employees and may determine all terms of such Awards.

Notwithstanding the foregoing, the Board shall constitute the Committee and shall administer the Plan with respect to Non-Employee Directors, shall grant Awards under the Plan to such Non-Employee Directors, and shall determine all terms of such Awards.

(b) Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority and sole discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include:

- (i) selecting Key Employees who are to receive Awards under the Plan;
- (ii) determining the type, number, vesting requirements and other features and conditions of such Awards and amending such Awards;
- (iii) correcting any defect, supplying any omission, or reconciling any inconsistency in the Plan or any Award agreement;
- (iv) accelerating the vesting, or extending the post-termination exercise term, of Awards at any time and under such terms and conditions as it deems appropriate;
- (v) interpreting the Plan;
- (vi) making all other decisions relating to the operation of the Plan; and
- (vii) adopting such plans or subplans as may be deemed necessary or appropriate to provide for the participation by Key Employees of the Company and its Subsidiaries and Affiliates who reside outside the U.S., which plans and/or subplans shall be attached hereto as Appendices.

The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

(c) Indemnification. To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Stock Option Agreement, SAR Agreement, Stock Grant Agreement or Stock Unit Agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. GENERAL.

(a) General Eligibility. Only Employees, Directors, Non-Employee Directors and Consultants shall be eligible for designation as Key Employees by the Committee, in its sole discretion.

(b) Incentive Stock Options. Only Key Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, a Key Employee who is a 10-Percent Shareholder shall not be eligible for the grant of an ISO unless the requirements set forth in Section 422(c)(5) of the Code are satisfied.

(c) Restrictions on Shares. Any Shares issued pursuant to an Award shall be subject to such rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine, in its sole discretion. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law. In no event shall the Company be required to issue fractional Shares under this Plan.

(d) Beneficiaries. Unless stated otherwise in an Award agreement, a Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. If no beneficiary was designated or if no designated beneficiary survives the Participant, then

after a Participant' s death any vested Award(s) shall be transferred or distributed to the Participant' s estate.

(e) Performance Conditions. The Committee may, in its discretion, include performance conditions in an Award or grant an Award upon the satisfaction of performance conditions. If performance conditions are included in Awards to Covered Employees, then such Awards may be subject to the achievement of Performance Goals established by the Committee. Such Performance Goals shall be established and administered pursuant to the requirements of Code Section 162(m). Before any Shares underlying an Award or any Award payments subject to Performance Goals are released to a Covered Employee with respect to a Performance Period, the Committee shall certify in writing that the Performance Goals for such Performance Period have been satisfied. Awards with performance conditions that are granted to Key Employees who are not Covered Employees need not comply with the requirements of Code Section 162(m).

(f) No Rights as a Shareholder. A Participant, or a transferee of a Participant, shall have no rights as a shareholder with respect to any Common Stock covered by an Award until such person has satisfied all of the terms and conditions to receive such Common Stock, has satisfied any applicable withholding or tax obligations relating to the Award and the Shares have been issued (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company).

(g) Termination of Service. Unless the applicable Award agreement or, with respect to Participants who reside in the U.S., the applicable employment agreement provides otherwise, the following rules shall govern the vesting, exercisability and term of outstanding Awards held by a Participant in the event of termination of such Participant' s Service (in all cases subject to the expiration term of the Option or SAR as applicable): (i) upon termination of Service for any reason, all unvested portions of any outstanding Awards shall be immediately forfeited without consideration and the vested portions of any outstanding Stock Units shall be settled upon termination; (ii) if the Service of a Participant is terminated for Cause, then all unexercised Options and SARs, unvested portions of Stock Units and unvested portions of Stock Grants shall terminate and be forfeited immediately without consideration; (iii) if the Service of a Participant is terminated for any reason other than for Cause, death, or Disability, then the vested portion of his or her then-outstanding Options and/or SARs may be exercised by such Participant or his or her personal representative within three months after the date of such termination; or (iv) if the Service of a Participant is terminated due to death or Disability, the vested portion of his or her then-outstanding Options and/or SARs may be exercised within eighteen months after the date of termination of Service.

(h) Director Fees. Each Non-Employee Director may elect to receive a Stock Grant or Stock Unit under the Plan in lieu of payment of a portion of his or her regular annual retainer based on the Fair Market Value of the Shares on the date any regular annual retainer would otherwise be paid. For purposes of the Plan, a Non-Employee Director' s regular annual retainer shall not include any additional retainer paid in connection with service on any committee of the Board or paid for any other reason. Such an election

may be for any dollar or percentage amount equal to at least 25% of the Non-Employee Director' s regular annual retainer (up to a limit of 100% of the Non-Employee Director' s regular annual retainer). The election must be made prior to the beginning of the annual board of directors cycle which shall be any twelve month continuous period designated by the Board. Any amount of the regular annual retainer not elected to be received as a Stock Grant or Stock Unit shall be payable in cash in accordance with the Company' s standard payment procedures. Shares granted under this Section 4(h) shall otherwise be subject to the terms of the Plan applicable to Non-Employee Directors or to Participants generally (other than provisions specifically applying only to Employees).

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

(a) **Basic Limitations.** The stock issuable under the Plan shall be authorized but unissued Shares. The aggregate number of Shares reserved for Awards under the Plan shall not exceed 559,000,000 Shares, subject to adjustment pursuant to Section 11. Shares issued as Stock Grants or pursuant to Stock Units will count against the Shares available for issuance under the Plan as 1.5 Shares for every 1 Share issued in connection with the Award.

(b) **Additional Shares.** If Awards are forfeited or are terminated for any other reason before being exercised or settled, then the Shares underlying such Awards, plus the number of additional Shares, if any, that counted against Shares available for issuance under the Plan in respect thereof at the time of Grant, shall again become available for Awards under the Plan. If a Previous Plan Award is forfeited or is terminated for any other reason before being exercised or settled, then the Shares underlying such Previous Plan Award shall again become available for Awards under this Plan. SARs shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of Shares issued upon settlement of the SARs.

(c) **Dividend Equivalents.** Any dividend equivalents distributed under the Plan shall not be applied against the number of Shares available for Awards.

(d) **Share Limits.**

(i) **Limits on Options.** Subject to adjustment pursuant to Section 11, no Key Employee shall receive Options to purchase Shares during any Fiscal Year covering in excess of 5,000,000 Shares and the aggregate maximum number of Shares that may be issued in connection with ISOs shall be 559,000,000 Shares.

(ii) **Limits on SARs.** Subject to adjustment pursuant to Section 11, no Key Employee shall receive Awards of SARs during any Fiscal Year covering in excess of 5,000,000 Shares and the aggregate maximum number of Shares that may be issued in connection with SARs shall be 559,000,000 Shares.

(iii) **Limits on Stock Grants and Stock Units.** Subject to adjustment pursuant to Section 11, no Key Employee shall receive Stock Grants or Stock Units during any Fiscal Year covering, in the aggregate, in excess of 5,000,000 Shares.

(iv) **Limits on Awards to Non-Employee Directors.** Subject to adjustment pursuant to Section 11, no Non-Employee Director shall receive Awards during any Fiscal Year covering, in the aggregate, in excess of 50,000 Shares; provided that any Shares received pursuant to an election under Section 4(h) shall not count against such limit.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) **Stock Option Agreement.** Each Grant of an Option under the Plan shall be evidenced and governed exclusively by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a Stock Option Agreement (including without limitation any performance conditions). The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. The Stock Option Agreement shall also specify whether the Option is an ISO or an NSO.

(b) **Number of Shares.** Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall be subject to adjustment of such number in accordance with Section 11.

(c) **Exercise Price.** An Option's Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value (110% for ISO grants to 10-Percent Shareholders) on the date of Grant.

(d) **Exercisability and Term.** Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an Option shall in no event exceed ten years from the date of Grant. Unless the applicable Stock Option Agreement provides otherwise, each Option shall vest and become exercisable with respect to 20% of the Shares subject to the Option upon completion of one year of Service measured from the vesting commencement date, the balance of the Shares subject to the Option shall vest and become exercisable in forty-eight equal installments upon completion of each month of Service thereafter, and the term of the Option shall be ten years from the date of Grant. A Stock Option Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events. Notwithstanding any other provision of the Plan, no Option can be exercised after the expiration date provided in the applicable Stock Option Agreement and no Option may provide that, upon exercise of the Option, a new Option will automatically be granted.

(e) Modifications or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of Shares, at the same or a different Exercise Price, and with the same or different vesting provisions. Notwithstanding the preceding sentence or anything to the contrary herein, the Committee may not Re-Price outstanding Options unless there is approval by the Company shareholders and, unless a modification is necessary or desirable to comply with any applicable law, regulation or rule, such modification of an Option shall not, without the consent of the Optionee, impair his or her rights or obligations under such Option.

(f) Assignment or Transfer of Options. Except as otherwise provided in the applicable Stock Option Agreement and then only to the extent permitted by applicable law, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable Stock Option Agreement, an Option may be exercised during the lifetime of the Optionee only by the Optionee or by the guardian or legal representative of the Optionee. No Option or interest therein may be assigned, pledged or hypothecated by the Optionee during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 7. PAYMENT FOR OPTION SHARES.

The entire Exercise Price of Shares issued upon exercise of Options shall be payable in cash at the time when such Shares are purchased, except as follows and if so provided for in an applicable Stock Option Agreement:

(i) Surrender of Stock. Payment for all or any part of the Exercise Price or Options may be made with Shares which have already been owned by the Optionee; provided that the Committee may, in its sole discretion, require that Shares tendered for payment be previously held by the Optionee for a minimum duration. Such Shares shall be valued at their Fair Market Value.

(ii) Cashless Exercise. Payment for all or any part of the Exercise Price may be made through Cashless Exercise at the Committee's sole discretion.

(iii) Other Forms of Payment. Payment for all or any part of the Exercise Price may be made in any other form that is consistent with applicable laws, regulations and rules and approved by the Committee.

In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this

Section 7. In the case of an NSO granted under the Plan, the Committee may, in its discretion at any time, accept payment in any form(s) described in this Section 7.

SECTION 8. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) SAR Agreement. Each Grant of a SAR under the Plan shall be evidenced and governed exclusively by a SAR Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in a SAR Agreement (including without limitation any performance conditions). A SAR Agreement may provide for a maximum limit on the amount of any payout notwithstanding the Fair Market Value on the date of exercise of the SAR. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Participant's compensation.

(b) Number of Shares. Each SAR Agreement shall specify the number of Shares to which the SAR pertains and shall be subject to adjustment of such number in accordance with Section 11.

(c) Exercise Price. Each SAR Agreement shall specify the Exercise Price which shall be established by the Committee. The Exercise Price of a SAR shall not be less than 100% of the Fair Market Value on the date of Grant.

(d) Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR which shall not exceed ten years from the date of Grant. Unless the applicable SAR Agreement provides otherwise, each SAR shall vest and become exercisable with respect to 20% of the Shares subject to the SAR upon completion of one year of Service measured from the vesting commencement date, the balance of the Shares subject to the SAR shall vest and become exercisable in forty-eight equal installments upon completion of each month of Service thereafter, and the term of the SAR shall be ten years from the date of Grant. A SAR Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events. SARs may be awarded in combination with Options or Stock Grants, and such an Award shall provide that the SARs will not be exercisable unless the related Options or Stock Grants are forfeited. A SAR may be included in an ISO only at the time of Grant but may be included in an NSO at the time of Grant or at any subsequent time, but not later than six months before the expiration of such NSO. No SAR may provide that, upon exercise of the SAR, a new SAR will automatically be granted.

(e) Exercise of SARs. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion. Upon exercise of a SAR, the

Participant (or any person having the right to exercise the SAR) shall receive from the Company (i) Shares, (ii) cash or (iii) any combination of Shares and cash, as the Committee shall determine at the time of Grant of the SAR, in its sole discretion. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of exercise) of the Shares subject to the SARs exceeds the Exercise Price of those Shares.

(f) Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding stock appreciation rights or may accept the cancellation of outstanding stock appreciation rights (including stock appreciation rights granted by another issuer) in return for the grant of new SARs for the same or a different number of Shares, at the same or a different Exercise Price, and with the same or different vesting provisions. Notwithstanding the preceding sentence or anything to the contrary herein, the Committee may not Re-Price outstanding SARs unless there is approval by the Company shareholders and, unless a modification is necessary or desirable to comply with any applicable law, regulation or rule, such modification of a SAR shall not, without the consent of the Participant, impair his or her rights or obligations under such SAR.

(g) Assignment or Transfer of SARs. Except as otherwise provided in the applicable SAR Agreement and then only to the extent permitted by applicable law, no SAR shall be transferable by the Participant other than by will or by the laws of descent and distribution. Except as otherwise provided in the applicable SAR Agreement, a SAR may be exercised during the lifetime of the Participant only by the Participant or by the guardian or legal representative of the Participant. No SAR or interest therein may be assigned, pledged or hypothecated by the Participant during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

SECTION 9. TERMS AND CONDITIONS FOR STOCK GRANTS.

(a) Amount and Form of Awards. Awards under this Section 9 may be granted in the form of a Stock Grant. Each Stock Grant Agreement shall specify the number of Shares to which the Stock Grant pertains and shall be subject to adjustment of such number in accordance with Section 11. A Stock Grant may also be awarded in combination with NSOs, and such an Award may provide that the Stock Grant will be forfeited in the event that the related NSOs are exercised.

(b) Stock Grant Agreement. Each Stock Grant awarded under the Plan shall be evidenced and governed exclusively by a Stock Grant Agreement between the Participant and the Company. Each Stock Grant shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in the applicable Stock Grant Agreement (including without limitation any performance

conditions). The provisions of the various Stock Grant Agreements entered into under the Plan need not be identical.

(c) Payment for Stock Grants. Stock Grants may be issued with or without cash consideration or any other form of legally permissible consideration approved by the Committee.

(d) Vesting Conditions. Each Stock Grant may or may not be subject to vesting. Any such vesting provision may provide that Shares shall vest based on Service over time or shall vest, in full or in installments, upon satisfaction of performance conditions specified in the Stock Grant Agreement which may include Performance Goals pursuant to Section 4(e). Unless the applicable Stock Grant Agreement provides otherwise, each Stock Grant shall vest with respect to 20% of the Shares subject to the Stock Grant upon completion of each year of Service on each of the first through fifth annual anniversaries of the vesting commencement date. A Stock Grant Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

(e) Assignment or Transfer of Stock Grants. Except as provided in the applicable Stock Grant Agreement, and then only to the extent permitted by applicable law, a Stock Grant awarded under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 9(e) shall be void. However, this Section 9(e) shall not preclude a Participant from designating a beneficiary who will receive any vested outstanding Stock Grant Awards in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Grant Awards by will or by the laws of descent and distribution.

(f) Voting and Dividend Rights. The holder of a Stock Grant awarded under the Plan shall have the same voting, dividend and other rights as the Company's other shareholders. A Stock Grant Agreement, however, may require that the holder of such Stock Grant invest any cash dividends received in additional Shares subject to the Stock Grant. Such additional Shares subject to the Stock Grant shall be subject to the same conditions and restrictions as the Stock Grant with respect to which the dividends were paid. Such additional Shares subject to the Stock Grant shall not reduce the number of Shares available for issuance under Section 5.

(g) Modification or Assumption of Stock Grants. Within the limitations of the Plan, the Committee may modify or assume outstanding stock grants or may accept the cancellation of outstanding stock grants (including stock granted by another issuer) in return for the grant of new Stock Grants for the same or a different number of Shares and with the same or different vesting provisions. Notwithstanding the preceding sentence or anything to the contrary herein, the Committee may not modify an outstanding Stock Grant such that the modification shall, without the consent of the Participant, impair his or her rights or obligations under such Stock Grant, unless such modification is necessary or desirable to comply with any applicable law, regulation or rule.

SECTION 10. TERMS AND CONDITIONS OF STOCK UNITS.

(a) Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced and governed exclusively by a Stock Unit Agreement between the Participant and the Company. Such Stock Units shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Committee deems appropriate for inclusion in the applicable Stock Unit Agreement (including without limitation any performance conditions). The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the Participant's other compensation.

(b) Number of Shares. Each Stock Unit Agreement shall specify the number of Shares to which the Stock Unit Grant pertains and shall be subject to adjustment of such number in accordance with Section 11.

(c) Payment for Stock Units. Stock Units shall be issued without consideration.

(d) Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Any such vesting provision may provide that Shares shall vest based on Service over time or shall vest, in full or in installments, upon satisfaction of performance conditions specified in the Stock Unit Agreement which may include Performance Goals pursuant to Section 4(e). Unless the applicable Stock Unit Agreement provides otherwise, each Stock Unit shall vest with respect to 20% of the Shares subject to the Stock Unit upon completion of each year of Service on each of the first through fifth annual anniversaries of the vesting commencement date. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, Disability, or other events.

(e) Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

(f) Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee at the time of the grant of the Stock Units, in its sole discretion. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when the vesting conditions applicable to the Stock Units have been

satisfied or have lapsed, or it may be deferred, in accordance with applicable law, to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 11.

(g) **Creditors' Rights.** A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

(h) **Modification or Assumption of Stock Units.** Within the limitations of the Plan, the Committee may modify or assume outstanding stock units or may accept the cancellation of outstanding stock units (including stock units granted by another issuer) in return for the grant of new Stock Units for the same or a different number of Shares and with the same or different vesting provisions. Notwithstanding the preceding sentence or anything to the contrary herein, the Committee may not modify an outstanding Stock Unit such that the modification shall, without the consent of the Participant, impair his or her rights or obligations under such Stock Unit, unless such modification is necessary or desirable to comply with any applicable law, regulation or rule.

(i) **Assignment or Transfer of Stock Units.** Except as provided in the applicable Stock Unit Agreement, and then only to the extent permitted by applicable law, Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Section 10(i) shall be void. However, this Section 10(i) shall not preclude a Participant from designating a beneficiary who will receive any outstanding vested Stock Units in the event of the Participant's death, nor shall it preclude a transfer of vested Stock Units by will or by the laws of descent and distribution.

SECTION 11. PROTECTION AGAINST DILUTION.

(a) **Adjustments.** In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make appropriate adjustments to the following:

- (i) the number of Shares and the kind of shares or securities available for future Awards under Section 5;
- (ii) the limits on Awards specified in Section 5;

(iii) the number of Shares and the kind of shares or securities covered by each outstanding Award; or

(iv) the Exercise Price under each outstanding SAR or Option.

(b) Participant Rights. Except as provided in this Section 11, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. If by reason of an adjustment pursuant to this Section 11 a Participant's Award covers additional or different shares of stock or securities, then such additional or different shares and the Award in respect thereof shall be subject to all of the terms, conditions and restrictions which were applicable to the Award and the Shares subject to the Award prior to such adjustment.

(c) Fractional Shares. Any adjustment of Shares pursuant to this Section 11 shall be rounded down to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 12. EFFECT OF A CORPORATE TRANSACTION.

(a) Corporate Transaction. In the event that the Company is a party to a Corporate Transaction, outstanding Awards shall be subject to the applicable agreement of merger, reorganization, or sale of assets. Such agreement may provide, without limitation, for the assumption or substitution of outstanding Options, SARs, or Stock Units by the surviving corporation or its parent, for the assumption of outstanding Stock Grant Agreements by the surviving corporation or its parent, for the replacement of outstanding Options, SARs, and Stock Units with a cash incentive program of the surviving corporation which preserves the spread existing on the unvested portions of such outstanding Awards at the time of the transaction and provides for subsequent payout in accordance with the same vesting provisions applicable to those Awards, for accelerated vesting of outstanding Awards, or for the cancellation of outstanding Options, SARs, and Stock Units, with or without consideration, in all cases without the consent of the Participant.

(b) Acceleration. The Committee may determine, at the time of grant of an Award or thereafter, that such Award shall become fully vested as to all Shares subject to such Award in the event that a Corporate Transaction or a Change in Control occurs. Unless otherwise provided in the applicable Award agreement, in the event that a Corporate Transaction occurs and any outstanding Options, SARs or Stock Units are not assumed, substituted, or replaced with a cash incentive program pursuant to Section 12(a) or any outstanding Stock Grant Agreements are not assumed pursuant to Section 12(a), then such Awards shall fully vest and be fully exercisable immediately prior to such Corporate Transaction. Immediately following the consummation of a Corporate Transaction, all

outstanding Options, SARs and Stock Units shall terminate and cease to be outstanding, except to the extent that they are assumed by the surviving corporation or its parent.

(c) Dissolution. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

SECTION 13. LIMITATIONS ON RIGHTS.

(a) No Entitlements. A Participant's rights, if any, in respect of or in connection with any Award is derived solely from the discretionary decision of the Company to permit the individual to participate in the Plan and to benefit from a discretionary Award. By accepting an Award under the Plan, a Participant expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards. Any Award granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an employee, consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of any person at any time, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and such terminated person shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(b) Shareholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Shares covered by his or her Award prior to the issuance of such Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company). No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such Shares are issued, except as expressly provided in Section 11.

(c) Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares or other securities under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares or other securities pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Shares or other securities, to

their registration, qualification or listing or to an exemption from registration, qualification or listing.

SECTION 14. WITHHOLDING TAXES.

(a) General. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with his or her Award. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied.

(b) Share Withholding. If a public market for the Company's Shares exists, the Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering or attesting to all or a portion of any Shares that he or she previously acquired. Such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value as of the previous day. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the SEC. The Committee may, in its discretion, also permit a Participant to satisfy withholding or income tax obligations related to an Award through Cashless Exercise or through a sale of Shares underlying the Award.

SECTION 15. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan shall become effective upon its approval by Company shareholders. The Plan shall terminate at the Company's 2012 Annual Meeting of Shareholders and may be terminated on any earlier date pursuant to this Section 15.

(b) Right to Amend or Terminate the Plan. The Board may amend or terminate the Plan at any time and for any reason. The termination of the Plan, or any amendment thereof, shall not impair the rights or obligations of any Participant under any Award previously granted under the Plan without the Participant's consent, unless such modification is necessary or desirable to comply with any applicable law, regulation or rule. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent such approval is otherwise required by applicable laws, regulations or rules.

SECTION 16. EXECUTION.

To record the adoption of the Plan by the Board, the Company has caused its duly authorized officer to execute this Plan on behalf of the Company.

CISCO SYSTEMS, INC.

By: _____
Mark Chandler

Title: Senior Vice President, Legal Services, General
Counsel and Secretary

CISCO SYSTEMS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Cisco Systems, Inc. (the "Company") common stock:

Optionee: _____

Grant Date: _____

Type of Option: Incentive Stock Option
 Nonstatutory Stock Option

Grant Number: _____

Number of Option Shares: _____ shares

Exercise Price: \$_____ per share

Vesting Commencement Date: _____

Expiration Date: _____

Exercise Schedule

The Option shall vest and become exercisable with respect to (i) twenty percent (20%) of the Option Shares upon Optionee's completion of one (1) year of Service measured from the Vesting Commencement Date and (ii) the balance of the Option Shares in a series of forty-eight (48) successive equal monthly installments upon Optionee's completion of each additional month of Service over the forty-eight (48)-month period measured from the first annual anniversary of the Vesting Commencement Date. In no event shall the Option vest and become exercisable for any additional Option Shares after Optionee's cessation of Service.

Should Optionee request a reduction to his or her work commitment to less than thirty (30) hours per week, then the Committee shall have the right, to extend the period over which the Option shall thereafter vest and become exercisable for the Option Shares during the remainder of the Option term. The decision whether or not to approve Optionee's request for any reduced work commitment shall be at the sole discretion of the Company. In no event shall any extension of the Exercise Schedule for the Option Shares result in the extension of the Expiration Date of the Option.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto.

No Employment or Service Contract. Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

STOCK OPTION AGREEMENT

Recitals

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or of the board of directors of any Parent or Subsidiary and Consultants and other independent advisors who provide services to the Company (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Company (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the "Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. The Company hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.

2. Option Term. This Option shall have a maximum term of nine (9) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 4, 5 or 6.

3. Non-Transferability. This Option shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law. Notwithstanding the foregoing, should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee's will or the laws of descent and distribution.

4. Dates of Exercise. This Option shall vest and become exercisable for the Option Shares in one or more installments as specified in the Notice. As the Option becomes exercisable for such installments, those installments shall accumulate and the Option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the Option term under Paragraph 5 or 6. As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq Global Select Market on the Expiration Date or the earlier termination date under Paragraph 5 or 6 or, if such date is not a trading day on the Nasdaq Global Select Market, the last trading day before such date. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in Service as provided in Paragraph 5(i) and the date three (3) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq Global Select Market is closed), Optionee must exercise the exercisable portion of this Option by 4 pm Eastern Daylight Time on Friday, July 1.

5. Cessation of Service. The Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

- (i) Should Optionee cease to remain in Service for any reason (other than death, Disability or Cause) while this Option is outstanding, then Optionee shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date.
- (ii) If Optionee dies while this Option is outstanding, then the personal representative of Optionee' s estate or the person or persons to whom the Option is transferred pursuant to Optionee' s will or in accordance with the laws of descent and distribution shall have the right to exercise this Option. Such right shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) the expiration of the eighteen (18)- month period measured from the date of Optionee' s death or (B) the Expiration Date.
- (iii) Should Optionee cease Service by reason of Disability while this Option is outstanding, then Optionee shall have a period of eighteen (18) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date.
- (iv) Optionee' s date of cessation of Service shall mean the date upon which Optionee ceases active performance of services for the Company following the provision of such notification of termination or resignation from Service and shall be determined solely by this Agreement and without reference to any other agreement, written or oral, including Optionee' s contract of employment, and shall not otherwise include any period of notice of termination of employment, whether expressed or implied.
- (v) During the limited period of post-Service exercisability, this Option may not be exercised in the aggregate for more than the number of vested Option Shares for which the Option is exercisable at the time of Optionee' s cessation of Service. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding for any vested Option Shares for which the Option has not been exercised. However, this Option shall, immediately upon Optionee' s cessation of Service for any reason, terminate and cease to be outstanding with respect to any Option Shares in which Optionee is not otherwise at that time vested or for which this Option is not otherwise at that time exercisable.
- (vi) Should Optionee' s Service be terminated for Cause or should Optionee otherwise engage in activities constituting Cause while this Option is outstanding, then this Option shall terminate immediately and cease to remain outstanding. In the event Optionee' s Service with the Company is suspended pending an investigation of whether Optionee' s Service will be terminated for Cause, all Optionee' s rights under the Option, including the right to exercise the Option, shall be suspended during the investigation period.

6. Special Acceleration of Option

- (a) This Option, to the extent outstanding at the time of a Corporate Transaction but not otherwise fully vested and exercisable, shall automatically accelerate so that this Option shall, immediately prior to the effective date of the Corporate Transaction, become vested and exercisable for all of the Option Shares at the time subject to this Option and may be exercised for any or all of those Option Shares as fully-vested Shares. No such acceleration of this Option, however, shall occur if and to the extent: (i) this Option is, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof) or (ii) this Option is replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the Corporate Transaction (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such Shares) and provides for subsequent pay-out in accordance with the same Exercise Schedule set forth in the Notice. The determination of option comparability under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.
- (b) Immediately following the effective date of the Corporate Transaction, this Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.
- (c) If this Option is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of shares and the kind of shares or securities covered by the Option and the Exercise Price immediately after such Corporate Transaction, provided the aggregate Exercise Price shall remain the same.
- (d) This Option, to the extent outstanding at the time of a Change in Control but not otherwise fully vested and exercisable, shall automatically accelerate so that this Option shall, immediately prior to the effective date of the Change in Control, become vested and exercisable for all of the Option Shares at the time subject to this Option and may be exercised for any or all of those Option Shares as fully-vested Shares. This Option shall remain so exercisable until the Expiration Date or sooner termination of the Option term.
- (e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. Adjustment in Option Shares. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. Shareholder Rights. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

9. Manner of Exercising Option.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

(i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

(A) cash or check which, in the Company's sole discretion, shall be made payable to a Company-designated brokerage firm or the Company;

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates and (II) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; and

(C) a promissory note payable to the Company, but only to the extent authorized by the Committee in accordance with Paragraph 13.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all tax withholding requirements applicable to the Option exercise.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) the purchased Option Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), subject to the appropriate legends and/or stop transfer instructions.

(c) In no event may this Option be exercised for any fractional Shares.

(d) Notwithstanding any other provisions of the Plan, this Agreement or any other agreement to the contrary, if at the time this Option is exercised, Optionee is indebted to the Company (or any Parent or Subsidiary) for any reason, the following actions shall be taken, as deemed appropriate by the Committee:

(i) any Shares to be issued upon such exercise shall automatically be pledged against Optionee' s outstanding indebtedness; and

(ii) if this Option is exercised in accordance with subparagraph 9(a)(i)(B) above, the after tax proceeds of the sale of Optionee' s Shares shall automatically be applied to the outstanding balance of Optionee' s indebtedness.

10. Compliance with Laws and Regulations.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq Global Select Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

11. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee' s assigns and the legal representatives, heirs and legatees of Optionee' s estate.

12. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company' s principal corporate offices or to the Optionee at the address maintained for the Optionee in the Company' s records or, in either case, as subsequently modified by written notice to the other party.

13. Financing. The Committee may, in its absolute discretion and without any obligation to do so, permit Optionee to pay the Exercise Price for the purchased Option Shares by delivering a full-recourse promissory note payable to the Company. The terms of any such promissory note (including the interest rate, the requirements for collateral and the terms of repayment) shall be established by the Committee in its sole discretion.

14. Construction. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option.

15. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to the conflict of laws principles thereof.

16. Excess Shares. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

17. Additional Terms Applicable to an Incentive Stock Options. In the event this Option is designated an Incentive Stock Option in the Notice, the following terms and conditions shall also apply to the Option:

(a) This Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) this Option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Disability.

(b) Even if this Option is designated as an Incentive Stock Option, if the Shares subject to this Option (and all other Incentive Stock Options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans of the Company) that first become exercisable in any calendar year have an aggregate Fair Market Value (determined for each Share as of the date of grant of the option covering such Share) in excess of \$100,000, the Shares in excess of \$100,000 shall be treated as subject to a Nonstatutory Stock Option in accordance all applicable laws, regulations and rules.

18. Leave of Absence. Unless otherwise determined by the Committee, the following provisions shall apply upon the Optionee' s commencement of an authorized leave of absence:

(a) The Exercise Schedule in effect under the Notice shall be frozen as of the first day of the authorized leave, and this Option shall not become exercisable for any additional installments of the Option Shares during the period Optionee remains on such leave.

(b) If the Option is designated as an Incentive Stock Option in the Notice and if the leave of absence continues for more than ninety (90) days, then this Option shall automatically convert to a Nonstatutory Stock Option at the end of the three (3)-month period measured from the ninety-first (91st) day of such leave, unless the Optionee' s right to return to active work is guaranteed by law or by a contract.

(c) In no event shall this Option become exercisable for any additional Option Shares or otherwise remain outstanding if Optionee does not resume Service prior to the Expiration Date of the Option term.

19. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

20. Authorization to Release Necessary Personal Information.

(a) Optionee hereby authorizes and directs Optionee' s employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding Optionee' s employment, the nature and amount of Optionee' s compensation and the fact and conditions of Optionee' s participation in the Plan (including, but not limited to, Optionee' s name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all options or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing Optionee' s participation in the Plan. Optionee understands that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the exercise of Options under the Plan or with whom Shares acquired upon exercise of this Option or cash from the sale of such shares may be deposited. Optionee acknowledges that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of Optionee' s residence. Furthermore, Optionee acknowledges and understands that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for Optionee' s participation in the Plan.

(b) Optionee may at any time withdraw the consents herein, by

contacting Optionee' s local human resources representative in writing. Optionee further acknowledges that withdrawal of consent may affect Optionee' s ability to exercise or realize benefits from the Option, and Optionee' s ability to participate in the Plan.

21. No Entitlement or Claims for Compensation.

(a) Optionee' s rights, if any, in respect of or in connection with this Option or any other Award is derived solely from the discretionary decision of the Company to permit Optionee to participate in the Plan and to benefit from a discretionary Award. By accepting this Option, Optionee expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to Optionee. This Option is not intended to be compensation of a continuing or recurring nature, or part of Optionee' s normal or expected compensation, and in no way represents any portion of a Optionee' s salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Option or any other Award granted under the Plan shall be deemed to give Optionee a right to remain an Employee, Consultant or director of the Company, a Parent or a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Service of Optionee at any time, with or without cause, and for any reason, subject to applicable laws, the Company' s Articles of Incorporation and Bylaws and a written employment agreement (if any), and Optionee shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Option or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) Optionee agrees that the Company may require Options granted hereunder be exercised with, and the Option Shares held by, a broker designated by the Company. In addition, Optionee agrees that his or her rights hereunder shall be subject to set-off by the Company for any valid debts the Optionee owes to the Company.

CISCO SYSTEMS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Cisco Systems, Inc. (the "Company") common stock:

Optionee: _____

Grant Date: _____

Type of Option: U.S. Nonstatutory Stock Option

Grant Number: _____

Number of Option Shares: _____ shares

Exercise Price: \$_____ per share

First Vest Date: _____

Expiration Date: _____

Exercise Schedule. So long as Optionee' s Service continues, the Option shall vest and become exercisable with respect to (i) _____ percent (___%) of the option shares, as set forth above (the "Option Shares") on the First Vest Date as set forth above and (ii) the balance of the Option Shares in _____ installments upon Optionee' s completion of each additional _____ of Service over the _____ period measured from the _____ First Vest Date. In no event shall the Option vest and become exercisable for any additional Option Shares after Optionee' s cessation of Service.

Should Optionee request a reduction to his or her work commitment to less than thirty (30) hours per week, then the Company shall have the right to extend the period over which the Option shall thereafter vest and become exercisable for the Option Shares during the remainder of the Option term to the extent permitted under local law. In no event shall any extension of the exercise schedule, as set forth above ("Exercise Schedule") for the Option Shares result in the extension of the expiration date, as set forth above, ("Expiration Date") of the Option.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement (the "Agreement") attached hereto.

No Employment or Service Contract. Nothing in this Notice or in the attached Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent, Subsidiary or Affiliate employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee' s Service at any time for any reason, with or without cause to the extent permissible under local law.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Agreement or the Plan.

STOCK OPTION AGREEMENT

Recitals

- A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board and Consultants.
- B. Optionee is to render valuable services to the Company (or a Parent, Subsidiary or Affiliate), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of an option to Optionee.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the "Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

- 1. Grant of Option.** The Company hereby grants to Optionee, as of the grant date, as set forth in the Notice, (the "Grant Date") an option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.
- 2. Option Term.** This Option shall have a maximum term of _____ years [not to exceed ten (10) years] measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 4, 5 or 6.
- 3. Non-Transferability.** This Option shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law. Notwithstanding the foregoing, should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee's will or the laws of descent and distribution.
- 4. Dates of Exercise.** This Option shall vest and become exercisable for the Option Shares in one or more installments as specified in the Notice. As the Option becomes exercisable for such installments, those installments shall accumulate and the Option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the Option term under Paragraph 5 or 6. As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq Global Select Market on the Expiration Date or the earlier termination date under Paragraph 5 or 6 or, if such date is not a trading day on the Nasdaq Global Select Market, the last trading day before such date. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in Service as provided in Paragraph 5(i) and the date three (3) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq Global Select Market is closed), Optionee must exercise the exercisable portion of this Option by 4:00 p.m. Eastern Daylight Time on Friday, July 1.

5. Cessation of Service. The Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(i) Should Optionee cease to remain in Service for any reason (other than death, Disability or Cause and whether or not in breach of local labor laws) while this Option is outstanding, then Optionee shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date.

(ii) If Optionee dies while this Option is outstanding, then the Optionee's designated beneficiary or, if no beneficiary was designated or properly designated or, if no designated beneficiary survives the Optionee, the Optionee's estate (to the extent reasonably determinable) or other individual or entity entitled to receive the Option under applicable local law shall have the right to exercise this Option. Such right shall lapse, and this Option shall cease to be outstanding, upon the earlier of (A) the expiration of the eighteen (18) month period measured from the date of Optionee's death or (B) the Expiration Date. Optionee may only make a beneficiary designation with respect to this Option if the Company has approved a process or procedure for such beneficiary designation for the local jurisdiction within which Optionee performs services for the Company or a Parent, Subsidiary or Affiliate. If no such beneficiary designation process or procedure has been approved by the Company, then, in the event of Optionee's death, this Option may only be exercised by the Optionee's estate (to the extent reasonably determinable) or other individual or entity entitled to receive the Option under applicable local law.

(iii) Should Optionee cease Service by reason of Disability while this Option is outstanding, then Optionee shall have a period of eighteen (18) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date.

(iv) During the limited period of post-Service exercisability, this Option may not be exercised in the aggregate for more than the number of vested Option Shares for which the Option is exercisable at the date the Optionee ceases to actively provide Service (not extended by any notice period mandated under local law). Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding for any vested Option Shares for which the Option has not been exercised. However, this Option shall, immediately as of the date the Optionee ceases to actively provide Service for any reason, terminate and cease to be outstanding with respect to any Option Shares in which Optionee is not otherwise at that time vested or for which this Option is not otherwise at that time exercisable.

(v) Should Optionee's Service be terminated for Cause or should Optionee otherwise engage in activities constituting Cause while this Option is

outstanding, then this Option shall terminate immediately and cease to remain outstanding. In the event Optionee' s Service is suspended pending an investigation of whether Optionee' s Service will be terminated for Cause, all Optionee' s rights under the Option, including the right to exercise the Option, shall be suspended during the investigation period.

(vi) For purposes of this Paragraph 5, in the event of Optionee' s cessation of Service, Optionee' s right to receive additional options or to vest in the Option will end as of the date the Optionee is no longer actively providing Service and will not be extended by any notice period mandated under local law (*e.g.*, active Service would not include any period of "garden leave" or similar period pursuant to local law); the Company shall have the exclusive discretion to determine when an Optionee is no longer actively providing Service for purposes of this Option.

6. Special Acceleration of Option.

(a) This Option, to the extent outstanding at the time of a Corporate Transaction but not otherwise fully vested and exercisable, shall automatically accelerate so that this Option shall, immediately prior to the effective date of the Corporate Transaction, become vested and exercisable for all of the Option Shares at the time subject to this Option and may be exercised for any or all of those Option Shares as fully-vested Shares. No such acceleration of this Option, however, shall occur if and to the extent: (i) this Option is, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof) or (ii) this Option is replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the Corporate Transaction (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such Shares) and provides for subsequent pay-out in accordance with the same Exercise Schedule set forth in the Notice. The determination of option comparability under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.

(b) Immediately following the effective date of the Corporate Transaction, this Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Option is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of shares and the kind of shares or securities covered by the Option and the Exercise Price immediately after such Corporate Transaction, provided the aggregate Exercise Price shall remain the same.

(d) This Option, to the extent outstanding at the time of a Change in Control but not otherwise fully vested and exercisable, shall automatically accelerate so that this Option shall, immediately prior to the effective date of the Change in Control,

become vested and exercisable for all of the Option Shares at the time subject to this Option and may be exercised for any or all of those Option Shares as fully-vested Shares. This Option shall remain so exercisable until the Expiration Date or sooner termination of the Option term.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. Adjustment in Option Shares. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. Shareholder Rights. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

9. Manner of Exercising Option.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

(i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

(A) cash or check which, in the Company' s sole discretion, shall be made payable to a Company-designated brokerage firm or the Company; and

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company' s (or a Parent' s, Subsidiary' s or Affiliate' s) withholding obligations

(including income tax, social taxes or insurance contributions, payroll tax, payment on account or other tax items related to Optionee' s participation in the Plan and legally applicable to Optionee ("Tax-Related Items")) and (II) to the Company to deliver the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or a Parent, Subsidiary or Affiliate employing or retaining Optionee) for the satisfaction of all withholding or other obligations related to Tax-Related Items applicable to the Option grant, vesting, exercise or the sale of Shares, as applicable.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) the purchased Option Shares, (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), subject to the appropriate legends and/or stop transfer instructions.

(c) In no event may this Option be exercised for any fractional Shares.

(d) Notwithstanding any other provisions of the Plan, this Agreement or any other agreement to the contrary, if at the time this Option is exercised, Optionee is indebted to the Company (or any Parent, Subsidiary or Affiliate) for any reason, the following actions shall be taken, as deemed appropriate by the Committee:

(i) any Shares to be issued upon such exercise shall automatically be pledged against Optionee' s outstanding indebtedness; and

(ii) if this Option is exercised in accordance with subparagraph 9(a)(i)(B) above, the after tax proceeds of the sale of Optionee' s Shares shall automatically be applied to the outstanding balance of Optionee' s indebtedness.

10. Responsibility for Taxes.

(a) Optionee authorizes the Company and/or the Optionee' s employer (the "Employer") or their respective agents, at their discretion, to satisfy any obligations related to Tax-Related Items by one or a combination of the following: (1) withholding all applicable Tax-Related Items from Optionee' s wages or other cash compensation paid to Optionee by the Company and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon exercise of the Option either through a voluntary sale (specifically including where this Option is exercised in accordance with subparagraph 9(a)(i)(B) above) or through a mandatory sale arranged by the Company (on Optionee' s behalf pursuant to this authorization); or (3) withholding of Shares that would otherwise be issued upon exercise of the Option. To avoid financial accounting charges under applicable accounting guidance, the Company may withhold or account for Tax-Related

Items by considering applicable minimum statutory withholding rates or may take any other action required to avoid financial accounting charges under applicable accounting guidance. Finally, Optionee must 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 Optionee' s participation in the Plan or Optionee' s purchase of Shares that cannot be satisfied by the means previously described. The Company may refuse to honor the exercise and refuse to issue or deliver the Shares or the proceeds of the sale of the Shares if Optionee fails to comply with Optionee' s obligations in connection with the Tax-Related Items as described in this Paragraph.

(b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains Optionee' s responsibility and may exceed the amount actually withheld by the Company or the Employer. Optionee further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Optionee' s liability for Tax-Related Items or achieve any particular tax result. Further, if Optionee becomes subject to taxation in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, Optionee 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.

11. Compliance with Laws and Regulations.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq Global Select Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance and all applicable foreign laws.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained.

12. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3, 5 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee' s assigns and the legal representatives, heirs and legatees of Optionee' s estate.

13. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to the Optionee at the address maintained for the Optionee in the Company's records or, in either case, as subsequently modified by written notice to the other party.

14. Construction. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option. The provisions of this 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.

15. Governing Law and Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

16. Excess Shares. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

17. Leave of Absence. Unless otherwise determined by the Committee, to the extent permitted by local law, the following provisions shall apply upon the Optionee's commencement of an authorized leave of absence:

(a) The Exercise Schedule in effect under the Notice shall be frozen as of the first day of the authorized leave, and this Option shall not become exercisable for any additional installments of the Option Shares during the period Optionee remains on such leave.

(b) In no event shall this Option become exercisable for any additional Option Shares or otherwise remain outstanding if Optionee does not resume Service prior to the Expiration Date of the Option term.

18. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

19. Authorization to Release and Transfer Necessary Personal Information.

(a) Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Optionee's personal information as described in this Agreement by and among, as applicable, the Employer, and the Company and its Parent, Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing Optionee's participation in the Plan.

(b) Optionee understands that the Company and the Employer may hold certain personal information about Optionee, including, but not limited to, Optionee's name, home address and telephone number, date of birth, social insurance number (or any other social or national identification number), salary, nationality, job title, residency status, any Shares or directorships held in the Company, details of all options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing the Optionee's participation in the Plan. Optionee understands that Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Optionee's country or elsewhere, including outside the European Economic Area, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than Optionee's country. Optionee understands that Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting Optionee's local human resources representative. Optionee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Optionee's participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of the Option under the Plan or with whom Shares acquired pursuant to these Options or cash from the sale of such Shares may be deposited. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan.

(c) Optionee understands that Data will be held only as long as is necessary to implement, administer and manage Optionee's participation in the Plan. Optionee understands that Optionee may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting Optionee's local human resources representative in writing. Optionee further acknowledges that withdrawal of consent may affect Optionee's ability to vest in or realize benefits from the Options, and Optionee's ability to participate in the Plan. For

more information on the consequences of Optionee's refusal to consent or withdrawal of consent, Optionee understands that Optionee may contact Optionee's local human resources representative.

20. No Entitlement or Claims for Compensation.

(a) Optionee's rights, if any, in respect of or in connection with this Option or any other Award are derived solely from the discretionary decision of the Company to permit Optionee to participate in the Plan and to benefit from a discretionary Award. The Plan may be amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement. By accepting this Option, Optionee expressly acknowledges that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to Optionee or benefits in lieu of Options or any other Awards even if Options have been granted repeatedly in the past. All decisions with respect to future Option grants, if any, will be at the sole discretion of the Committee.

(b) This Option and the Shares subject to the Option are not intended to replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of Optionee's normal or expected compensation, and in no way represent any portion of Optionee's salary, compensation or other remuneration 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 retirement benefits 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 Parent, Subsidiary or Affiliate. The value of the Option and the Shares subject to the Option are an extraordinary item that do not constitute compensation of any kind for services of any kind rendered to the Company, the Employer or any Parent, Subsidiary or Affiliate and which are outside the scope of Optionee's written employment agreement (if any).

(c) Optionee acknowledges that he or she is voluntarily participating in the Plan.

(d) Neither the Plan nor this Option or any other Award granted under the Plan shall be deemed to give Optionee a right to remain an Employee, Consultant or director of the Company, a Parent, Subsidiary or an Affiliate. The Employer reserves the right to terminate the Service of Optionee at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any).

(e) The grant of the Option and Optionee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, the Employer or any Parent, Subsidiary or Affiliate.

(f) The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value, the Option

will have no value. If Optionee exercises the Option and obtains Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price. Optionee also understands that neither the Company, nor the Employer or any Parent, Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between the Employer' s local currency and the United States Dollar that may affect the value of this Option.

(g) In consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of Optionee' s Service by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Optionee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Optionee shall be deemed irrevocably to have waived Optionee' s entitlement to pursue such claim.

(h) Optionee agrees that the Company may require Options granted hereunder be exercised with, and the Option Shares held by, a broker designated by the Company.

(i) Optionee agrees that his or her rights hereunder (if any) shall be subject to set-off by the Company for any valid debts the Optionee owes to the Company.

(j) The Option and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

21. No Advice Regarding Grant. The Company and the Employer have not provided any tax, legal or financial advice, nor has the Company or the Employer made any recommendations regarding Optionee' s participation in the Plan, or Optionee' s acquisition or sale of the underlying Shares. Optionee is hereby advised to consult with Optionee' s own personal tax, legal and financial advisors regarding Optionee' s participation in the Plan before taking any action related to the Plan.

22. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Optionee' s current or future participation in the Plan by electronic means or to request Optionee' s consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

23. Language. If this Agreement or any other document related to the Plan is translated into a language other than English and the meaning of the translated version is different from the English version, the English version will take precedence.

24. Appendix. Notwithstanding any provisions in this Agreement, the Option shall be subject to any special terms and conditions set forth in any Appendix to this

Agreement for Optionee' s country of residence. Moreover, if Optionee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Optionee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Optionee' s participation in the Plan, on the Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Optionee agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Optionee acknowledges that the laws of the country in which Optionee is working at the time of grant, vesting and exercise of the Option or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Optionee to additional procedural or regulatory requirements that Optionee is and will be solely responsible for and must fulfill.

CISCO SYSTEMS, INC.
STOCK GRANT AGREEMENT

This Stock Grant Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Grant Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Restricted Shares: _____

First Vest Date: _____, 20__ (the first annual anniversary of the vesting commencement date)

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Restricted Shares. Pursuant to the Plan, the Company hereby transfers to you, and you hereby accept from the Company, a Stock Grant Award consisting of the Restricted Shares, on the terms and conditions set forth herein and in the Plan.

2. Vesting of Restricted Shares. So long as your Service continues, the Restricted Shares shall vest in accordance with the following schedule: _____ percent (___%) of the total number of Restricted Shares issued pursuant to this Agreement shall vest on the First Vest Date and on each annual anniversary thereafter, unless otherwise provided by the Plan or Section 3 below. In the event of the termination of your Service for any reason, all unvested Restricted Shares shall be immediately forfeited without consideration. For purposes of facilitating the enforcement of the provisions of this Section 2, the Company may issue stop-transfer instructions on the Restricted Shares to the Company's transfer agent, or otherwise hold the Restricted Shares in escrow, until the Restricted Shares have vested and you have satisfied all applicable obligations with respect to the Restricted Shares, including any applicable tax withholding obligations set forth in Section 5 below. Any new, substituted or additional securities or other property which is issued or distributed with respect to the unvested Restricted Shares shall be subject to the same terms and conditions as are applicable to the unvested Restricted Shares under this Agreement and the Plan.

3. Special Acceleration.

(a) To the extent the Restricted Shares are outstanding at the time of a Corporate Transaction, but not otherwise fully vested, such Restricted Shares shall automatically accelerate immediately prior to the effective date of the Corporate Transaction and shall become vested in full at that time. No such acceleration, however, shall occur if

and to the extent: (i) this Stock Grant Agreement is, in connection with the Corporate Transaction, assumed by the successor corporation (or parent thereof), or (ii) the Restricted Shares are replaced with a cash incentive program of the successor corporation which preserves the Fair Market Value of the Restricted Shares at the time of the Corporate Transaction and provides for subsequent pay-out in accordance with the vesting schedule set forth in Section 2 above.

(b) Immediately following the effective date of the Corporate Transaction, this Stock Grant Agreement shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Stock Grant Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of shares and the kind of shares or securities covered by this Stock Grant Agreement immediately after such Corporate Transaction.

(d) To the extent the Restricted Shares are outstanding at the time of a Change in Control but not otherwise fully vested, such Restricted Shares shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at that time.

(e) This Stock Grant Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

4. Restriction on Election to Recognize Income in the Year of Grant. Under Section 83 of the Code, the Fair Market Value of the Restricted Shares on the date the Restricted Shares vest will be taxable as ordinary income at that time. You understand, acknowledge and agree that, as a condition to the grant of this Award, you may not elect to be taxed at the time the Restricted Shares are acquired by filing an election under Section 83(b) of the Code with the Internal Revenue Service.

5. Withholding Taxes. You agree to make arrangements satisfactory to the Company for the satisfaction of any applicable withholding tax obligations that arise in connection with the Restricted Shares which, at the sole discretion of the Company, may include (i) having the Company withhold Shares from the Restricted Shares held in escrow, or (ii) any other arrangement approved by the Company, in any case, equal in value to the amount necessary to satisfy any such withholding tax obligation. Such Shares shall be valued based on the Fair Market Value as of the day prior to the date that the amount of tax to be withheld is to be determined under applicable law. The Company shall not be required to release the Restricted Shares from the stop-transfer instructions or escrow unless and until such obligations are satisfied.

6. Tax Advice. You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company's representatives for an assessment of such tax consequences.

YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY STOCK GRANT AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. Non-Transferability of Restricted Shares. Restricted Shares which have not vested pursuant to Section 2 above shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by the operation of law. However, this Section 7 shall not preclude you from designating a beneficiary who will receive any vested Restricted Shares in the event of the your death, nor shall it preclude a transfer of vested Restricted Shares by will or by the laws of descent and distribution.

8. Restriction on Transfer. Regardless of whether the transfer or issuance of the Restricted Shares has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Restricted Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

9. Stock Certificate Restrictive Legends. Stock certificates evidencing the Restricted Shares may bear such restrictive legends as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

10. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Restricted Shares may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

11. Voting and Other Rights. Subject to the terms of this Agreement, you shall have all the rights and privileges of a shareholder of the Company while the Restricted Shares are subject to stop-transfer instructions, or otherwise held in escrow, including the right to vote and to receive dividends (if any).

12. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct your employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your employment, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or

any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of this Stock Grant Award under the Plan or with whom Shares acquired pursuant to this Stock Grant Award or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) You may at any time withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from this Stock Grant Award, and your ability to participate in the Plan.

13. No Entitlement or Claims for Compensation

(a) Your rights, if any, in respect of or in connection with this Stock Grant Award or any other Award is derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting this Stock Grant Award, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. This Stock Grant Award is not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Stock Grant Award or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and you shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Stock Grant Award or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that the Company may require that Restricted Shares be held by a broker designated by the Company. In addition, you agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

15. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by

confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

16. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

17. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

CISCO SYSTEMS, INC.
PERFORMANCE-BASED STOCK UNIT AGREEMENT

This Performance-Based Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Target Amount of
Performance-Based Stock Units: _____

Vest Date: _____

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. **Performance-Based Stock Units**. Pursuant to the Plan, the Company hereby grants to you, [subject to the approval by the stockholders of the Company of the amendment and restatement of the Plan,] and you hereby accept from the Company, Performance-Based Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan. The Target Amount of Performance-Based Stock Units stated above reflects the target number of Performance-Based Stock Units (the "Target Amount"). The number of Performance-Based Stock Units ultimately paid out to you will range from _____% to _____% of the Target Amount as determined based upon the Company's performance during the performance period against the performance goals as set forth in Exhibit A.

2. **Vesting of Performance-Based Stock Units**. So long as your Service continues and subject to, and to the extent of, the satisfaction of the performance goals as set forth in Exhibit A, the Performance-Based Stock Units shall vest in accordance with the following schedule: _____ (_____%) of the total number of Performance-Based Stock Units earned, if any, pursuant to the satisfaction of the performance goals in Exhibit A shall vest on the Vest Date, unless otherwise provided by the Plan or Sections 3(b) or 4 below. If you take a leave of absence, the Company may, at its discretion and to the extent permitted under applicable local law, either suspend vesting during the period of leave or pro-rate the Performance-Based Stock Units, notwithstanding the Company's Vesting Policy for Leaves of Absence. Prior to the time

that the Performance-Based Stock Units are settled, you shall have no rights other than those of a general creditor of the Company. The Performance-Based Stock Units represent an unfunded and unsecured obligation of the Company.

3. Termination of Service.

(a) Except as otherwise provided in Section 3(b) below or Section 4, in the event of the termination of your Service for any reason (whether or not in breach of local labor laws), all unvested Performance-Based Stock Units shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Performance-Based Stock Units will terminate effective as of the date that you are no longer actively providing Service (or earlier upon your "Separation from Service" within the meaning of Code Section 409A) and will not be extended by any notice period mandated under local law (e.g., active Service would not include a period of "garden leave" or similar period pursuant to local law); the Company shall have the exclusive discretion to determine when you are no longer actively providing Service for purposes of the Performance-Based Stock Units.

(b) In the event that you resign or your Service is terminated for any reason other than Cause on or after the date that (x) you have attained at least _____(_____) years of age and (y) your age plus your years of Service is at least equal to _____(_____), and so long as such resignation or the termination of your Service occurs no earlier than the _____ anniversary of the Grant Date (the satisfaction of the aforementioned conditions is referred to herein as "Retirement"¹), all unvested Performance-Based Stock Units may be earned pursuant to the satisfaction of the performance goals in Exhibit A, and shall vest in accordance with the vesting schedule set forth in Section 2 above, determined as if your Service had continued after your resignation or termination of Service, and shall be settled in accordance with Section 5(a); provided that any unsettled or unvested Performance-Based Stock Units shall be forfeited without consideration immediately upon the breach of any of the following conditions:

(i) Unless prohibited by applicable law, you shall render, as an independent advisor or consultant and not as an Employee, such advisory or consulting services to the Company (or any Parent, Subsidiary or Affiliate) as shall reasonably be requested by the Company (or any Parent, Subsidiary or Affiliate), and such services shall not be terminated for Cause (for purposes of clarity, any request to provide such advisory or consulting services to the Company (or any Parent, Subsidiary or Affiliate) shall not be considered a continuation of "Service" unless the Company specifically provides that the continuation of services is a continuation of "Service" for purposes of this Section 3(b)).

(ii) For a period of _____(_____) beginning on the date of your termination of Service or during any period in which you provide independent advisory or consulting services to the Company (or any Parent, Subsidiary or Affiliate), you shall not directly or indirectly, individually or on behalf of other persons or entities, intentionally solicit or induce (a) any

¹ If you are subject to the employment protections of a country within the European Economic Area because you reside in such country or are otherwise subject thereto, "Retirement" shall mean your years of Service is at least equal to _____(_____), regardless of your age, and the provisions concerning Retirement shall apply to you so long as the termination of your Service occurs no earlier than the one-year anniversary of the Grant Date. In all cases, years of Service shall be determined based on the date you originally provided Service. If you previously terminated Service, but subsequently returned to Service prior to the Grant Date, you will receive credit for your prior Service.

employee of the Company (or any Parent, Subsidiary or Affiliate) to leave the employee's employment in order to accept employment with another person or entity or (b) any customer of the Company (or any Parent, Subsidiary or Affiliate) with whom you have worked in your capacity as an Employee prior to your termination of Service whose identity and/or any related information constitutes protected trade secrets (with such customers determined as of the date of the termination of your Service, to retain or use any other person or entity for the purpose of rendering services in competition with the Company (or any Parent, Subsidiary or Affiliate) or to purchase products from any business which, in the opinion of the Company (or any Parent, Subsidiary or Affiliate), competes with or is in conflict with the interests of the Company (or any Parent, Subsidiary or Affiliate), in either case, unless these restrictions are prohibited (whether in whole or in part) by applicable law.

(iii) For a period of _____(____) beginning on the date of your termination of Service or during any period in which you provide independent advisory or consulting services to the Company (or any Parent, Subsidiary or Affiliate), you shall not render services for any organization or engage directly or indirectly in any business which, in the opinion of the Company, competes with or is in conflict with the interests of the Company (or any Parent, Subsidiary or Affiliate), unless this restriction is prohibited by applicable law.

(iv) You shall not, without prior written authorization from the Company, use or disclose any confidential information or trade secrets concerning the Company (or any Parent, Subsidiary or Affiliate), in each case as determined by the Committee, and the Committee's determination shall be conclusive and binding.

(c) Notwithstanding any provisions to the contrary in this Agreement, in the event of the termination of your Service for Cause or in the event of the termination for Cause of any independent advisory or consulting services you may be providing as described in Section 3(b)(i), any unsettled or unvested Performance-Based Stock Units shall terminate and be forfeited immediately without consideration.

4. Special Acceleration.

(a) To the extent the Performance-Based Stock Units are outstanding at the time of a Corporate Transaction, such Performance-Based Stock Units shall automatically become vested in full at the Target Amount immediately prior to the effective date of the Corporate Transaction and settled in accordance with Section 5 below. No such accelerated vesting, however, shall occur if and to the extent: (i) these Performance-Based Stock Units are, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with comparable performance-based stock units of the successor corporation (or parent thereof), in each case, having a minimum payout equal to the Target Amount and preserving the settlement provisions set forth in Section 5 below or (ii) these Performance-Based Stock Units are replaced with a cash incentive program of the successor corporation which complies with Code Section 409A and, at a minimum, preserves the fair market value of the Performance-Based Stock Units at the time of the Corporate Transaction (based on the Target Amount) and provides for subsequent pay-out in accordance with the settlement provisions set forth in Section 5 below. The determination of the comparability of

performance-based stock units under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.

(b) Immediately following the effective date of the Corporate Transaction, this Agreement shall terminate and cease to be outstanding, except as set forth in Section 5 below with respect to the settlement of Performance-Based Stock Units or to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of units and the kind of shares or securities to be issued pursuant to this Agreement immediately after such Corporate Transaction.

(d) To the extent the Performance-Based Stock Units are outstanding at the time of a Change in Control, such Performance-Based Stock Units shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at the Target Amount at that time and settled in accordance with Section 5 below.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. Settlement of Performance-Based Stock Units.

(a) **General Settlement Terms.** The Performance-Based Stock Units, to the extent earned and vested hereunder (including, without limitation by reason of Retirement), shall be automatically settled in Shares on the Vest Date (which constitutes a fixed payment date for purposes of Code Section 409A) or, if earlier, upon the earliest to occur of the settlement events set forth below or in the Company's Vesting Acceleration Policy for Death and Terminal Illness; it being understood that nothing herein shall limit the Company's ability to amend or terminate such policy in its sole discretion and without your consent.

(b) **Corporate Transaction.** If, as of the Grant Date, you have not satisfied and it is not possible for you to satisfy the age and Service Retirement conditions with respect to this Performance-Based Stock Unit award and this Performance-Based Stock Unit award is not assumed or replaced as described in Section 4(a) in connection with a Corporate Transaction, then the Performance-Based Stock Units shall be automatically settled in Shares immediately prior to the effective date of the Corporate Transaction instead of on the Vest Date.

(c) **Change in Control.** In the event a Change in Control is consummated prior to the Vest Date and such Change in Control is a permissible distribution event under Code Section 409A, the Performance-Based Stock Units shall be automatically settled in Shares immediately prior to the effective date of the Change in Control. In the event such Change in Control is not a permissible distribution event under Code Section 409A, the Performance-Based Stock Units shall be automatically settled in Shares upon the earlier of (i) the Vest Date or (ii) your Separation from Service that occurs immediately prior to or at any time after such Change in Control. Notwithstanding the foregoing, if, as of the Grant Date, you have not satisfied and it is not possible for you to satisfy the age and Service Retirement conditions with respect to this

Performance-Based Stock Unit award, then such settlement shall in all cases occur immediately prior the effective date of the Change in Control.

(d) The Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax and/or other obligations pursuant to Section 6 below and such issuance otherwise complies with all applicable law.

(e) Notwithstanding anything in this Section 5 or in this Agreement, to the extent your Performance-Based Stock Units would otherwise be settled upon your Separation from Service, such settlement shall instead occur upon the Company's first business day following the six-month anniversary of your Separation from Service.

6. **Taxes.**

(a) Regardless of any action the Company or your employer (the "Employer") takes with respect to any and all income tax, social taxes or insurance contributions, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items with respect to the Performance-Based Stock Units is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance-Based Stock Units, including the grant, vesting or settlement of the Performance-Based Stock Units, or the subsequent sale of any Shares acquired at vesting or the receipt of any dividends with respect to such Shares; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of the Performance-Based Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to taxation in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, you acknowledge 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.

(b) Prior to any relevant tax, withholding or required deduction event, as applicable, you agree to make arrangements satisfactory to the Company for the satisfaction of any applicable tax, withholding, required deduction and payment on account obligations of the Company and/or the Employer that arise in connection with the Performance-Based Stock Units. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligations related to Tax-Related Items by one or a combination of the following: (1) withholding from your wages or other cash compensation payable to you by the Company or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon settlement of the Performance-Based Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); (3) withholding of Shares that would otherwise be issued upon settlement of the Performance-Based Stock Units; or (4) requiring you to satisfy the liability for Tax-Related Items by means of any other arrangement approved by the Company. If the obligation for Tax-Related Items is satisfied by withholding of Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Performance-Based Stock Units, 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 your participation in the Plan. To avoid financial accounting charges under applicable accounting guidance, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or may take any other action required to avoid financial accounting charges under applicable accounting guidance.

(c) Finally, you will 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 your participation in the Plan or your acquisition of Shares that cannot be satisfied by the means previously described. The Company shall not be required to issue or deliver Shares pursuant to this Agreement unless and until such obligations are satisfied.

7. **Tax and Legal Advice.** You represent, warrant and acknowledge that neither the Company nor your Employer have made any warranties or representations to you with respect to any Tax-Related Items, legal or financial consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company, your Employer' s or the Company' s or the Employer' s representatives for an assessment of such consequences. YOU UNDERSTAND THAT THE LAWS GOVERNING THIS AWARD ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN PROFESSIONAL TAX, LEGAL AND FINANCIAL ADVISOR REGARDING ANY PERFORMANCE-BASED STOCK UNITS. YOU UNDERSTAND THAT THE COMPANY AND YOUR EMPLOYER ARE NOT PROVIDING ANY TAX, LEGAL, OR FINANCIAL ADVICE, NOR IS THE COMPANY OR YOUR EMPLOYER MAKING ANY RECOMMENDATION REGARDING YOUR ACCEPTANCE OF THIS AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER OR OTHER PENALTIES.

8. **Non-Transferability of Performance-Based Stock Units.** Performance-Based Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor' s process, whether voluntarily or involuntarily or by operation of law.

9. **Restriction on Transfer.** Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Performance-Based Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company' s transfer agent) if, in the judgment of the Company and the Company' s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law including all applicable foreign laws.

10. **Restrictive Legends and Stop-Transfer Instructions.** Stock certificates evidencing the Shares issued pursuant to the Performance-Based Stock Units may bear such restrictive legends and/or appropriate stop-transfer instructions may be issued to the Company' s transfer agent as the Company and the Company' s counsel deem necessary under applicable law or pursuant to this Agreement.

11. **Representations, Warranties, Covenants, and Acknowledgments.** You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Performance-Based Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable laws.

12. **Voting and Other Rights.** Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until the Performance-Based Stock Units are settled in Shares. In addition, you shall not have any rights to dividend equivalent payments with respect to Performance-Based Stock Units.

13. **Authorization to Release and Transfer Necessary Personal Information.**

(a) *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal information as described in this Agreement by and among, as applicable, the Employer, and the Company and its Parent, Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

(b) *You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number (or any other social or national identification number), salary, nationality, job title, residency status, any Shares or directorships held in the Company, details of all Performance-Based Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You understand that Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of these Performance-Based Stock Units under the Plan or with whom Shares acquired pursuant to these Performance-Based Stock Units or cash from the sale of such Shares may be deposited. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan.*

(c) *You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting your local human resources representative in writing. You*

further acknowledge that withdrawal of consent may affect your ability to vest in or realize benefits from these Performance-Based Stock Units, and your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

14. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with these Performance-Based Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. The Plan may be amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement. By accepting these Performance-Based Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Performance-Based Stock Units to you or benefits in lieu of Restricted Stock Units, even if Performance-Based Stock Units have been granted repeatedly in the past. All decisions with respect to future grants of Performance-Based Stock Units, if any, will be at the sole discretion of the Committee.

(b) The Performance-Based Stock Units and the Shares subject to the Performance-Based Stock Units are not intended to replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration 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 retirement benefits 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 Parent, Subsidiary or Affiliate. The value of the Performance-Based Stock Units is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company, the Employer or any Parent, Subsidiary or Affiliate and which is outside the scope of your written employment agreement (if any).

(c) You acknowledge that you are voluntarily participating in the Plan.

(d) Neither the Plan nor these Performance-Based Stock Units or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, Subsidiary or an Affiliate. The Employer reserves the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws, and a written employment agreement (if any).

(e) The grant of the Performance-Based Stock Units and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, the Employer or any Parent, Subsidiary or Affiliate.

(f) The future value of the underlying Shares is unknown and cannot be predicted with certainty and if you vest in the Performance-Based Stock Units and are issued Shares, the value of those Shares may increase or decrease. You also understand that neither the

Company, nor the Employer or any Parent, Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between your Employer's local currency and the United States Dollar that may affect the value of this Award.

(g) In consideration of the grant of the Performance-Based Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance-Based Stock Units resulting from termination of your Service by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) or from the Company's determination that performance goals have not been satisfied in whole or in part and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim.

(h) You agree that the Company may require Shares received pursuant to the Performance-Based Stock Units to be held by a broker designated by the Company.

(i) You agree that your rights hereunder (if any) shall be subject to set-off by the Company for any valid debts you owe the Company.

(j) The Performance-Based Stock Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

15. **Governing Law and Forum.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

16. **Notices.** Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

17. **Binding Effect.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

18. **Severability.** If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

19. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to your current or future participation in the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Language.** If this Agreement or any other document related to the Plan is translated into a language other than English and the meaning of the translated version is different from the English version, the English version will take precedence.

21. **Appendix.** Notwithstanding any provisions in this Agreement, the Performance-Based Stock Units shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country of residence. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

22. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Performance-Based Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. You agree to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, you acknowledge that the laws of the country in which you are working at the time of grant, vesting and settlement of the Performance-Based Stock Units or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject you to additional procedural or regulatory requirements that you are and will be solely responsible for and must fulfill.

23. **Acceptance of Agreement.** You must expressly accept the terms and conditions of your Performance-Based Stock Units as set forth in this Agreement by electronically accepting this Agreement within 300 days after the Company sends this Agreement to you. If you do not accept your Performance-Based Stock Units in the manner instructed by the Company, your Performance-Based Stock Units will be subject to cancellation.

* * * *

You acknowledge that by clicking on the *I agree* button below, you agree to be bound by the terms of this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Restricted Stock
Units: _____

First Vest Date: _____

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. **Restricted Stock Units**. Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.

2. **Vesting of Restricted Stock Units**. So long as your Service continues, the Restricted Stock Units shall vest in accordance with the following schedule: twenty-five percent (25%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the First Vest Date and on each anniversary thereafter, unless otherwise provided by the Plan or Section 4 below. If you take a leave of absence, the Company may, at its discretion, suspend vesting during the period of leave to the extent permitted under applicable local law. Prior to the time that the Restricted Stock Units are settled, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

3. **Termination of Service**. In the event of the termination of your Service for any reason (whether or not in breach of local labor laws), all unvested Restricted Stock Units shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Restricted Stock Units will terminate effective as of the date that you are no longer actively providing Service and will not be extended by any notice period mandated under local law (*e.g.*, active Service would not include a period of "garden leave" or similar period pursuant to local law); the Company shall have the exclusive discretion to determine when you are no longer actively providing Service for purposes of the Restricted Stock Units.

4. **Special Acceleration.**

(a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction, such Restricted Stock Units shall automatically become vested in full immediately prior to the effective date of the Corporate Transaction. No such accelerated vesting, however, shall occur if and to the extent: (i) these Restricted Stock Units are, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with comparable restricted stock units of the successor corporation (or parent thereof) or (ii) these Restricted Stock Units are replaced with a cash incentive program of the successor corporation which complies with Code Section 409A and preserves the fair market value of the Restricted Stock Units at the time of the Corporate Transaction and provides for subsequent pay-out in accordance with the settlement provisions set forth in Section 5 below. The determination of the comparability of restricted stock units under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.

(b) Immediately following the effective date of the Corporate Transaction, this Agreement shall terminate and cease to be outstanding, except as set forth in Section 5 below with respect to the deferred settlement of Restricted Stock Units or to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of units and the kind of shares or securities to be issued pursuant to this Agreement immediately after such Corporate Transaction.

(d) To the extent the Restricted Stock Units are outstanding at the time of a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at that time and settled in accordance with Section 5 below.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. **Settlement of Restricted Stock Units.** To the extent you are eligible but have not elected to defer settlement of the Restricted Stock Units, the Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax and/or other obligations pursuant to Section 6 below and such issuance otherwise complies with all applicable law. To the extent you are eligible but have elected to defer settlement of the Restricted Stock Units, the vested portion of the Restricted Stock Units shall be settled in Shares upon the earlier of: (a) your separation from service within the meaning of Code Section 409A (“Separation from Service”) and (b) the fixed payment date elected by you, if any, at the time of such deferral (which shall be the first business day of a year no earlier than six years after the year of the Grant Date in accordance with procedures approved by the Committee), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law. Notwithstanding the

foregoing, to the extent your Restricted Stock Units would otherwise be settled upon your Separation from Service, such settlement shall instead occur upon the Company's first business day following the six-month anniversary of your Separation from Service.

6. Taxes.

(a) Regardless of any action the Company or your employer (the "Employer") takes with respect to any and all income tax, social taxes or insurance contributions, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items with respect to the Restricted Stock Units is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including the grant, vesting or settlement of the Restricted Stock Units, or the subsequent sale of any Shares acquired at vesting or the receipt of any dividends with respect to such Shares; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to taxation in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, you acknowledge 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.

(b) Prior to any relevant tax, withholding or required deduction event, as applicable, you agree to make arrangements satisfactory to the Company for the satisfaction of any applicable tax, withholding, required deduction and payment on account obligations of the Company and/or the Employer that arise in connection with the Restricted Stock Units. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligations related to Tax-Related Items by one or a combination of the following: (1) withholding from your wages or other cash compensation payable to you by the Company or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); (3) withholding of Shares that would otherwise be issued upon settlement of the Restricted Stock Units; or (4) requiring you to satisfy the liability for Tax-Related Items by means of any other arrangement approved by the Company. If the obligation for Tax-Related Items is satisfied by withholding of Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, 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 your participation in the Plan. To avoid financial accounting charges under applicable accounting guidance, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or may take any other action required to avoid financial accounting charges under applicable accounting guidance.

(c) Finally, you will 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 your participation in the Plan or your acquisition of Shares that cannot be satisfied by the means previously described. The Company shall not be required to issue or deliver Shares pursuant to this Agreement unless and until such obligations are satisfied.

7. **Tax and Legal Advice.** You represent, warrant and acknowledge that neither the Company nor your Employer have made any warranties or representations to you with respect to any Tax-Related Items, legal or financial consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company, your Employer' s or the Company' s or the Employer' s representatives for an assessment of such consequences. YOU UNDERSTAND THAT THE LAWS GOVERNING THIS AWARD ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN PROFESSIONAL TAX, LEGAL AND FINANCIAL ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. YOU UNDERSTAND THAT THE COMPANY AND YOUR EMPLOYER ARE NOT PROVIDING ANY TAX, LEGAL, OR FINANCIAL ADVICE, NOR IS THE COMPANY OR YOUR EMPLOYER MAKING ANY RECOMMENDATION REGARDING YOUR ACCEPTANCE OF THIS AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER OR OTHER PENALTIES.

8. **Non-Transferability of Restricted Stock Units.** Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor' s process, whether voluntarily or involuntarily or by operation of law.

9. **Restriction on Transfer.** Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company' s transfer agent) if, in the judgment of the Company and the Company' s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law including all applicable foreign laws.

10. **Restrictive Legends and Stop-Transfer Instructions.** Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends and/or appropriate stop-transfer instructions may be issued to the Company' s transfer agent as the Company and the Company' s counsel deem necessary under applicable law or pursuant to this Agreement.

11. **Representations, Warranties, Covenants, and Acknowledgments.** You hereby agree that in the event the Company and the Company' s counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable laws.

12. **Voting and Other Rights.** Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until the Restricted Stock Units are settled in Shares. In addition, you shall not have any rights to dividend equivalent payments with respect to Restricted Stock Units.

13. **Authorization to Release and Transfer Necessary Personal Information.**

(a) *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal information as described in this Agreement by and among, as applicable, the Employer, and the Company and its Parent, Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

(b) *You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number (or any other social or national identification number), salary, nationality, job title, residency status, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You understand that Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan.*

(c) *You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to vest in or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

14. **No Entitlement or Claims for Compensation.**

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. The Plan may be amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Restricted Stock Units to you or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past. All decisions with respect to future grants of Restricted Stock Units, if any, will be at the sole discretion of the Committee.

(b) The Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration 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 retirement benefits 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 Parent, Subsidiary or Affiliate. The value of the Restricted Stock Units is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company, the Employer or any Parent, Subsidiary or Affiliate and which is outside the scope of your written employment agreement (if any).

(c) You acknowledge that you are voluntarily participating in the Plan.

(d) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, Subsidiary or an Affiliate. The Employer reserves the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws, and a written employment agreement (if any).

(e) The grant of the Restricted Stock Units and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, the Employer or any Parent, Subsidiary or Affiliate.

(f) The future value of the underlying Shares is unknown and cannot be predicted with certainty and if you vest in the Restricted Stock Units and are issued Shares, the value of those Shares may increase or decrease. You also understand that neither the Company, nor the Employer or any Parent, Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between your Employer's local currency and the United States Dollar that may affect the value of this Award.

(g) In consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of your Service by the Company or the Employer (for any reason

whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim.

(h) You agree that the Company may require Shares received pursuant to the Restricted Stock Units to be held by a broker designated by the Company.

(i) You agree that your rights hereunder (if any) shall be subject to set-off by the Company for any valid debts you owe the Company.

(j) The Restricted Stock Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

15. **Governing Law and Forum.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

16. **Notices.** Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

17. **Binding Effect.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

18. **Severability.** If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

19. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to your current or future participation in the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Language.** If this Agreement or any other document related to the Plan is translated into a language other than English and the meaning of the translated version is different from the English version, the English version will take precedence.

21. **Appendix.** Notwithstanding any provisions in this Agreement, the Restricted Stock Units shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country of residence. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

22. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. You agree to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, you acknowledge that the laws of the country in which you are working at the time of grant, vesting and settlement of the Restricted Stock Units or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject you to additional procedural or regulatory requirements that you are and will be solely responsible for and must fulfill.

23. **Acceptance of Agreement.** You must expressly accept the terms and conditions of your Restricted Stock Units as set forth in this Agreement by electronically accepting this Agreement within 300 days after the Company sends this Agreement to you. If you do not accept your Restricted Stock Units in the manner instructed by the Company, your Restricted Stock Units will be subject to cancellation.

* * * *

You acknowledge that by clicking on the *I agree* button below, you agree to be bound by the terms of this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Restricted Stock
Units: _____

First Vest Date: _____

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. **Restricted Stock Units**. Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.

2. **Vesting of Restricted Stock Units**. So long as your Service continues, the Restricted Stock Units shall vest in accordance with the following schedule: _____ (___%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the First Vest Date and on each ____ anniversary thereafter, unless otherwise provided by the Plan or Section 4 below. If you take a leave of absence, the Company may, at its discretion, suspend vesting during the period of leave to the extent permitted under applicable local law. Prior to the time that the Restricted Stock Units are settled, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

3. **Termination of Service**. In the event of the termination of your Service for any reason (whether or not in breach of local labor laws), all unvested Restricted Stock Units shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Restricted Stock Units will terminate effective as of the date that you are no longer

actively providing Service and will not be extended by any notice period mandated under local law (e.g., active Service would not include a period of “garden leave” or similar period pursuant to local law); the Company shall have the exclusive discretion to determine when you are no longer actively providing Service for purposes of the Restricted Stock Units.

4. **Special Acceleration**

(a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction, such Restricted Stock Units shall automatically become vested in full immediately prior to the effective date of the Corporate Transaction. No such accelerated vesting, however, shall occur if and to the extent: (i) these Restricted Stock Units are, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with comparable restricted stock units of the successor corporation (or parent thereof) or (ii) these Restricted Stock Units are replaced with a cash incentive program of the successor corporation which complies with Code Section 409A and preserves the fair market value of the Restricted Stock Units at the time of the Corporate Transaction and provides for subsequent pay-out in accordance with the settlement provisions set forth in Section 5 below. The determination of the comparability of restricted stock units under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.

(b) Immediately following the effective date of the Corporate Transaction, this Agreement shall terminate and cease to be outstanding, except as set forth in Section 5 below with respect to the deferred settlement of Restricted Stock Units or to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of units and the kind of shares or securities to be issued pursuant to this Agreement immediately after such Corporate Transaction.

(d) To the extent the Restricted Stock Units are outstanding at the time of a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at that time and settled in accordance with Section 5 below.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. **Settlement of Restricted Stock Units**. To the extent you are eligible but have not elected to defer settlement of the Restricted Stock Units, the Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax and/or other obligations pursuant to Section 6 below and such issuance otherwise complies with all applicable law. To the extent you are eligible but have elected to defer settlement of the Restricted Stock Units, the vested portion of the Restricted Stock Units shall be settled in Shares upon the earlier of: (a) your separation from service within the meaning of Code Section 409A (“Separation from Service”) and (b) the fixed payment date elected by you, if any, at the time of such deferral (which shall be the first business day of a year no earlier than five years

after the year of the Grant Date in accordance with procedures approved by the Committee), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law. Notwithstanding the foregoing, to the extent your Restricted Stock Units would otherwise be settled upon your Separation from Service, such settlement shall instead occur upon the Company's first business day following the six-month anniversary of your Separation from Service.

6. Taxes.

(a) Regardless of any action the Company or your employer (the "Employer") takes with respect to any and all income tax, social taxes or insurance contributions, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items with respect to the Restricted Stock Units is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including the grant, vesting or settlement of the Restricted Stock Units, or the subsequent sale of any Shares acquired at vesting or the receipt of any dividends with respect to such Shares; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to taxation in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, you acknowledge 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.

(b) Prior to any relevant tax, withholding or required deduction event, as applicable, you agree to make arrangements satisfactory to the Company for the satisfaction of any applicable tax, withholding, required deduction and payment on account obligations of the Company and/or the Employer that arise in connection with the Restricted Stock Units. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligations related to Tax-Related Items by one or a combination of the following: (1) withholding from your wages or other cash compensation payable to you by the Company or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); (3) withholding of Shares that would otherwise be issued upon settlement of the Restricted Stock Units; or (4) requiring you to satisfy the liability for Tax-Related Items by means of any other arrangement approved by the Company. If the obligation for Tax-Related Items is satisfied by withholding of Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, 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 your participation in the Plan. To avoid financial accounting charges under applicable accounting guidance, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or may take any other action required to avoid financial accounting charges under applicable accounting guidance.

(c) Finally, you will 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 your participation in the Plan or your acquisition of Shares that cannot be satisfied by the means previously described. The Company shall not be required to issue or deliver Shares pursuant to this Agreement unless and until such obligations are satisfied.

7. **Tax and Legal Advice.** You represent, warrant and acknowledge that neither the Company nor your Employer have made any warranties or representations to you with respect to any Tax-Related Items, legal or financial consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company, your Employer's or the Company's or the Employer's representatives for an assessment of such consequences. YOU UNDERSTAND THAT THE LAWS GOVERNING THIS AWARD ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN PROFESSIONAL TAX, LEGAL AND FINANCIAL ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. YOU UNDERSTAND THAT THE COMPANY AND YOUR EMPLOYER ARE NOT PROVIDING ANY TAX, LEGAL, OR FINANCIAL ADVICE, NOR IS THE COMPANY OR YOUR EMPLOYER MAKING ANY RECOMMENDATION REGARDING YOUR ACCEPTANCE OF THIS AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER OR OTHER PENALTIES.

8. **Non-Transferability of Restricted Stock Units.** Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law.

9. **Restriction on Transfer.** Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law including all applicable foreign laws.

10. **Restrictive Legends and Stop-Transfer Instructions.** Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends and/or appropriate stop-transfer instructions may be issued to the Company's transfer agent as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

11. **Representations, Warranties, Covenants, and Acknowledgments.** You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable laws.

12. **Voting and Other Rights.** Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until the Restricted Stock Units are settled in Shares. In addition, you shall not have any rights to dividend equivalent payments with respect to Restricted Stock Units.

13. **Authorization to Release and Transfer Necessary Personal Information.**

(a) *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal information as described in this Agreement by and among, as applicable, the Employer, and the Company and its Parent, Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

(b) *You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number (or any other social or national identification number), salary, nationality, job title, residency status, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You understand that Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan.*

(c) *You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to vest in or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

14. **No Entitlement or Claims for Compensation.**

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. The Plan may be amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Restricted Stock Units to you or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past. All decisions with respect to future grants of Restricted Stock Units, if any, will be at the sole discretion of the Committee.

(b) The Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration 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 retirement benefits 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 Parent, Subsidiary or Affiliate. The value of the Restricted Stock Units is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company, the Employer or any Parent, Subsidiary or Affiliate and which is outside the scope of your written employment agreement (if any).

(c) You acknowledge that you are voluntarily participating in the Plan.

(d) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, Subsidiary or an Affiliate. The Employer reserves the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws, and a written employment agreement (if any).

(e) The grant of the Restricted Stock Units and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, the Employer or any Parent, Subsidiary or Affiliate.

(f) The future value of the underlying Shares is unknown and cannot be predicted with certainty and if you vest in the Restricted Stock Units and are issued Shares, the value of those Shares may increase or decrease. You also understand that neither the Company, nor the Employer or any Parent, Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between your Employer's local currency and the United States Dollar that may affect the value of this Award.

(g) In consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units

resulting from termination of your Service by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim.

(h) You agree that the Company may require Shares received pursuant to the Restricted Stock Units to be held by a broker designated by the Company.

(i) You agree that your rights hereunder (if any) shall be subject to set-off by the Company for any valid debts you owe the Company.

(j) The Restricted Stock Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

15. **Governing Law and Forum.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

16. **Notices.** Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

17. **Binding Effect.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

18. **Severability.** If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

19. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to your current or future participation in the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Language.** If this Agreement or any other document related to the Plan is translated into a language other than English and the meaning of the translated version is different from the English version, the English version will take precedence.

21. **Appendix.** Notwithstanding any provisions in this Agreement, the Restricted Stock Units shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country of residence. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

22. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. You agree to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, you acknowledge that the laws of the country in which you are working at the time of grant, vesting and settlement of the Restricted Stock Units or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject you to additional procedural or regulatory requirements that you are and will be solely responsible for and must fulfill.

23. **Acceptance of Agreement.** You must expressly accept the terms and conditions of your Restricted Stock Units as set forth in this Agreement by electronically accepting this Agreement within 300 days after the Company sends this Agreement to you. If you do not accept your Restricted Stock Units in the manner instructed by the Company, your Restricted Stock Units will be subject to cancellation.

* * * *

You acknowledge that by clicking on the *I agree* button below, you agree to be bound by the terms of this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Restricted Stock Units: _____

First Vest Date: _____

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Restricted Stock Units. Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.

2. Vesting of Restricted Stock Units. So long as your Service continues, the Restricted Stock Units shall vest in accordance with the following schedule: _____ percent (___%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the First Vest Date and on each _____ anniversary thereafter, unless otherwise provided by the Plan or Section 4 below. If you take a leave of absence, the Company may, at its discretion, suspend vesting during the period of leave to the extent permitted under applicable local law. Prior to the time that the Restricted Stock Units are settled upon vesting, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

3. Termination of Service. In the event of the termination of your Service for any reason (whether or not in breach of local labor laws), all unvested Restricted Stock Units shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Restricted Stock Units will terminate effective as of the date that you are no longer

actively providing Service and will not be extended by any notice period mandated under local law (e.g., active Service would not include a period of “garden leave” or similar period pursuant to local law); the Company shall have the exclusive discretion to determine when you are no longer actively providing Service for purposes of the Restricted Stock Units.

4. Special Acceleration.

(a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Corporate Transaction and shall become vested in full at that time. No such acceleration, however, shall occur if and to the extent: (i) these Restricted Stock Units are, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with comparable restricted stock units of the successor corporation (or parent thereof) or (ii) these Restricted Stock Units are replaced with a cash incentive program of the successor corporation which preserves the fair market value of the Restricted Stock Units at the time of the Corporate Transaction and provides for subsequent pay-out in accordance with the vesting schedule set forth in Section 2 above. The determination of the comparability of restricted stock units under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive.

(b) Immediately following the effective date of the Corporate Transaction, this Agreement shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of units and the kind of shares or securities to be issued pursuant to this Agreement immediately after such Corporate Transaction.

(d) To the extent the Restricted Stock Units are outstanding at the time of a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at that time.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. Settlement of Restricted Stock Units. Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax and/or other obligations pursuant to Section 6 below and such issuance otherwise complies with all applicable law.

6. Taxes.

(a) Regardless of any action the Company or your employer (the “Employer”) takes with respect to any and all income tax, social taxes or insurance contributions, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally

applicable to you (“Tax-Related Items”), you acknowledge that the ultimate liability for all Tax-Related Items with respect to the Restricted Stock Units is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including the grant, vesting or settlement of the Restricted Stock Units, or the subsequent sale of any Shares acquired at vesting or the receipt of any dividends with respect to such Shares; and (ii) do not commit to and are under no obligation to structure the terms or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to taxation in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, you acknowledge 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.

(b) Prior to any relevant tax, withholding or required deduction event, as applicable, you agree to make arrangements satisfactory to the Company for the satisfaction of any applicable tax, withholding, required deduction and payment on account obligations of the Company and/or the Employer that arise in connection with the Restricted Stock Units. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligations related to Tax-Related Items by one or a combination of the following: (1) withholding from your wages or other cash compensation payable to you by the Company or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); (3) withholding of Shares that would otherwise be issued upon settlement of the Restricted Stock Units; or (4) requiring you to satisfy the liability for Tax-Related Items by means of any other arrangement approved by the Company. If the obligation for Tax-Related Items is satisfied by withholding of Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, 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 your participation in the Plan. To avoid financial accounting charges under applicable accounting guidance, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory rates or may take any other action required to avoid financial accounting charges under applicable accounting guidance.

(c) Finally, you will 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 your participation in the Plan or your acquisition of Shares that cannot be satisfied by the means previously described. The Company shall not be required to issue or deliver Shares pursuant to this Agreement unless and until such obligations are satisfied.

7. Tax and Legal Advice. You represent, warrant and acknowledge that neither the Company nor your Employer have made any warranties or representations to you with respect to any Tax-Related Items, legal or financial consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company, your Employer’ s or the Company’ s or the Employer’ s representatives for an assessment of such consequences. YOU UNDERSTAND THAT THE LAWS GOVERNING THIS AWARD ARE SUBJECT TO

CHANGE. YOU SHOULD CONSULT YOUR OWN PROFESSIONAL TAX, LEGAL AND FINANCIAL ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. YOU UNDERSTAND THAT THE COMPANY AND YOUR EMPLOYER ARE NOT PROVIDING ANY TAX, LEGAL, OR FINANCIAL ADVICE, NOR IS THE COMPANY OR YOUR EMPLOYER MAKING ANY RECOMMENDATION REGARDING YOUR ACCEPTANCE OF THIS AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER OR OTHER PENALTIES.

8. Non-Transferability of Restricted Stock Units. Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law.

9. Restriction on Transfer. Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law including all applicable foreign laws.

10. Restrictive Legends and Stop-Transfer Instructions. Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends and/or appropriate stop-transfer instructions may be issued to the Company's transfer agent as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

11. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable laws.

12. Voting and Other Rights. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until the Restricted Stock Units are settled upon vesting. In addition, you shall not have any rights to dividend equivalent payments with respect to unvested Restricted Stock Units.

13. Authorization to Release and Transfer Necessary Personal Information.

(a) You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal information as described in this Agreement by and among, as applicable, the Employer, and the Company and its Parent, Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.

(b) You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number (or any other social or national identification number), salary, nationality, job title, residency status, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You understand that Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, including outside the European Economic Area, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan.

(c) You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to vest in or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

14. No Entitlement or Claims for Compensation

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. The Plan may be amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Restricted Stock Units to you or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past. All decisions with respect to future grants of Restricted Stock Units, if any, will be at the sole discretion of the Committee.

(b) The Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration 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 retirement benefits 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 Parent, Subsidiary or Affiliate. The value of the Restricted Stock Units is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company, the Employer or any Parent, Subsidiary or Affiliate and which is outside the scope of your written employment agreement (if any).

(c) You acknowledge that you are voluntarily participating in the Plan.

(d) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, Subsidiary or an Affiliate. The Employer reserves the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws, and a written employment agreement (if any).

(e) The grant of the Restricted Stock Units and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, the Employer or any Parent, Subsidiary or Affiliate.

(f) The future value of the underlying Shares is unknown and cannot be predicted with certainty and if you vest in the Restricted Stock Units and are issued Shares, the value of those Shares may increase or decrease. You also understand that neither the Company, nor the Employer or any Parent, Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between your Employer's local currency and the United States Dollar that may affect the value of this Award.

(g) In consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of your Service by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim.

(h) You agree that the Company may require Shares received pursuant to the Restricted Stock Units to be held by a broker designated by the Company.

(i) You agree that your rights hereunder (if any) shall be subject to set-off by the Company for any valid debts you owe the Company.

(j) The Restricted Stock Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

15. Governing Law and Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts for the United States for the Northern District of California and no other courts.

16. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

17. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

18. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

19. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to your current or future participation in the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Language. If this Agreement or any other document related to the Plan is translated into a language other than English and the meaning of the translated version is different from the English version, the English version will take precedence.

21. Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock Units shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country of residence. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. You agree to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, you acknowledge that the laws of the country in which you are working at the time of grant, vesting and settlement of the Restricted Stock Units or the sale of Shares received pursuant to this Agreement (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject you to additional procedural or regulatory requirements that you are and will be solely responsible for and must fulfill.

23. Acceptance of Agreement. You must expressly accept the terms and conditions of your Restricted Stock Units as set forth in this Agreement by electronically accepting this Agreement within 300 days after the Company sends this Agreement to you. If you do not accept your Restricted Stock Units in the manner instructed by the Company, your Restricted Stock Units will be subject to cancellation.

* * * *

You acknowledge that by clicking on the *I agree* button below, you agree to be bound by the terms of this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Employee ID: _____

Grant Date: _____

Grant Number: _____

Restricted Stock Units: _____

First Vest Date: _____ (the first annual anniversary of the vesting commencement date)

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

- 1. Restricted Stock Units.** Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.
- 2. Vesting of Restricted Stock Units.** So long as your Service continues, the Restricted Stock Units shall vest in accordance with the following schedule: twenty percent (20%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the First Vest Date and on each annual anniversary thereafter, unless otherwise provided by the Plan or Section 4 below.
- 3. Termination of Service.** In the event of the termination of your Service for any reason, all unvested Restricted Stock Units shall be immediately forfeited without consideration.
- 4. Special Acceleration.**

(a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Corporate Transaction and shall become vested in full at that time. No such acceleration, however, shall occur if and to the extent: (i) these Restricted Stock Units are, in connection with the Corporate Transaction, either assumed by the successor corporation (or parent thereof) or replaced with comparable restricted stock units of the successor corporation (or parent thereof) or (ii) these Restricted Stock Units are replaced with a cash incentive program of the successor corporation which preserves the fair market value of the Restricted Stock Units at the time of the Corporate Transaction and provides for subsequent pay-out in accordance with the vesting schedule set forth in Section 2 above. The determination of the comparability of restricted stock units under clause (i) shall be made by the Committee, and such determination shall be final, binding and conclusive

(b) Immediately following the effective date of the Corporate Transaction, this Agreement shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.

(c) If this Agreement is assumed in connection with a Corporate Transaction, then the Committee shall appropriately adjust the number of units and the kind of shares or securities to be issued pursuant to this Agreement immediately after such Corporate Transaction.

(d) To the extent the Restricted Stock Units are outstanding at the time of a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Change in Control and shall become vested in full at that time.

(e) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. Settlement of Restricted Stock Units. Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax withholding obligations pursuant to Section 6 below and such issuance otherwise complies with all applicable law.

6. Withholding Taxes. You agree to make arrangements satisfactory to the Company for the satisfaction of any applicable withholding tax obligations that arise in connection with the Restricted Stock Units which, at the sole discretion of the Company, may include (i) having the Company withhold Shares from the settlement of the Restricted Stock Units, or (ii) any other arrangement approved by the Company, in any case, equal in value to the amount necessary to satisfy any such withholding tax obligations. The Company shall not be required to issue Shares pursuant to this Agreement unless and until such obligations are satisfied.

7. Tax Advice. You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company's representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

8. Non-Transferability of Restricted Stock Units. Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law.

9. Restriction on Transfer. Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares

(including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

10. Stock Certificate Restrictive Legends. Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

11. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

12. Voting and Other Rights. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until the Restricted Stock Units are settled upon vesting.

13. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct your employer to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your employment, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) Prior to the time that the Restricted Stock Units are settled upon vesting, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

(c) You may at any time withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan.

14. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the

Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. These Restricted Stock Units are not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company' s Articles of Incorporation and Bylaws and a written employment agreement (if any), and you shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, these Restricted Stock Units or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

16. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company' s principal corporate offices or to you at the address maintained for you in the Company' s records or, in either case, as subsequently modified by written notice to the other party.

17. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

18. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

[Date]

[Name]

[Address]

[Address]

Dear _____:

[introductory text]

Your leadership team has recommended that you receive a performance-based restricted stock unit (PRSU) right with a target of [_____]. RSUs will be granted after the end of FY[___] based upon the satisfaction of an FY[___] performance condition.

The right to receive a grant of a restricted stock unit depends on Cisco's satisfaction of certain [_____] targets for FY[___]. Assuming those targets are met or exceeded, the restricted stock units that you are granted will vest [_____] percent on the date of grant and [_____] percent on each of the next [_____] anniversaries of the date of grant thereafter, subject to your continued employment with Cisco or an affiliate on the applicable vesting date. On each vesting date, the vested units will be settled in Cisco common stock. In addition, in the unlikely event that a corporate transaction or change in control (each as defined in Cisco's 2005 Stock Incentive Plan) is consummated during FY[___] or prior to the Compensation and Management Development Committee's Certification regarding satisfaction of the FY[___] performance conditions, the performance-based restricted stock unit right will be deemed fully earned at target (100%) immediately prior to the effective date of the corporate transaction or the change in control, as the case may be, and will be settled in fully vested Cisco common stock at that time.

Lastly, please note that, if you are employed outside the United States, the Compensation and Management Development Committee can grant the PRSU Right to you, in its sole discretion, only if and as long as it is permitted and feasible to grant restricted stock units under the laws of the country in which you are employed. If local laws make the grant of restricted stock units illegal or impractical, Cisco will let you know as soon as possible. You are under no obligation to accept the PRSU Right or any restricted stock units that may subsequently be granted to you.

[concluding text]

Sincerely,

[Date]

[Name]

[Address]

[Address]

Dear _____ :

[introductory text]

As an indicator of our confidence in you as a leader, recognizing your current high level of performance as well as your future contributions, I want to tell you about the restricted stock unit component of our FY08 ongoing stock program. This component represents the right to receive a future grant of **restricted stock units** (after the end of FY08) if an FY08 performance condition is satisfied. This right is referred to in this letter as the “**performance-based restricted stock unit right (PRSU Right)**.”

I want to be the first to congratulate you on your leadership team recommending you for a **performance-based restricted stock unit right** having a target of **XX restricted stock units**, which will be granted after the end of FY08 based upon the satisfaction of an FY08 performance condition, contingent on shareholder approval as described below. Since you may be eligible to receive a grant of restricted stock units for the first time, I would like to review briefly the details of this program.

The right to receive a grant of a restricted stock unit depends on Cisco’s satisfaction of certain operating income growth targets for FY08. Assuming those targets are met or exceeded, the **restricted stock units** that you are granted will vest twenty percent on the date of grant and twenty percent on each of the next four anniversaries of the date of grant thereafter, subject to your continued employment with Cisco or an affiliate on the applicable vesting date. Unlike stock options, there is no monthly vesting for restricted stock units. On each vesting date, the vested units will be settled in Cisco common stock. In addition, in the unlikely event that a corporate transaction or change in control (each as defined in Cisco’s 2005 Stock Incentive Plan) is consummated during FY08, the performance-based restricted stock unit right will be deemed fully earned at target (100%) immediately prior to the effective date of the corporate transaction or the change in control, as the case may be, and will be settled in fully vested Cisco common stock at that time.

The PRSU Right and the right to receive restricted stock units depends on our shareholders approving the amendment and extension of Cisco’s 2005 Stock Incentive Plan at the 2007 annual meeting. In the unlikely event that our shareholders do not approve the amendment and extension of the 2005 Stock Incentive Plan, you will not be eligible to receive any restricted stock units. However, at such time as the shareholders do approve a plan, the Compensation and Management Development Committee may make an equitable substitute stock award to you.

Lastly, please note that, if you are employed outside the United States, the Compensation and Management Development Committee can grant the PRSU Right to you, in its sole discretion, only if and as long as it is permitted and feasible to grant restricted stock units under the laws of the country in which you are employed. If local laws make the grant of restricted stock units illegal or impractical, Cisco will let you know as soon as possible. You are under no obligation to accept the PRSU Right or any restricted stock units that may subsequently be granted to you.

[concluding text]

Sincerely,

John Chambers
Chairman & CEO, Cisco Systems



**Deferral Election for
Annual Equity Award
2005 Stock Incentive Plan
(For Elections Prior to 1/1/
2011)**

Name (Last, First, Middle Initial)

Employee Number

You may use this form to:

Indicate the percentage of your annual restricted stock unit grant under the 2005 Stock Incentive Plan that you wish to defer. Your elected percentage will apply to each vesting installment of such grant.

Designate the settlement timing of the deferred portion of your vested annual restricted stock unit grant.

PLEASE REMEMBER THAT ONCE YOU MAKE AN ELECTION TO DEFER A RESTRICTED STOCK UNIT GRANT, YOU CANNOT REVOKE THAT ELECTION.

DEFERRAL ELECTION

Please select if you wish to defer restricted stock units; fill in the appropriate blanks.

- Restricted Stock Unit Grant** I elect to defer _____% (you may only insert 25%, 50%, 75%, or 100%) of my annual restricted stock unit award anticipated to be granted under the 2005 Stock Incentive Plan (the "Plan") on _____, 201__ (subject to my continued employment with the Company or the Employer). I understand that this elected percentage will apply to each vesting installment of this grant.

SETTLEMENT DATE*

Please complete this section to indicate settlement timing for the deferred portion of your vested annual restricted stock unit grant. You may only choose one alternative.

- Separation of Service** I elect to defer the settlement of the deferred portion of my vested annual restricted stock unit grant to my Separation of Service (as defined in Section 409A of the Internal Revenue Code).
- OR**
- Date Specific (subject to earlier settlement upon separation from service)** I elect to defer the settlement of the deferred portion of my vested annual restricted stock unit grant to the earlier of (i) my Separation from Service; or (ii) the first business day of 20____ (insert a year no earlier than 5 years after the year of grant and no later than 15 years after the year of grant).

* Any vested portion of the deferred portion of my restricted stock unit grant will be settled in shares of the Company's common stock.



**Deferral Election for
Annual Equity Award
2005 Stock Incentive Plan**

I understand:

To the extent I do not elect to defer the settlement of my restricted stock unit grant, such portion of the restricted stock unit grant will be automatically settled in shares of the Company' s common stock upon the vesting of the restricted stock unit grant (subject to acceleration in certain cases), as more fully set forth in the Stock Unit Agreement.

Any vested portion of the deferred restricted stock unit grant will be settled in shares of the Company' s common stock as elected by me above.

If my Separation from Service occurs before my restricted stock unit grant vests, any unvested restricted stock units will be forfeited as of the date my Separation from Service occurs.

Any employment taxes that are due upon the vesting of my restricted stock unit grant (including the deferred portion of my grant) shall be deducted at the time of vesting by one or a combination of the following:

- (1) withholding from my wages or other cash compensation payable to me by the Company or the Employer;
- (2) withholding from proceeds of the sale of shares acquired upon settlement of the restricted stock units either through a voluntary sale or through a mandatory sale arranged by the Company (on my behalf pursuant to this authorization);
- (3) withholding of shares that would otherwise be issued upon settlement of the restricted stock units; or
- (4) requiring me to satisfy the liability for any employment taxes by means of any other arrangement approved by the Company.

The receipt of shares of the Company' s common stock pursuant to any restricted stock unit grant will be taxed as ordinary income to me based on the value of the shares on the date the stock unit grant is settled and I receive shares of the Company' s common stock. This is true whether or not I elect to defer settlement of my restricted stock units.

The settlement of the deferred portion of my annual restricted stock unit grant upon my Separation from Service will be delayed for 6 months.

ACKNOWLEDGED AND AGREED:

Signature of Participant

_____ Date



Deferral Election for
Annual Equity Award
2005 Stock Incentive Plan

Name (Last, First, Middle Initial)

Employee Number

You may use this form to:

Indicate the percentage of your annual restricted stock unit grant under the 2005 Stock Incentive Plan that you wish to defer. Your elected percentage will apply to each vesting installment of such grant.

Designate the settlement timing of the deferred portion of your vested annual restricted stock unit grant.

PLEASE REMEMBER THAT ONCE YOU MAKE AN ELECTION TO DEFER A RESTRICTED STOCK UNIT GRANT, YOU CANNOT REVOKE THAT ELECTION.

| DEFERRAL ELECTION | | Please select if you wish to defer restricted stock units; fill in the appropriate blanks. |
|--------------------------|------------------------------------|---|
| <input type="checkbox"/> | Restricted Stock Unit Grant | I elect to defer _____% (you may only insert 25%, 50%, 75%, or 100%) of my annual restricted stock unit award anticipated to be granted under the 2005 Stock Incentive Plan (the "Plan") on _____, 201__ (subject to my continued employment with the Company or the Employer). I understand that this elected percentage will apply to each vesting installment of this grant. |

| SETTLEMENT DATE* | | Please complete this section to indicate settlement timing for the deferred portion of your vested annual restricted stock unit grant. You may only choose one alternative. |
|--------------------------|---|---|
| <input type="checkbox"/> | Separation of Service | I elect to defer the settlement of the deferred portion of my vested annual restricted stock unit grant to my Separation of Service (as defined in Section 409A of the Internal Revenue Code). |
| OR | | |
| <input type="checkbox"/> | Date Specific (subject to earlier settlement upon separation from service) | I elect to defer the settlement of the deferred portion of my vested annual restricted stock unit grant to the earlier of (i) my Separation from Service; or (ii) the first business day of 20_____ (insert a year no earlier than 6 years after the year of grant and no later than 15 years after the year of grant). |

* Any vested portion of the deferred portion of my restricted stock unit grant will be settled in shares of the Company's common stock.



**Deferral Election for
Annual Equity Award
2005 Stock Incentive Plan**

I understand:

To the extent I do not elect to defer the settlement of my restricted stock unit grant, such portion of the restricted stock unit grant will be automatically settled in shares of the Company' s common stock upon the vesting of the restricted stock unit grant (subject to acceleration in certain cases), as more fully set forth in the Stock Unit Agreement.

Any vested portion of the deferred restricted stock unit grant will be settled in shares of the Company' s common stock as elected by me above.

If my Separation from Service occurs before my restricted stock unit grant vests, any unvested restricted stock units will be forfeited as of the date my Separation from Service occurs.

"Separation from Service" is defined in Treasury Regulation Section 1.409A-1(h). While separation from service generally means termination of employment, a Separation from Service can also occur in the case of certain leaves of absence or upon a significant reduction in my work schedule. These events can trigger a "Separation from Service" resulting in the forfeiture of my unvested restricted stock units.

Certain leaves of absence can result in the suspension of vesting of my unvested restricted stock units. If I take a leave of absence that suspends the vesting of my restricted stock units such that they are unvested as of the applicable distribution event (whether that is Separation from Service or a date specific I elected), my restricted stock units that are unvested at the time of such distribution event shall be forfeited.

Any employment taxes that are due upon the vesting of my restricted stock unit grant (including the deferred portion of my grant) shall be deducted at the time of vesting by one or a combination of the following:

- (1) withholding from my wages or other cash compensation payable to me by the Company or the Employer;
- (2) withholding from proceeds of the sale of shares acquired upon settlement of the restricted stock units either through a voluntary sale or through a mandatory sale arranged by the Company (on my behalf pursuant to this authorization);
- (3) withholding of shares that would otherwise be issued upon settlement of the restricted stock units; or
- (4) requiring me to satisfy the liability for any employment taxes by means of any other arrangement approved by the Company.

The receipt of shares of the Company' s common stock pursuant to any restricted stock unit grant will be taxed as ordinary income to me based on the value of the shares on the date the stock unit grant is settled and I receive shares of the Company' s common stock. This is true whether or not I elect to defer settlement of my restricted stock units.

The settlement of the deferred portion of my annual restricted stock unit grant upon my Separation from Service will be delayed for 6 months.

ACKNOWLEDGED AND AGREED:

Signature of Participant

Date

**CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT**

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Grantee: _____

Grant Date: _____

Grant Number: _____

Restricted Stock Units: _____

Vest Date: _____ (the date of the Annual Meeting of Shareholders following the initial election or appointment date)

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. **Restricted Stock Units.** Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.

2. **Vesting of Restricted Stock Units.** So long as your service on the Board continues, the Restricted Stock Units shall vest in accordance with the following schedule: one-hundred percent (100%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the Vest Date, unless otherwise provided by the Plan or Section 4 below.

3. **Termination of Service.** Except as provided in Section 4 below, in the event of the termination of your Board service for any reason, all unvested Restricted Stock Units shall be immediately forfeited without consideration.

4. **Special Acceleration.**

(a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction or a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Corporate Transaction or the Change in Control, as the case may be, and shall become vested in full at that time.

(b) If your service on the Board ceases as a result of your death or Disability, to the extent the Restricted Stock Units are outstanding, such Restricted Stock Units shall automatically accelerate and shall become vested in full at that time.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. **Settlement of Restricted Stock Units.** To the extent you have not elected to defer settlement of the Restricted Stock Units, the Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law. To the extent you have elected to defer settlement of the Restricted Stock Units, the vested portion of the Restricted Stock Units shall be settled in Shares upon your separation from service within the meaning of Code Section 409A (“Separation from Service”), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law.

6. **Tax Advice.** You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company’s representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. **Non-Transferability of Restricted Stock Units.** Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor’s process, whether voluntarily or involuntarily or by operation of law.

8. **Restriction on Transfer.** Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company’s transfer agent) if, in the judgment of the Company and the Company’s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

9. **Stock Certificate Restrictive Legends.** Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends as the Company and the Company’s counsel deem necessary under applicable law or pursuant to this Agreement.

10. **Representations, Warranties, Covenants, and Acknowledgments.** You hereby agree that in the event the Company and the Company’s counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the

Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

11. **Voting and Other Rights**. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a shareholder of the Company unless and until the Restricted Stock Units are settled upon vesting.

12. **Authorization to Release Necessary Personal Information**.

(a) You hereby authorize and direct the Company to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your service, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), compensation, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) Prior to the time that the Restricted Stock Units are settled upon vesting, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

(c) You may at any time withdraw the consents herein by contacting the Company's local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan.

13. **No Entitlement or Claims for Compensation**.

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. These Restricted Stock Units are not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your compensation or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to continue to serve on the Board of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or the Company's shareholders, which rights are hereby expressly reserved by each, to terminate your service on the Board at any time, for any reason, with or without cause, in accordance with the provisions of applicable law, the Company's Articles of Incorporation and Bylaws. You shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, these Restricted Stock Units or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

14. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

15. **Notices.** Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

16. **Binding Effect.** Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

17. **Severability.** If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

NON-EMPLOYEE DIRECTOR INITIAL RSU GRANT

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Grantee: _____

Grant Date: _____

Grant Number: _____

Restricted Stock Units: _____

First Vest Date: _____ (the date of completion of the first year of service as a member of the Board measured from the initial election or appointment date)

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

- 1. Restricted Stock Units.** Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.
- 2. Vesting of Restricted Stock Units.** So long as your service on the Board continues, the Restricted Stock Units shall vest in accordance with the following schedule: fifty percent (50%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the First Vest Date and upon your completion of each year of service as a member of the Board thereafter, unless otherwise provided by the Plan or Section 4 below.
- 3. Termination of Service.** Except as provided in Section 4 below, in the event of the termination of your Board service for any reason, all unvested Restricted Stock Units shall be immediately forfeited without consideration.
- 4. Special Acceleration.**
 - (a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction or a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Corporate Transaction or the Change in Control, as the case may be, and shall become vested in full at that time.

(b) If your service on the Board ceases as a result of your death or Disability, to the extent the Restricted Stock Units are outstanding, such Restricted Stock Units shall automatically accelerate and shall become vested in full at that time.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. Settlement of Restricted Stock Units. To the extent you have not elected to defer settlement of the Restricted Stock Units, the Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law. To the extent you have elected to defer settlement of the Restricted Stock Units, the vested portion of the Restricted Stock Units shall be settled in Shares upon your separation from service within the meaning of Code Section 409A (“Separation from Service”), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law.

6. Tax Advice. You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company’s representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. Non-Transferability of Restricted Stock Units. Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor’s process, whether voluntarily or involuntarily or by operation of law.

8. Restriction on Transfer. Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company’s transfer agent) if, in the judgment of the Company and the Company’s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

9. Stock Certificate Restrictive Legends. Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

10. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

11. Voting and Other Rights. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a shareholder of the Company unless and until the Restricted Stock Units are settled upon vesting.

12. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct the Company to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your service, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), compensation, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) Prior to the time that the Restricted Stock Units are settled upon vesting, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

(c) You may at any time withdraw the consents herein by contacting the Company's local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan.

13. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. These Restricted Stock Units are not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your compensation or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to continue to serve on the Board of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or the Company's shareholders, which rights are hereby expressly reserved by each, to terminate your service on the Board at any time, for any reason, with or without cause, in accordance with the provisions of applicable law, the Company's Articles of Incorporation and Bylaws. You shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, these Restricted Stock Units or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

15. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

16. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

17. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

NON-EMPLOYEE DIRECTOR ANNUAL RSU GRANT

CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Grantee: _____

Grant Date: _____

Grant Number: _____

Restricted Stock Units: _____

Vest Date: The completion of one (1) year of Board service measured from the Grant Date.

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

- 1. Restricted Stock Units.** Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.
- 2. Vesting of Restricted Stock Units.** So long as your service on the Board continues, the Restricted Stock Units shall vest in accordance with the following schedule: one-hundred percent (100%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the Vest Date, unless otherwise provided by the Plan or Section 4 below.
- 3. Termination of Service.** Except as provided in Section 4 below, in the event of the termination of your Board service for any reason, all unvested Restricted Stock Units shall be immediately forfeited without consideration.
- 4. Special Acceleration.**
 - (a) To the extent the Restricted Stock Units are outstanding at the time of a Corporate Transaction or a Change in Control, such Restricted Stock Units shall automatically accelerate immediately prior to the effective date of the Corporate Transaction or the Change in Control, as the case may be, and shall become vested in full at that time.

(b) If your service on the Board ceases as a result of your death or Disability, to the extent the Restricted Stock Units are outstanding, such Restricted Stock Units shall automatically accelerate and shall become vested in full at that time.

(c) This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

5. Settlement of Restricted Stock Units. To the extent you have not elected to defer settlement of the Restricted Stock Units, the Restricted Stock Units shall be automatically settled in Shares upon vesting of such Restricted Stock Units, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law. To the extent you have elected to defer settlement of the Restricted Stock Units, the vested portion of the Restricted Stock Units shall be settled in Shares upon your separation from service within the meaning of Code Section 409A (“Separation from Service”), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless such issuance complies with all applicable law.

6. Tax Advice. You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company’s representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. Non-Transferability of Restricted Stock Units. Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor’s process, whether voluntarily or involuntarily or by operation of law.

8. Restriction on Transfer. Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company’s transfer agent) if, in the judgment of the Company and the Company’s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

9. Stock Certificate Restrictive Legends. Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

10. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

11. Voting and Other Rights. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a shareholder of the Company unless and until the Restricted Stock Units are settled upon vesting.

12. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct the Company to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your service, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), compensation, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) Prior to the time that the Restricted Stock Units are settled upon vesting, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

(c) You may at any time withdraw the consents herein by contacting the Company's local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan.

13. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with these Restricted Stock Units or any other Award are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting these Restricted Stock Units, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. These Restricted Stock Units are not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your compensation or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor these Restricted Stock Units or any other Award granted under the Plan shall be deemed to give you a right to continue to serve on the Board of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or the Company's shareholders, which rights are hereby expressly reserved by each, to terminate your service on the Board at any time, for any reason, with or without cause, in accordance with the provisions of applicable law, the Company's Articles of Incorporation and Bylaws. You shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, these Restricted Stock Units or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

15. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

16. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

17. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

NON-EMPLOYEE DIRECTOR INITIAL GRANT

CISCO SYSTEMS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Cisco Systems, Inc. (the "Company") common stock:

Optionee: _____

Grant Date: _____

Type of Option: Nonstatutory Stock Option

Grant Number: _____

Number of Option Shares: _____ shares

Exercise Price: \$_____ per share

Expiration Date: _____

Date Exercisable: Immediately Exercisable

Vesting Schedule

The Option Shares shall initially be unvested and subject to repurchase by the Company at the Exercise Price paid per share. Optionee shall acquire a vested interest in, and the Company's repurchase right shall accordingly lapse, with respect to, the Option Shares in a series of four (4) successive equal annual installments upon Optionee's completion of each year of service as a member of the Board over the four (4) year period measured from the Grant Date. In no event shall any additional Option Shares vest after Optionee's cessation of Board service.

REPURCHASE RIGHT. OPTIONEE HEREBY AGREES THAT ALL UNVESTED OPTION SHARES ACQUIRED UPON THE EXERCISE OF THE OPTION SHALL NOT BE TRANSFERABLE AND SHALL BE SUBJECT TO REPURCHASE BY THE COMPANY, AT THE EXERCISE PRICE PAID PER SHARE, UPON OPTIONEE'S TERMINATION OF SERVICE AS A MEMBER OF THE BOARD PRIOR TO VESTING IN THOSE SHARES. THE TERMS AND CONDITIONS OF SUCH REPURCHASE RIGHT SHALL BE SPECIFIED IN A STOCK PURCHASE AGREEMENT, IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, EXECUTED BY OPTIONEE AT THE TIME OF THE OPTION EXERCISE.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto.

No Service Contract. Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue to serve on the Board for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or the Company's shareholders, which rights are hereby expressly reserved by each, to terminate Optionee's service on the Board at any time, for any reason, with or without cause, and in accordance with the provisions of applicable law.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

DATED: _____, ____

CISCO SYSTEMS, INC.

By: _____

Title: _____

OPTIONEE

STOCK OPTION AGREEMENT

Recitals

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or of the board of directors of any Parent or Subsidiary and Consultants and other independent advisors who provide services to the Company (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Company (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company' s grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the " Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. The Company hereby grants to Optionee, as of the Grant Date, a Nonstatutory Stock Option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.

2. Option Term. This Option shall have a maximum term of nine (9) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 4, 5, 6 or 7.

3. Non-Transferability. This Option shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor' s process, whether voluntarily or involuntarily or by operation of law. Notwithstanding the foregoing, should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee' s will or the laws of descent and distribution.

4. Exercisability/Vesting.

(a) This Option shall be immediately exercisable for any or all of the Option Shares, whether or not the Option Shares are vested in accordance with the Vesting Schedule set forth in the Notice, and shall remain so exercisable until the Expiration Date or the sooner termination of the Option term under this Paragraph 4 or Paragraph 5, 6 or 7.

(b) Optionee shall, in accordance with the Vesting Schedule set forth in the Notice, vest in the Option Shares in a series of installments over his or her period of Board service. Vesting in the Option Shares may be accelerated pursuant to the provisions of Paragraph 5, 6 or 7. In no event, however, shall any additional Option Shares vest following Optionee' s cessation of service as a Board member.

(c) As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq Global Select Market on the Expiration Date or

the earlier termination date under Paragraph 5, 6 or 7 or, if such date is not a trading day on the Nasdaq Global Select Market, the last trading day before such date. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in service as provided in Paragraph 5(a) and the date twelve (12) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq Global Select Market is closed), Optionee must exercise the exercisable portion of this Option by 4 pm Eastern Daylight Time on Friday, July 1.

5. Cessation of Board Service. Should Optionee' s service as a Board member cease while this Option remains outstanding, then the Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date in accordance with the following provisions:

(a) Should Optionee cease to serve as a Board member for any reason (other than death or Disability) while this Option is outstanding, then the period for exercising this Option shall be reduced to a twelve (12)-month period commencing with the date of such cessation of Board service, but in no event shall this Option be exercisable at any time after the Expiration Date. During such limited period of exercisability, this Option may not be exercised in the aggregate for more than the number of Option Shares (if any) in which Optionee is vested on the date of his or her cessation of Board service. Upon the earlier of (i) the expiration of such twelve (12)-month period or (ii) the specified Expiration Date, the Option shall terminate and cease to be exercisable with respect to any vested Option Shares for which the Option has not been exercised.

(b) Should Optionee die during the twelve (12)-month period following his or her cessation of Board service and hold this Option at the time of his or her death, then the personal representative of Optionee' s estate or the person or persons to whom the Option is transferred pursuant to Optionee' s will or in accordance with the laws of descent and distribution shall have the right to exercise this Option for any or all of the Option Shares in which Optionee is vested at the time of Optionee' s cessation of Board service (less any Option Shares purchased by Optionee after such cessation of Board service but prior to death). Such right of exercise shall terminate, and this Option shall accordingly cease to be exercisable for such vested Option Shares, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee' s cessation of Board service or (ii) the specified Expiration Date.

(c) Should Optionee cease service as a Board member by reason of death or Disability, then all Option Shares at the time subject to this Option but not otherwise vested shall immediately vest in full so that Optionee (or the personal representative of Optionee' s estate or the person or persons to whom the Option is transferred upon Optionee' s death) shall have the right to exercise this Option for any or all of the Option Shares as fully-vested shares of Common Stock at any time prior to the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee' s cessation of Board service or (ii) the specified Expiration Date.

(d) Upon Optionee' s cessation of Board service for any reason other than death or Disability, this Option shall immediately terminate and cease to be

outstanding with respect to any and all Option Shares in which Optionee is not otherwise at that time vested in accordance with the normal Vesting Schedule set forth in the Notice or the special vesting acceleration provisions of Paragraph 6 or 7 below.

6. Corporate Transaction.

(a) In the event of a Corporate Transaction, all Option Shares at the time subject to this Option but not otherwise vested shall automatically vest so that this Option shall, immediately prior to the specified effective date for the Corporate Transaction, become fully exercisable for all of the Option Shares at the time subject to this Option and may be exercised for all or any portion of such shares as fully-vested shares of Common Stock. Immediately following the consummation of the Corporate Transaction, this Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation or its parent company.

(b) If this Option is assumed in connection with a Corporate Transaction, then this Option shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Corporate Transaction had the Option been exercised immediately prior to such Corporate Transaction, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same.

7. Change In Control/Hostile Take-Over.

(a) All Option Shares subject to this Option at the time of a Change In Control but not otherwise vested shall automatically vest so that this Option shall, immediately prior to the effective date of such Change In Control, become fully exercisable for all of the Option Shares at the time subject to this Option and may be exercised for all or any portion of such shares as fully-vested shares of Common Stock. This Option shall remain exercisable for such fully-vested Option Shares until the earliest to occur of (i) the specified Expiration Date, (ii) the sooner termination of this Option in accordance with Paragraph 4, 5 or 6 or (iii) the surrender of this Option under Paragraph 7(b).

(b) Optionee shall have an unconditional right (exercisable during the thirty (30)-day period immediately following the consummation of a "Hostile Take-Over" (as defined below)) to surrender this Option to the Company in exchange for a cash distribution from the Company in an amount equal to the excess of (i) the "Take-Over Price" (as defined below) of the Option Shares at the time subject to the surrendered Option (whether or not those Option Shares are otherwise at the time vested) over (ii) the aggregate Exercise Price payable for such shares. This Paragraph 7(b) limited stock appreciation right shall in all events terminate upon the expiration or sooner termination of the Option term and may not be assigned or transferred by Optionee. For purposes of this Option, "Hostile Take-Over" shall mean the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than thirty five percent (35%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the

Company's shareholders which the Board does not recommend such shareholders to accept. Further, for purposes of this Option, "Take-Over Price" shall mean the greater of (i) the Fair Market Value on the date the Option is surrendered to the Company in connection with a Hostile Take-Over, or (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting the Hostile Take-Over.

(c) To exercise the Paragraph 7(b) limited stock appreciation right, Optionee must, during the applicable thirty (30)-day exercise period, provide the Company with written notice of the option surrender in which there is specified the number of Option Shares as to which the Option is being surrendered. Such notice must be accompanied by the return of Optionee's copy of this Agreement, together with any written amendments to such Agreement. The cash distribution shall be paid to Optionee within five (5) business days following such delivery date. Upon receipt of such cash distribution, this Option shall be cancelled with respect to the shares subject to the surrendered Option (or the surrendered portion), and Optionee shall cease to have any further right to acquire those Option Shares under this Agreement. The Option shall, however, remain outstanding for the balance of the Option Shares (if any) in accordance with the terms and provisions of this Agreement, and the Company shall accordingly issue a new stock option agreement (substantially in the same form as this Agreement) for those remaining Option Shares.

8. Adjustment in Option Shares. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

9. Shareholder Rights. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

10. Manner of Exercising Option.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

(i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

(A) cash or check which, in the Company's sole discretion, shall be made payable to a Company-designated brokerage firm or the Company; and

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated

brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates and (II) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all tax withholding requirements applicable to the Option exercise.

(iv) To the extent that the option is exercised for one or more unvested Option Shares, Optionee (or other person exercising the option) shall deliver to the Secretary of the Company a purchase agreement for those unvested Option Shares.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) the purchased Option Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), subject to the appropriate legends and/or stop transfer instructions.

(c) In no event may this Option be exercised for any fractional Shares.

11. No Impairment of Rights. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, nothing in this Agreement shall in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the shareholders to remove Optionee from the Board at any time in accordance with the provisions of applicable law.

12. Compliance with Laws and Regulations.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq Global Select Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

13. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3, 5, 6 and 7, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee' s assigns and the legal representatives, heirs and legatees of Optionee' s estate.

14. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company' s principal corporate offices or to the Optionee at the address maintained for the Optionee in the Company' s records or, in either case, as subsequently modified by written notice to the other party.

15. Construction. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option.

16. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to the conflict of laws principles thereof.

17. Excess Shares. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

18. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

NON-EMPLOYEE DIRECTOR ANNUAL GRANT

CISCO SYSTEMS, INC.
NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following option grant (the "Option") made to purchase shares of Cisco Systems, Inc. (the "Company") common stock:

Optionee: _____

Grant Date: _____

Type of Option: Nonstatutory Stock Option

GrantNumber: _____

Number of Option Shares: _____ shares

Exercise Price: \$ _____ per share

Expiration Date: _____

Date Exercisable: Immediately Exercisable

Vesting Schedule

The Option Shares shall initially be unvested and subject to repurchase by the Company at the Exercise Price paid per share. Optionee shall acquire a vested interest in, and the Company's repurchase right shall accordingly lapse, with respect to, the Option Shares in a series of two (2) successive equal annual installments upon Optionee's completion of each year of service as a member of the Board over the two (2) year period measured from the Grant Date. In no event shall any additional Option Shares vest after Optionee's cessation of Board service.

REPURCHASE RIGHT. OPTIONEE HEREBY AGREES THAT ALL UNVESTED OPTION SHARES ACQUIRED UPON THE EXERCISE OF THE OPTION SHALL NOT BE TRANSFERABLE AND SHALL BE SUBJECT TO REPURCHASE BY THE COMPANY, AT THE EXERCISE PRICE PAID PER SHARE, UPON OPTIONEE'S TERMINATION OF SERVICE AS A MEMBER OF THE BOARD PRIOR TO VESTING IN THOSE SHARES. THE TERMS AND CONDITIONS OF SUCH REPURCHASE RIGHT SHALL BE SPECIFIED IN A STOCK PURCHASE AGREEMENT, IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, EXECUTED BY OPTIONEE AT THE TIME OF THE OPTION EXERCISE.

Optionee understands and agrees that the Option is offered subject to and in accordance with the terms of the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto.

No Service Contract. Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue to serve on the Board for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or the Company's shareholders, which rights are hereby expressly reserved by each, to terminate Optionee's service on the Board at any time, for any reason, with or without cause, and in accordance with the provisions of applicable law.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

DATED: _____, ____

CISCO SYSTEMS, INC.

By: _____

Title: _____

OPTIONEE

STOCK OPTION AGREEMENT

Recitals

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or of the board of directors of any Parent or Subsidiary and Consultants and other independent advisors who provide services to the Company (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Company (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, the attached Notice of Grant of Stock Option (the "Notice"), or the Plan.

NOW, THEREFORE, it is hereby agreed as follows:

1. Grant of Option. The Company hereby grants to Optionee, as of the Grant Date, a Nonstatutory Stock Option to purchase up to the number of Option Shares specified in the Notice. The Option Shares shall be purchasable from time to time during the Option term specified in Paragraph 2 at the Exercise Price specified in the Notice.

2. Option Term. This Option shall have a maximum term of nine (9) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 4, 5, 6 or 7.

3. Non-Transferability. This Option shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law. Notwithstanding the foregoing, should the Optionee die while holding this Option, then this Option shall be transferred in accordance with Optionee's will or the laws of descent and distribution.

4. Exercisability/Vesting.

(a) This Option shall be immediately exercisable for any or all of the Option Shares, whether or not the Option Shares are vested in accordance with the Vesting Schedule set forth in the Notice, and shall remain so exercisable until the Expiration Date or the sooner termination of the Option term under this Paragraph 4 or Paragraph 5, 6 or 7.

(b) Optionee shall, in accordance with the Vesting Schedule set forth in the Notice, vest in the Option Shares in a series of installments over his or her period of Board service. Vesting in the Option Shares may be accelerated pursuant to the provisions of Paragraph 5, 6 or 7. In no event, however, shall any additional Option Shares vest following Optionee's cessation of service as a Board member.

(c) As an administrative matter, the exercisable portion of this Option may only be exercised until the close of the Nasdaq Global Select Market on the Expiration Date or

the earlier termination date under Paragraph 5, 6 or 7 or, if such date is not a trading day on the Nasdaq Global Select Market, the last trading day before such date. Any later attempt to exercise this Option will not be honored. For example, if Optionee ceases to remain in service as provided in Paragraph 5(a) and the date twelve (12) months from the date of cessation is Monday, July 4 (a holiday on which the Nasdaq Global Select Market is closed), Optionee must exercise the exercisable portion of this Option by 4 pm Eastern Daylight Time on Friday, July 1.

5. Cessation of Board Service. Should Optionee' s service as a Board member cease while this Option remains outstanding, then the Option term specified in Paragraph 2 shall terminate (and this Option shall cease to be outstanding) prior to the Expiration Date in accordance with the following provisions:

(a) Should Optionee cease to serve as a Board member for any reason (other than death or Disability) while this Option is outstanding, then the period for exercising this Option shall be reduced to a twelve (12)-month period commencing with the date of such cessation of Board service, but in no event shall this Option be exercisable at any time after the Expiration Date. During such limited period of exercisability, this Option may not be exercised in the aggregate for more than the number of Option Shares (if any) in which Optionee is vested on the date of his or her cessation of Board service. Upon the earlier of (i) the expiration of such twelve (12)-month period or (ii) the specified Expiration Date, the Option shall terminate and cease to be exercisable with respect to any vested Option Shares for which the Option has not been exercised.

(b) Should Optionee die during the twelve (12)-month period following his or her cessation of Board service and hold this Option at the time of his or her death, then the personal representative of Optionee' s estate or the person or persons to whom the Option is transferred pursuant to Optionee' s will or in accordance with the laws of descent and distribution shall have the right to exercise this Option for any or all of the Option Shares in which Optionee is vested at the time of Optionee' s cessation of Board service (less any Option Shares purchased by Optionee after such cessation of Board service but prior to death). Such right of exercise shall terminate, and this Option shall accordingly cease to be exercisable for such vested Option Shares, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee' s cessation of Board service or (ii) the specified Expiration Date.

(c) Should Optionee cease service as a Board member by reason of death or Disability, then all Option Shares at the time subject to this Option but not otherwise vested shall immediately vest in full so that Optionee (or the personal representative of Optionee' s estate or the person or persons to whom the Option is transferred upon Optionee' s death) shall have the right to exercise this Option for any or all of the Option Shares as fully-vested shares of Common Stock at any time prior to the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee' s cessation of Board service or (ii) the specified Expiration Date.

(d) Upon Optionee' s cessation of Board service for any reason other than death or Disability, this Option shall immediately terminate and cease to be

outstanding with respect to any and all Option Shares in which Optionee is not otherwise at that time vested in accordance with the normal Vesting Schedule set forth in the Notice or the special vesting acceleration provisions of Paragraph 6 or 7 below.

6. Corporate Transaction.

(a) In the event of a Corporate Transaction, all Option Shares at the time subject to this Option but not otherwise vested shall automatically vest so that this Option shall, immediately prior to the specified effective date for the Corporate Transaction, become fully exercisable for all of the Option Shares at the time subject to this Option and may be exercised for all or any portion of such shares as fully-vested shares of Common Stock. Immediately following the consummation of the Corporate Transaction, this Option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation or its parent company.

(b) If this Option is assumed in connection with a Corporate Transaction, then this Option shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Corporate Transaction had the Option been exercised immediately prior to such Corporate Transaction, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same.

7. Change In Control/Hostile Take-Over.

(a) All Option Shares subject to this Option at the time of a Change In Control but not otherwise vested shall automatically vest so that this Option shall, immediately prior to the effective date of such Change In Control, become fully exercisable for all of the Option Shares at the time subject to this Option and may be exercised for all or any portion of such shares as fully-vested shares of Common Stock. This Option shall remain exercisable for such fully-vested Option Shares until the earliest to occur of (i) the specified Expiration Date, (ii) the sooner termination of this Option in accordance with Paragraph 4, 5 or 6 or (iii) the surrender of this Option under Paragraph 7(b).

(b) Optionee shall have an unconditional right (exercisable during the thirty (30)-day period immediately following the consummation of a "Hostile Take-Over" (as defined below)) to surrender this Option to the Company in exchange for a cash distribution from the Company in an amount equal to the excess of (i) the "Take-Over Price" (as defined below) of the Option Shares at the time subject to the surrendered Option (whether or not those Option Shares are otherwise at the time vested) over (ii) the aggregate Exercise Price payable for such shares. This Paragraph 7(b) limited stock appreciation right shall in all events terminate upon the expiration or sooner termination of the Option term and may not be assigned or transferred by Optionee. For purposes of this Option, "Hostile Take-Over" shall mean the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than thirty five percent (35%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the

Company's shareholders which the Board does not recommend such shareholders to accept. Further, for purposes of this Option, "Take-Over Price" shall mean the greater of (i) the Fair Market Value on the date the Option is surrendered to the Company in connection with a Hostile Take-Over, or (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting the Hostile Take-Over.

(c) To exercise the Paragraph 7(b) limited stock appreciation right, Optionee must, during the applicable thirty (30)-day exercise period, provide the Company with written notice of the option surrender in which there is specified the number of Option Shares as to which the Option is being surrendered. Such notice must be accompanied by the return of Optionee's copy of this Agreement, together with any written amendments to such Agreement. The cash distribution shall be paid to Optionee within five (5) business days following such delivery date. Upon receipt of such cash distribution, this Option shall be cancelled with respect to the shares subject to the surrendered Option (or the surrendered portion), and Optionee shall cease to have any further right to acquire those Option Shares under this Agreement. The Option shall, however, remain outstanding for the balance of the Option Shares (if any) in accordance with the terms and provisions of this Agreement, and the Company shall accordingly issue a new stock option agreement (substantially in the same form as this Agreement) for those remaining Option Shares.

8. Adjustment in Option Shares. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, a spin-off or a similar occurrence, appropriate adjustments shall be made to (i) the total number and/or kind of shares or securities subject to this Option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

9. Shareholder Rights. The holder of this Option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the Option, paid the Exercise Price and become a holder of record of the purchased Shares.

10. Manner of Exercising Option.

(a) In order to exercise this Option with respect to all or any part of the Option Shares for which this Option is at the time exercisable, Optionee (or any other person or persons exercising the Option) must take the following actions:

(i) Pay the aggregate Exercise Price for the purchased Shares in one or more of the following forms:

(A) cash or check which, in the Company's sole discretion, shall be made payable to a Company-designated brokerage firm or the Company; and

(B) as permitted by applicable law, through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the Option) shall concurrently provide irrevocable written instructions (I) to a Company-designated

brokerage firm (or in the case of an executive officer or Board member of the Company, an Optionee-designated brokerage firm) to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus, if applicable, the amount necessary to satisfy the Company's withholding obligations at the minimum statutory withholding rates and (II) to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

(ii) Furnish to the Company appropriate documentation that the person or persons exercising the Option (if other than Optionee) have the right to exercise this Option.

(iii) Make appropriate arrangements with the Company (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all tax withholding requirements applicable to the Option exercise.

(iv) To the extent that the option is exercised for one or more unvested Option Shares, Optionee (or other person exercising the option) shall deliver to the Secretary of the Company a purchase agreement for those unvested Option Shares.

(b) As soon as practical after the exercise date, the Company shall issue to or on behalf of Optionee (or any other person or persons exercising this Option) the purchased Option Shares (as evidenced by an appropriate entry on the books of the Company or a duly authorized transfer agent of the Company), subject to the appropriate legends and/or stop transfer instructions.

(c) In no event may this Option be exercised for any fractional Shares.

11. No Impairment of Rights. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, nothing in this Agreement shall in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the shareholders to remove Optionee from the Board at any time in accordance with the provisions of applicable law.

12. Compliance with Laws and Regulations.

(a) The exercise of this Option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable laws, regulations and rules relating thereto, including all applicable regulations of any stock exchange (or the Nasdaq Global Select Market, if applicable) on which the Shares may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to this Option shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

13. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 3, 5, 6 and 7, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Optionee, Optionee' s assigns and the legal representatives, heirs and legatees of Optionee' s estate.

14. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company' s principal corporate offices or to the Optionee at the address maintained for the Optionee in the Company' s records or, in either case, as subsequently modified by written notice to the other party.

15. Construction. The Notice, this Agreement, and the Option evidenced hereby (a) are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan, and (b) constitute the entire agreement between Optionee and the Company on the subject matter hereof and supercede all proposals, written or oral, and all other communications between the parties related to the subject matter. All decisions of the Committee with respect to any question or issue arising under the Notice, this Agreement or the Plan shall be conclusive and binding on all persons having an interest in this Option.

16. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to the conflict of laws principles thereof.

17. Excess Shares. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of Shares which may without shareholder approval be issued under the Plan, then this Option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares issuable under the Plan is obtained in accordance with the provisions of the Plan and all applicable laws, regulations and rules.

18. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

CISCO SYSTEMS, INC.
STOCK GRANT AGREEMENT

This Stock Grant Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Grant Award are as follows:

Grantee: _____

Grant Date: _____

Grant Number: _____

Restricted Shares: _____

Vest Date: The completion of one (1) year of Board service measured from the Grant Date.

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Restricted Shares. Pursuant to the Plan, the Company hereby transfers to you, and you hereby accept from the Company, a Stock Grant Award consisting of the Restricted Shares, on the terms and conditions set forth herein and in the Plan.

2. Vesting of Restricted Shares. So long as your service on the Board continues, the Restricted Shares shall vest in accordance with the following schedule: one-hundred percent (100%) of the total number of Restricted Shares issued pursuant to this Agreement shall vest on the Vest Date, unless otherwise provided by the Plan or Section 3 below. Except as provided in Section 3 below, in the event of the termination of your Board service for any reason, all unvested Restricted Shares shall be immediately forfeited without consideration. For purposes of facilitating the enforcement of the provisions of this Section 2, the Company may issue stop-transfer instructions on the Restricted Shares to the Company's transfer agent, or otherwise hold the Restricted Shares in escrow, until the Restricted Shares have vested and you have satisfied all applicable obligations with respect to the Restricted Shares, including any applicable tax withholding obligations set forth in Section 5 below. Any new, substituted or additional securities or other property which is issued or distributed with respect to the unvested Restricted Shares shall be subject to the same terms and conditions as are applicable to the unvested Restricted Shares under this Agreement and the Plan.

3. Special Acceleration.

(a) To the extent the Restricted Shares are outstanding at the time of a Corporate Transaction or a Change in Control, but not otherwise fully vested, such Restricted Shares shall automatically accelerate immediately prior to the effective date of the Corporate Transaction or the Change in Control, as the case may be, and shall become vested in full at that time.

(b) If your service on the Board ceases as a result of your death or Disability then, to the extent the Restricted Shares are outstanding, but not otherwise fully vested, such Restricted Shares shall automatically accelerate and shall become vested in full at that time.

(c) This Stock Grant Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

4. Restriction on Election to Recognize Income in the Year of Grant. Under Section 83 of the Code, the Fair Market Value of the Restricted Shares on the date the Restricted Shares vest will be taxable as ordinary income at that time. You understand, acknowledge and agree that, as a condition to the grant of this Award, you may not elect to be taxed at the time the Restricted Shares are acquired by filing an election under Section 83(b) of the Code with the Internal Revenue Service.

5. Withholding Taxes. You agree to make arrangements satisfactory to the Company for the satisfaction of any applicable withholding tax obligations that arise in connection with the Restricted Shares which, at the sole discretion of the Company, may include (i) having the Company withhold Shares from the Restricted Shares held in escrow, or (ii) any other arrangement approved by the Company, in any case, equal in value to the amount necessary to satisfy any such withholding tax obligation. Such Shares shall be valued based on the Fair Market Value as of the day prior to the date that the amount of tax to be withheld is to be determined under applicable law. The Company shall not be required to release the Restricted Shares from the stop-transfer instructions or escrow unless and until such obligations are satisfied.

6. Tax Advice. You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company's representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY STOCK GRANT AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. Non-Transferability of Restricted Shares. Restricted Shares which have not vested pursuant to Section 2 above shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by the operation of law. However, this Section 7 shall not

preclude you from designating a beneficiary who will receive any vested Restricted Shares in the event of the your death, nor shall it preclude a transfer of vested Restricted Shares by will or by the laws of descent and distribution.

8. Restriction on Transfer. Regardless of whether the transfer or issuance of the Restricted Shares has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Restricted Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company' s transfer agent) if, in the judgment of the Company and the Company' s counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

9. Stock Certificate Restrictive Legends. Stock certificates evidencing the Restricted Shares may bear such restrictive legends as the Company and the Company' s counsel deem necessary under applicable law or pursuant to this Agreement.

10. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company' s counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Restricted Shares may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

11. Voting and Other Rights. Subject to the terms of this Agreement, you shall have all the rights and privileges of a shareholder of the Company while the Restricted Shares are subject to stop-transfer instructions, or otherwise held in escrow, including the right to vote and to receive dividends (if any).

12. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct the Company to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your service, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), compensation, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of this Stock Grant Award under the Plan or with whom Shares acquired pursuant to this Stock Grant Award or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) You may at any time withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from this Stock Grant Award, and your ability to participate in the Plan.

13. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with this Stock Grant Award or any other Award is derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting this Stock Grant Award, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. This Stock Grant Award is not intended to be compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represents any portion of a your salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Stock Grant Award or any other Award granted under the Plan shall be deemed to give you a right to remain an Employee, Consultant or director of the Company, a Parent, a Subsidiary or an Affiliate. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company' s Articles of Incorporation and Bylaws and a written employment agreement (if any), and you shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Stock Grant Award or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

(c) You agree that the Company may require that Restricted Shares be held by a broker designated by the Company. In addition, you agree that your rights hereunder shall be subject to set-off by the Company for any valid debts you owe the Company.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

15. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company' s principal corporate offices or to you at the address maintained for you in the Company' s records or, in either case, as subsequently modified by written notice to the other party.

16. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

17. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

DATED: _____, ____

CISCO SYSTEMS, INC.

By: _____

Title: _____

GRANTEE

**NON-EMPLOYEE DIRECTOR STOCK UNIT
IN LIEU OF ANNUAL RETAINER**

**CISCO SYSTEMS, INC.
STOCK UNIT AGREEMENT**

This Stock Unit Agreement (the "Agreement") is made and entered into as of the Grant Date (as defined below) by and between Cisco Systems, Inc., a California corporation (the "Company"), and you pursuant to the Cisco Systems, Inc. 2005 Stock Incentive Plan (the "Plan"). The material terms of this Stock Unit Award are as follows:

Grantee: _____
Grant Date: _____
Grant Number: _____
Restricted Stock Units: _____

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

- 1. Restricted Stock Units.** Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, Restricted Stock Units, each of which is a bookkeeping entry representing the equivalent in value of one (1) Share, on the terms and conditions set forth herein and in the Plan.
- 2. Vesting of Restricted Stock Units.** One-hundred percent (100%) of the total number of Restricted Stock Units granted pursuant to this Agreement shall vest on the Grant Date.
- 3. Settlement of Restricted Stock Units.** Restricted Stock Units shall be automatically settled in Shares upon your separation from service within the meaning of Code Section 409A ("Separation from Service"), provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable tax withholding obligations and such issuance otherwise complies with all applicable law.
- 4. Tax Advice.** You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Agreement, and you are in no manner relying on the Company or the Company's representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING ANY RESTRICTED STOCK UNITS. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

5. Non-Transferability of Restricted Stock Units. Restricted Stock Units shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law. However, this Section 5 shall not preclude you from designating a beneficiary who will receive vested Shares pursuant to this award in the event of your death, nor shall it preclude a transfer of vested Shares pursuant to this award by will or by the laws of descent and distribution.

6. Restriction on Transfer. Regardless of whether the transfer or issuance of the Shares to be issued pursuant to the Restricted Stock Units has been registered under the Securities Act or has been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge, or other transfer of the Shares (including the placement of appropriate legends on stock certificates and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law.

7. Stock Certificate Restrictive Legends. Stock certificates evidencing the Shares issued pursuant to the Restricted Stock Units may bear such restrictive legends as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

8. Representations, Warranties, Covenants, and Acknowledgments. You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to the Restricted Stock Units may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

9. Voting and Other Rights. Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a shareholder of the Company unless and until the Restricted Stock Units are settled in Shares upon your Separation from Service.

10. Authorization to Release Necessary Personal Information.

(a) You hereby authorize and direct the Company to collect, use and transfer in electronic or other form, any personal information (the "Data") regarding your service, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), compensation, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Subsidiaries, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of these Restricted Stock Units under the Plan or with whom Shares acquired pursuant to these Restricted Stock Units or cash from the sale of such shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Subsidiaries, or to any third parties is necessary for your participation in the Plan.

(b) Prior to the time that the Restricted Stock Units are settled in Shares upon your Separation from Service, you shall have no rights other than those of a general creditor of the Company. The Restricted Stock Units represent an unfunded and unsecured obligation of the Company.

(c) You may at any time withdraw the consents herein by contacting the Company's local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to exercise or realize benefits from these Restricted Stock Units, and your ability to participate in the Plan.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws principles thereof.

12. Notices. Any notice required or permitted under the terms of this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by confirmed email, telegram, or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the Company at the Company's principal corporate offices or to you at the address maintained for you in the Company's records or, in either case, as subsequently modified by written notice to the other party.

13. Binding Effect. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors, and assigns of the parties hereto.

14. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

DATED: _____

CISCO SYSTEMS, INC.

By: _____

Title: _____

GRANTEE

**NON-EMPLOYEE DIRECTOR ELECTION UNDER THE
CISCO SYSTEMS, INC. 2005 STOCK INCENTIVE PLAN
INITIAL EQUITY AWARD**

I, _____, being a prospective newly elected or appointed non-employee member of the Board of Directors of Cisco Systems, Inc. (the "Company") hereby elect to defer the settlement of my total initial restricted stock unit award anticipated to be granted under the 2005 Stock Incentive Plan (the "Plan") on _____ in connection with my initial election or appointment as a non-employee member of the Board of Directors of the Company.

This election will be effective only if received by _____ on or before _____
[the date of the non-employee director's election or appointment].

If I do not elect to defer the settlement of my initial restricted stock unit grant, the restricted stock unit grant will be automatically settled in shares of the Company's common stock on, or as soon as practicable after, the below described vesting dates of the restricted stock unit grant.

Fifty percent (50%) of my initial restricted stock unit grant will vest upon the completion of one year of Board service measured from my initial appointment or election date and the remaining fifty percent (50%) will vest upon my completion of one year of Board service thereafter (subject to acceleration in certain cases), as more fully set forth in the Stock Unit Agreement. I understand that if my "separation from service" within the meaning of Section 409A of the Internal Revenue Code ("Separation from Service") occurs before my restricted stock unit grant vests, any unvested portion will be forfeited.

I understand that if I elect to defer the settlement of my initial restricted stock unit grant, any vested portion of my stock unit grant will not be settled in shares of the Company's common stock upon the above mentioned vesting dates, but instead will be settled in shares of the Company's common stock on, or as soon as practicable after, my Separation from Service (which generally will be the date my service as a member of the Board of Directors of the Company terminates).

I understand that my receipt of shares of the Company's common stock pursuant to any stock unit grant will be taxed as ordinary income to me based on the value of the shares on the date the stock unit grant is settled and I receive shares of the Company's common stock.

Signature of Non-Employee Director

Date

** Because individual circumstances vary, Cisco Systems, Inc. can not provide tax advice and you should consult with your own tax advisor regarding the income tax consequences of your potential elections.*

**NON-EMPLOYEE DIRECTOR ELECTION UNDER THE
CISCO SYSTEMS, INC. 2005 STOCK INCENTIVE PLAN
ANNUAL RETAINER & EQUITY AWARD**

ANNUAL RETAINER

I, _____, being a non-employee member of the Board of Directors of Cisco Systems, Inc. (the “Company”) hereby elect to receive (complete **either** (a) or (b) below):

- (a) ____% (insert 0% **OR** a percentage between 25% and 100%) of my total annual retainer for the next year of Board service commencing at the next annual meeting of shareholders;
- (b) \$_____ (insert \$0 **OR** a dollar amount between \$18,750 and \$75,000) of my total annual retainer for the next year of Board service commencing at the next annual meeting of shareholders;

in the form of (check either (i) or (ii) below):

(i) _____ a fully vested deferred stock unit grant which will be granted under the 2005 Stock Incentive Plan (the “Plan”) on November __, 200_ based on the closing value of the Company’ s common stock on that date;

(ii) _____ a fully vested stock grant which will be granted under the Plan on November __, 200_ based on the closing value of the Company’ s common stock on that date.

I understand that this election will be effective only if received by _____ on or before _____ [December 31, [PRECEDING YEAR]].

I further understand that I will receive my annual retainer in the form of cash to the extent that I do not elect to receive it in the form of a stock unit grant or stock grant under the Plan on, or as soon as practicable after, the date of the annual meeting of shareholders on _____, 20__.

I understand that, if I elect to receive a stock unit grant, any such stock unit grant will be settled in shares of the Company’ s common stock on, or as soon as practicable after, my “separation from service” within the meaning of Section 409A of the Internal Revenue Code (which generally will be the date my service as a member of the Board of Directors of the Company terminates).

I further understand that my receipt of shares of the Company’ s common stock pursuant to any stock unit grant will be taxed as ordinary income to me based on the value of the shares on the date the stock unit grant is settled and I receive shares of the Company’ s common stock.

I understand that, if I elect to receive a stock grant, I will receive the shares representing any such stock grant on, or as soon as practicable after, the date of the annual shareholder meeting and that my receipt of a stock grant will be taxed as ordinary income to me based on the value of the shares on the date of grant.

ANNUAL EQUITY AWARD

I further (check one) (i) ____ **ELECT** or (ii) ____ **DO NOT ELECT** to defer the settlement of my total annual restricted stock unit award anticipated to be granted under the 2005 Stock Incentive Plan (the "Plan") on _____, 20__ immediately following the Company' s 20__ Annual Meeting of Shareholders.

I understand that this election will be effective only if received by _____ on or before _____ [December 31, [PRECEDING YEAR]].

If I do not elect to defer the settlement of my annual restricted stock unit grant, the above-mentioned restricted stock unit grant will be automatically settled in shares of the Company' s common stock on, or as soon as practicable after, the vesting of the restricted stock unit grant upon the completion of one year of Board service following the date of grant (subject to acceleration in certain cases), as more fully set forth in the Stock Unit Agreement. I understand that if my "separation from service" within the meaning of Section 409A of the Internal Revenue Code ("Separation from Service") occurs before my restricted stock unit grant vests, the grant will be forfeited.

I understand that if I elect to defer the settlement of the above-mentioned annual restricted stock unit grant, any vested portion of my restricted stock unit grant will not be settled in shares of the Company' s common stock upon the above-described vesting date, but instead will be settled in shares of the Company' s common stock on, or as soon as practicable after, my Separation from Service (which generally will be the date my service as a member of the Board of Directors of the Company terminates).

I understand that my receipt of shares of the Company' s common stock pursuant to any stock unit grant will be taxed as ordinary income to me based on the value of the shares on the date the stock unit grant is settled and I receive shares of the Company' s common stock.

Signature of Non-Employee Director

Date

** Because individual circumstances vary, Cisco Systems, Inc. can not provide tax advice and you should consult with your own tax advisor regarding the income tax consequences of your potential elections.*

CISCO SYSTEMS, INC.

**VESTING ACCELERATION POLICY
FOR
DEATH AND TERMINAL ILLNESS
AS
AMENDED SEPTEMBER 8, 2011**

Unless and until the Compensation & Management Development Committee of the Board of Directors of Cisco Systems, Inc. determines otherwise, the following policy shall be applied to all equity awards issued under any equity plan maintained Cisco or any Cisco subsidiary, including equity awards and/or equity plans assumed by Cisco in connection with its acquisition of companies, and held by any employee of Cisco or any Cisco subsidiary (each such award shall be referred to herein as an “equity award”), except to the extent that the application of such policy would be prohibited by the applicable equity plan, equity award agreement or any applicable law, rule or regulation.

For purposes of this policy:

the value of stock options and stock appreciation rights is based on the difference between the exercise price of the equity awards and the closing price of Cisco’s stock on the date of the employee’s death or terminal illness, as applicable, or if such day is not a trading day, the last trading day prior to the date of death or terminal illness, as applicable; and

the value of stock grants, stock units, and unvested shares previously acquired pursuant to equity awards (such shares are referred to herein as “unvested equity award shares”) is based on the difference between the purchase price, if any, and the closing price of Cisco’s stock on the date of the employee’s death or terminal illness, as applicable, or if such day is not a trading day, the last trading day prior to the date of death or terminal illness, as applicable;

“unvested equity award shares” includes outstanding and unvested performance-based restricted stock or stock unit awards and the accelerated vesting of such awards will be deemed to occur at target levels, subject to the specified limits below; and to the extent the vesting of any performance-based restricted stock or stock unit award is accelerated pursuant to this policy, the award will be settled upon the death or terminal illness of an employee, as the case may be, except that if the applicable award is subject to Section 409A of the Internal Revenue Code (“Code Section 409A”) and such terminal illness does not qualify as a “Disability” within the meaning of Code Section 409A, then the award will instead be settled on the fixed payment date following the end of the performance period on which the applicable award is normally paid out.

ACCELERATION UPON DEATH OF EMPLOYEE

Upon the death of an employee, Cisco will accelerate the vesting of the employee’s outstanding equity awards and any unvested equity award shares up to a specified limit based on the value of the equity awards and/or shares on the date of death. The limit on the amount of accelerated vesting is the greater of: (a) one-hundred percent (100%) of the unvested equity awards and/or unvested equity award shares up to a total value of \$10 million; or (b) up to one year of vesting from the date of death as to all unvested equity awards and/or unvested equity award shares. For example, if an employee held unvested options for 100,000 shares with an exercise price of \$1 which would vest in four annual installments of 25,000 shares, and the closing price of Cisco’s stock on the date of the employee’s death was \$101, all 100,000 of the shares would become vested (100,000 shares x \$100 (the difference between \$101 and \$1) = \$10,000,000).

ACCELERATION UPON TERMINAL ILLNESS OF EMPLOYEE

Upon the terminal illness of an employee, Cisco will accelerate the vesting of the employee’s outstanding equity awards and any unvested equity award shares up to a specified limit based on the value of the equity

awards and/or shares on the date of the terminal illness. An employee will be considered terminally ill upon the approval by Cisco's employee life insurance provider of the accelerated life insurance benefit which indicates 12 months or less to live. When a request is made to accelerate the vesting of an employee's outstanding equity awards and early life insurance payouts are not also requested, an employee will be considered terminally ill upon the approval by Cisco's external, independent medical review vendor (which may include Cisco's employee life insurance provider). The date of terminal illness will be the date the determination is made by Cisco's employee life insurance provider or Cisco's external, independent medical review vendor. The limit on the amount of accelerated vesting is the greater of: (a) one-hundred percent (100%) of the unvested equity awards and/or unvested equity award shares up to a total value of \$10 million; or (b) up to one year of vesting from the date of the terminal illness as to all unvested equity awards and/or unvested equity award shares. For example, if an employee holds unvested options for 100,000 shares with an exercise price of \$1 which would vest in four annual installments of 25,000 shares, and the closing price of Cisco's stock on the date that the employee is determined to be terminally ill was \$101, all 100,000 of the shares would become vested (100,000 shares x \$100 (the difference between \$101 and \$1) = \$10,000,000).

CISCO SYSTEMS, INC.

**VESTING POLICY
FOR
LEAVES OF ABSENCE**

Unless and until the Compensation & Management Development Committee of the Board of Directors of Cisco Systems, Inc. determines otherwise, the following policy shall be applied to all equity awards issued under any equity plan maintained Cisco or any Cisco subsidiary, including equity awards and/or equity plans assumed by Cisco in connection with its acquisition of companies, and held by any employee of Cisco or any Cisco subsidiary (each such award shall be referred to herein as an “equity award”), except to the extent that the application of such policy would be prohibited by the applicable equity plan, equity award agreement or any applicable law, rule or regulation.

(Effective until approximately November 2008)

SUSPENSION OF VESTING UPON AUTHORIZED LEAVE OF ABSENCE

The exercise or vesting schedule in effect for any outstanding equity award and any unvested shares previously acquired pursuant to any equity award (such shares referred to herein as “unvested equity award shares”) held by an employee at the time of the employee’s commencement of an authorized leave of absence shall be suspended as of the first day of the authorized leave of absence, and the equity award and any unvested equity shares shall not vest and/or become exercisable for any additional shares during the period the employee remains on such leave of absence.

(Effective in or around November 2008)

90 DAYS CONTINUED VESTING ON AUTHORIZED LEAVES OF ABSENCE

The exercise or vesting schedule in effect for any outstanding equity award and any unvested shares previously acquired pursuant to any equity award (such shares referred to herein as “unvested equity award shares”) held by an employee at the time of the employee’s commencement of an authorized leave of absence shall continue to vest and/or become exercisable in accordance with the vesting schedule set forth in the applicable equity award agreement during the period the employee remains on such authorized leave of absence; provided that, in no event shall any employee be entitled to vest for more than 90 days of authorized leaves of absence during any rolling 12-month period (the “LOA Limit”).

If an employee exceeds the LOA Limit during any rolling 12-month period, the unvested equity award shares held by such an employee shall be suspended immediately following the expiration of the LOA Limit and the equity award and any unvested equity shares shall not vest and/or become exercisable for any additional shares during the remainder of the rolling 12-month period.

CISCO SYSTEMS, INC.

**TRANSFER POLICY
FOR
DIVORCE**

Unless and until the Compensation & Management Development Committee of the Board of Directors of Cisco Systems, Inc. determines otherwise, the following policy shall be applied to all equity awards issued under any equity plan maintained Cisco or any Cisco subsidiary, including equity awards and/or equity plans assumed by Cisco in connection with its acquisition of companies, and held by any employee of Cisco or any Cisco subsidiary (each such award shall be referred to herein as an “equity award”), except to the extent that the application of such policy would be prohibited by the applicable equity plan, equity award agreement or any applicable law, rule or regulation.

PROHIBITION ON TRANSFER OF EQUITY AWARDS UPON DIVORCE

Except as provided below, equity awards and any unvested shares acquired pursuant to equity awards shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor’s process in connection with the divorce of the holder of such equity award or shares. Equity awards and any unvested shares acquired pursuant to equity awards may be transferred by an executive officer of Cisco only to the extent required by a domestic relations order, as defined by the Internal Revenue Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder, in settlement of marital property rights by any court of competent jurisdiction.

SUBSIDIARIES OF THE REGISTRANT

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|---|---|
| Actona Technologies Ltd. | Israel |
| Airespace Wireless Networks Private Limited | India |
| Aironet Canada Inc. | Canada |
| Aironet Canada Limited | Canada |
| Beumaris Networks, Inc. (aka BNI) | Delaware |
| Beumaris Software Research & Development (China) | China |
| Callway LLC | Delaware |
| “Cisco Albania” SHPK | Albania |
| Cisco Bahrain (SPC) | Bahrain |
| Cisco Bilgisayar ve Internet Sistemleri Limited Sirketi | Turkey |
| Cisco Capital (Dubai) Limited | United Arab Emirates |
| Cisco Comercio e Servicos de Hardware e Software do Brasil Ltda | Brazil |
| Cisco Commerce India Private Limited | India |
| Cisco Consumer Products LLC | California |
| Cisco Consumer Products Pte. Ltd. | Singapore |
| Cisco Development India Private Limited | India |
| Cisco do Brasil Ltda. | Brazil |
| Cisco Fast Data, LLC | Delaware |
| Cisco International Limited | United Kingdom |
| Cisco International Taiwan, Ltd. | Taiwan |
| Cisco Internetworking Systems Hellas S.A. | Greece |
| Cisco Iris, Inc. | Delaware |
| Cisco Ironport Systems LLC | Delaware |
| Cisco ISH B.V. | Netherlands |
| Cisco ISH II B.V. | Netherlands |
| Cisco Linksys Kiss ApS | Denmark |
| Cisco Malaysia Managed Services SDN. BHD. | Malaysia |
| Cisco Managed Services Nigeria Limited | Nigeria |
| Cisco Managed Solutions, Inc. | Delaware |
| Cisco Media Solutions, Inc. | California |
| Cisco MO B.V. | Netherlands |
| Cisco Norway AS | Norway |
| Cisco Norway Holdings AS | Norway |
| Cisco Optical GmbH | Germany |
| Cisco Photonics Italy S.r.l. | Italy |
| Cisco QSTP-LLC | Qatar |
| Cisco Ravenscourt LLC | Delaware |
| Cisco RZ LLC | California |
| Cisco Serbia doo Beograd | Serbia, Republic of |
| Cisco Services (Hong Kong) Limited | Hong Kong |
| Cisco Services Korea Limited | Korea, Republic of |

Cisco Services Malaysia SDN BHD
Cisco Systems (Argentina) S.A.
Cisco Systems (Bermuda) Holdings Ltd.
Cisco Systems (Bermuda) Ltd.
Cisco Systems (China) Information Technology Services Limited

Malaysia
Argentina
Bermuda
Bermuda
China

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|--|---|
| Cisco Systems (China) Networking Technology Co., Ltd. | China |
| Cisco Systems (China) Research and Development Co., Ltd. | China |
| Cisco Systems (Colombia) Limitada | Colombia |
| Cisco Systems (Czech Republic) s.r.o. | Czech Republic |
| Cisco Systems (Ethiopia) PLC | Ethiopia |
| Cisco Systems (HK) Holdings Limited | Hong Kong |
| Cisco Systems (HK) Limited | Hong Kong |
| Cisco Systems (India) Private Limited | India |
| Cisco Systems (Italy) S.r.l. | Italy |
| Cisco Systems (Jordan) | Jordan |
| Cisco Systems (Korea) Limited | Republic of Korea |
| Cisco Systems (Malaysia) SDN. BHD. | Malaysia |
| Cisco Systems (Nigeria) Limited | Nigeria |
| Cisco Systems (Puerto Rico) Corp. | Delaware |
| Cisco Systems (Scotland) Limited | United Kingdom |
| Cisco Systems (Senegal) SUARL | Senegal |
| Cisco Systems (Shanghai) Video Technology Co., Ltd. | China |
| Cisco Systems (South Africa) (Proprietary) Limited | South Africa |
| Cisco Systems (Spain), S.L. | Spain |
| Cisco Systems (Sweden) AB | Sweden |
| Cisco Systems (Switzerland) GmbH | Switzerland |
| Cisco Systems (Switzerland) Investments Ltd. | Bermuda |
| Cisco Systems (Thailand) Limited | Thailand |
| Cisco Systems (Trinidad & Tobago) Limited | Trinidad and Tobago |
| Cisco Systems (USA) Pte. Ltd. | Singapore |
| Cisco Systems Algeria EURL | Algeria |
| Cisco Systems Australia Pty Limited | Australia |
| Cisco Systems Austria GmbH | Austria |
| Cisco Systems Belgium SPRL | Belgium |
| Cisco Systems Bulgaria EOOD | Bulgaria |
| Cisco Systems Canada Co./Les Systemes Cisco Canada CIE | Canada |
| Cisco Systems Canada IP Holdings Company | Canada |
| Cisco Systems Capital (Australia) Pty Limited | Australia |
| Cisco Systems Capital (India) Private Limited | India |
| Cisco Systems Capital (Korea) Limited | Korea, Republic of |
| Cisco Systems Capital (Thailand) Limited | Thailand |
| Cisco Systems Capital Asia Pte. Ltd. | Singapore |
| Cisco Systems Capital Canada Co./Les Systemes Cisco Capital Canada CIE | Canada |
| Cisco Systems Capital China Corporation | China |
| Cisco Systems Capital Corporation | Nevada |
| Cisco Systems Capital France SAS | France |
| Cisco Systems Capital GmbH | Germany |
| Cisco Systems Capital Italy S.r.l. | Italy |
| Cisco Systems Capital K.K. | Japan |
| Cisco Systems Capital Netherlands B.V. | Netherlands |

Cisco Systems Capital SDN. BHD.
Cisco Systems Capital South Africa (Proprietary) Limited
Cisco Systems Capital Spain, S.L.

Malaysia
South Africa
Spain

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|---|---|
| Cisco Systems Chile S.A. | Chile |
| Cisco Systems Canada Co | Canada |
| Cisco Systems Costa Rica, Sociedad Anonima | Costa Rica |
| Cisco Systems Croatia Ltd. For Trade | Croatia |
| Cisco Systems Cyprus Ltd. | Cyprus |
| Cisco Systems Danmark ApS | Denmark |
| Cisco Systems de Mexico, S.A. de C.V. | Mexico |
| Cisco Systems de Mexico, S.A. de C.V. | Mexico |
| Cisco Systems Dominicana, S.A. | Dominican Republic |
| Cisco Systems Ecuador S.A. | Ecuador |
| Cisco Systems Egypt Ltd. | Egypt |
| Cisco Systems El Salvador, Ltda. de C.V. | El Salvador |
| Cisco Systems Estonia OU | Estonia |
| Cisco Systems Finance International | Ireland |
| Cisco Systems Finance International Holdings I Limited | Ireland |
| Cisco Systems Finance International Holdings II Limited | Ireland |
| Cisco Systems Finance International Holdings III Limited | Ireland |
| Cisco Systems Finance International Holdings IV Limited | Ireland |
| Cisco Systems Finance International Holdings V Limited | Ireland |
| Cisco Systems Finance International Holdings VI Limited | Ireland |
| Cisco Systems Finland OY | Finland |
| Cisco Systems France Sarl | France |
| Cisco Systems G.K. | Japan |
| Cisco Systems Global Holdings Ltd. | Bermuda |
| Cisco Systems GmbH | Germany |
| Cisco Systems Holding GmbH | Germany |
| Cisco Systems Hungary Ltd. / Cisco Systems Hungary Servicing and Trading Limited Liability Company | Hungary |
| Cisco Systems International B.V. | Netherlands |
| Cisco Systems International Holdings Ltd. | Bermuda |
| Cisco International Israel Limited | Israel |
| Cisco Systems International SARL | Switzerland |
| Cisco Systems Internetworking (Ireland) Limited | Ireland |
| Cisco Systems Internetworking d.o.o. Za Marketing, Tehnicke I Druge Usluge Sarajevo | Bosnia/Herzegovina |
| Cisco Systems Internetworking Iletisim Hizmetleri Limited Sirketi | Turkey |
| Cisco Systems Island Ehf. | Iceland |
| Cisco Systems Israel Ltd. | Israel |
| Cisco Systems Jamaica Limited | Jamaica |
| Cisco Systems Limited | United Kingdom |
| Cisco Systems LLC | Oman |
| Cisco Systems Luxembourg International s.à r.l. | Luxembourg |
| Cisco Systems Luxembourg s.à r.l. | Luxembourg |
| Cisco Systems Macedonia DOOEL Skopje | Macedonia |
| Cisco Systems Management B.V. | Netherlands |
| Cisco Systems Management GmbH | Germany |

Cisco Systems Management Ltd.
Cisco Systems Netherlands Holdings B.V.
Cisco Systems New Zealand Limited

Bermuda
Netherlands
New Zealand

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|---|---|
| Cisco Systems Norway AS | Norway |
| Cisco Systems Pakistan (Private) Limited | Pakistan |
| Cisco Systems Panama S. de R.L. | Panama |
| Cisco Systems Peru S.A. | Peru |
| Cisco Systems Poland Sp. z o. o. | Poland |
| Cisco Systems Portugal-Sistemas Informáticos, Sociedade Unipessoal, Limitada | Portugal |
| Cisco Systems Romania S.r.l. | Romania |
| Cisco Systems Services B.V. | Netherlands |
| Cisco Systems Slovakia, spol. s. r.o. | Slovakia |
| Cisco Systems Holdings UK Limited | United Kingdom |
| Cisco Systems Taiwan, Ltd. | Taiwan |
| Cisco Systems Uruguay S.R.L. | Uruguay |
| Cisco Systems Venezuela, C.A. | Venezuela |
| Cisco Systems Video Technology Canada Inc. | Canada |
| Cisco Systems Vietnam Limited (Cong Ty Trach Nhiem Huu Han Cisco Systems Vietnam) | Vietnam |
| Cisco Systems Wireless Networking (Australia) Pty Limited | Australia |
| Cisco Systems, Inc. | California |
| Cisco Technology (China) Co., Ltd. | China |
| Cisco Technology and Services (South Africa) Pty. Ltd. | South Africa |
| Cisco Technology Bangladesh Ltd. | Bangladesh |
| Cisco Technology, Inc. | California |
| Cisco Telepresence Suites LLC | California |
| Cisco THV LLC | Delaware |
| Cisco Tunisia SARL | Tunisia |
| Cisco WebEx LLC | Delaware |
| Cisco Worldwide Holdings Ltd. | Bermuda |
| Cisco-Linksys (Chengdu) Networking Technology Co., Ltd. | China |
| Cisco-Linksys (HK) Limited | Hong Kong |
| Cisco-Navini Networks LLC | Delaware |
| Clear Access LLC | Delaware |
| CoreOptics LLC | Delaware |
| CSI BD (Mauritius) | Mauritius |
| CSI Mauritius Inc. | Mauritius |
| Divitech A/S | Denmark |
| ExtendMedia LLC | Delaware |
| ExtendMedia ULC | Canada |
| Greenfield Networks LLC | California |
| Greenfield Networks Technologies Private Limited | India |
| Infogear Technology (Israel) Ltd. | Israel |
| Inlet Technologies LLC | Delaware |
| Ironport do Brasil Intermediacao de Servicos Ltda. | Brazil |
| Ironport Systems GmbH | Germany |
| Insieme Networks Inc. | Delaware |
| Jabber LLC | Delaware |
| Limited Liability Company Cisco Innovation Center | Russian Federation |

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|---|---|
| Moto Development Group LLC | California |
| Navini Networks Private Limited | India |
| newScale LLC | California |
| newScale Software Private Limited | India |
| newScale UK Limited | United Kingdom |
| Orative Corporation | Delaware |
| Pari Networks (India) Private Limited | India |
| Pari Networks LLC | California |
| Postpath LLC | Delaware |
| PostX LLC | Delaware |
| PT Cisco Systems Indonesia | Indonesia |
| PT. Cisco Technologies Indonesia | Indonesia |
| Pure Digital Technologies LLC | Delaware |
| Pure Networks LLC | Delaware |
| Radiata, Inc. | Delaware |
| Reactivity LLC | Delaware |
| Rohati Systems, LLC | Delaware |
| Scansafe Limited | United Kingdom |
| Scansafe LLC | Delaware |
| Scansafe Services LLC | Delaware |
| Scientific-Atlanta (Shanghai) Company Limited | China |
| Scientific-Atlanta Belgium BVBA | Belgium |
| Scientific-Atlanta China, LLC | California |
| Scientific-Atlanta do Brasil Ltda. | Brazil |
| Scientific-Atlanta Europe BVBA | Belgium |
| Scientific-Atlanta, LLC | Georgia |
| Securent India Private Limited | India |
| Securent LLC | Delaware |
| SIA "Cisco Latvia" | Latvia |
| Starent International LLC | Delaware |
| Starent Networks (India) Private Limited | India |
| Starent Networks (UK) Ltd | United Kingdom |
| Starent Networks Beijing Co, Ltd | China |
| Starent Networks Canada Limited | Canada |
| Starent Networks India Sales and Services Private Limited | India |
| Starent Networks Korea | Korea, Republic of |
| Starent Networks LLC | Delaware |
| Tandberg AS | Norway |
| Tandberg Asia Pacific Pte. Ltd. | Singapore |
| Tandberg Finance AS | Norway |
| Tandberg India Private Limited | India |
| Tandberg LLC | Delaware |
| Tandberg Technology (India) Private Limited | India |
| Tandberg Telecom AS | Norway |
| Tandberg Telecom UK Limited | United Kingdom |

Tandberg UK Limited
Tandberg Visual Communications International Trading (Beijing) Co., Ltd.
Taskdock LLC

United Kingdom
China
Delaware

| <u>Subsidiaries</u> | <u>State Or Other Jurisdiction of Incorporation or Organization</u> |
|---|---|
| Tidal Software LLC | California |
| Topspin Communications LLC | Delaware |
| Topspin Communications Technologies India Private Limited | India |
| Truviso LLC | Delaware |
| UAB "Cisco LT" | Lithuania |
| Virusata LLC | Delaware |
| WebEx (China) Software Co., Ltd. | China |
| WebEx Asia Limited | Hong Kong |
| WebEx Australia Pty Ltd. | Australia |
| WebEx Communications B.V. | Netherlands |
| WebEx Communications Deutschland GmbH | Germany |
| WebEx Communications France Sarl | France |
| WebEx Communications India Private Limited | India |
| WebEx Communications Japan, K.K. | Japan |
| WebEx Communications UK, Ltd. | United Kingdom |
| WebEx Worldwide B.V. | Netherlands |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos.: 333-36156, 333-36156, 333-131723, 333-157177) dated May 3, 2000, May 9, 2000, February 10, 2006, and February 9, 2009, respectively, of Cisco Systems, Inc. and on Form S-8 (Nos.: 33-63331, 33-64283, 333-64283 [Post Eff.], 333-01069, 333-02101, 333-05447 [Post Eff.], 333-09903, 333-14383, 333-14661, 333-14679, 333-16577, 333-17287, 333-24741, 333-33613, 333-33619, 333-35805, 333-01069 [Post Eff.], 333-34849 [Post Eff.], 33-40509 [Post Eff.], 33-44221 [Post Eff.], 33-71860 [Post Eff.], 33-87096 [Post Eff.], 333-42249, 333-47159, 333-48949, 333-48949 [Post Eff.], 333-51093, 333-51315, 333-42249 [Post Eff.], 333-64651, 333-65871, 333-68335, 333-69117, 333-74237, 333-79717, 333-79721, 333-81971, 333-83045, 333-83277, 333-88695, 333-88699, 333-88831, 333-90883, 333-90885, 333-83227 [Post Eff.], 333-91813, 333-91911, 333-93283, 333-93281, 333-96203, 333-35246, 333-36124, 333-36414, 333-39108, 333-39902, 333-43120, 333-43632, 333-45478, 333-51114, 333-54248, 333-55742, 333-56224, 333-56756, 333-56916, 333-58556, 333-76184, 333-42249 [Post Eff.], 333-91258, 333-96797, 333-42249 [Post Eff.], 333-105300, 333-106284, 333-111977, 333-111995, 333-113993, 333-114558, 333-118238, 333-119954, 333-120064, 333-120843, 333-120844, 333-121307, 333-122946, 333-123872, 333-125568, 333-125573, 333-126430, 333-126841, 333-128755, 333-129719, 333-132050, 333-133436, 333-135687, 333-137653, 333-137654, 333-139175, 333-140069, 333-141123, 333-141945, 333-142332, 333-142333, 333-143389, 333-143506, 333-143997, 333-144305, 333-147522, 333-147523, 333-147763, 333-148576, 333-153248, 333-153808, 333-155494, 333-157368, 333-159679, 333-159681, 333-163864, 333-163953, 333-163954, 333-167430, 333-168364, 333-169653, 333-169655, 333-171659, 333-173061, 333-173062, 333-174715, 333-176862, 333-178266, 333-180455, 333-180458, and 333-181082) dated October 11, 1995, November 15, 1995, February 20, 1996, February 20, 1996, April 1, 1996, July 29, 1996, August 9, 1996, October 18, 1996, October 23, 1996, October 23, 1996, November 21, 1996, December 5, 1996, April 8, 1997, August 14, 1997, August 14, 1997, September 17, 1997, December 10, 1997, December 10, 1997, December 10, 1997, December 10, 1997, December 10, 1997, December 10, 1997, December 15, 1997, March 2, 1998, March 31, 1998, April 13, 1998, April 27, 1998, April 29, 1998, September 28, 1998, September 29, 1998, October 19, 1998, December 3, 1998, December 17, 1998, March 11, 1999, June 1, 1999, June 1, 1999, June 30, 1999, July 16, 1999, July 20, 1999, October 8, 1999, October 8, 1999, October 12, 1999, November 12, 1999, November 12, 1999, November 12, 1999, November 30, 1999, December 1, 1999, December 21, 1999, December 21, 1999, February 4, 2000, April 20, 2000, May 2, 2000, May 5, 2000, June 12, 2000, June 22, 2000, August 4, 2000, August 11, 2000, September 8, 2000, December 1, 2000, January 24, 2001, February 16, 2001, February 26, 2001, March 8, 2001, March 12, 2001, April 9, 2001, January 2, 2002, June 25, 2002, June 26, 2002, July 19, 2002, August 20, 2002, May 15, 2003, June 19, 2003, January 16, 2004, January 16, 2004, March 29, 2004, April 19, 2004, August 13, 2004, October 26, 2004, October 29, 2004, November 30, 2004, November 30, 2004, December 16, 2004, February 22, 2005, April 6, 2005, June 6, 2005, June 6, 2005, July 6, 2005, July 25, 2005, September 30, 2005, November 15, 2005, February 27, 2006, April 20, 2006, July 11, 2006, September 28, 2006, September 28, 2006, December 7, 2006, January 18, 2007, March 7, 2007, April 6, 2007, April 24, 2007, April 24, 2007, May 31, 2007, June 5, 2007, June 22, 2007, July 3, 2007, November 20, 2007, November 20, 2007, December 3, 2007, January 10, 2008, August 29, 2008, October 2, 2008, November 20, 2008, February 17, 2009, June 2, 2009, June 2, 2009, December 18, 2009, December 23, 2009, December 23, 2009, June 10, 2010, July 28, 2010, September 29, 2010, September 29, 2010, January 12, 2011, March 25, 2011, March 25, 2011, June 3, 2011, September 16, 2011, December 1, 2011, March 29, 2012, March 29, 2012, and May 1, 2012, respectively, of Cisco Systems, Inc. of our report dated September 11, 2012 relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California
September 11, 2012

**CERTIFICATION OF PRINCIPAL EXECUTIVE 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, John T. Chambers, certify that:

1. I have reviewed this annual report on Form 10-K of Cisco Systems, Inc.;
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. The registrant's other certifying officer(s) and I are 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. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the 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: September 12, 2012

/s/ John T. Chambers

John T. Chambers
Chairman and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL 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, Frank A. Calderoni, certify that:

1. I have reviewed this annual report on Form 10-K of Cisco Systems, Inc.;
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. The registrant's other certifying officer(s) and I are 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. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the 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: September 12, 2012

/s/ Frank A. Calderoni

Frank A. Calderoni

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, John T. Chambers, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

The Annual Report on Form 10-K of the Company for the fiscal year ended July 28, 2012, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 12, 2012

/s/ John T. Chambers

John T. Chambers
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Frank A. Calderoni, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

The Annual Report on Form 10-K of the Company for the fiscal year ended July 28, 2012, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 12, 2012

/s/ Frank A. Calderoni

Frank A. Calderoni

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

**Commitments and
Contingencies (Tables)**

[Schedule Of Future Minimum Lease
Payments Under All Noncancelable
Operating Leases](#)

**12 Months Ended
Jul. 28, 2012**

Future minimum lease payments under all noncancelable operating leases with an initial term in excess of one year as of July 28, 2012 are as follows (in millions):

| | <u>Fiscal Year</u> | <u>Amount</u> |
|------------|--------------------|----------------|
| 2013 | | \$328 |
| 2014 | | 243 |
| 2015 | | 199 |
| 2016 | | 97 |
| 2017 | | 70 |
| Thereafter | | <u>202</u> |
| Total | | <u>\$1,139</u> |

[Schedule Of Product Warranty Liability](#)

The following table summarizes the activity related to product warranty liability during fiscal 2012 and 2011 (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|----------------------|----------------------|
| Balance at beginning of fiscal year | <u>\$ 342</u> | <u>\$ 360</u> |
| Provision for warranties issued | 661 | 456 |
| Payments | <u>(588)</u> | <u>(474)</u> |
| Balance at end of fiscal year | <u>\$ 415</u> | <u>\$ 342</u> |

**Income Taxes (Breakdown
Between Current And
Noncurrent Net Deferred
Tax Assets) (Detail) (USD \$)** Jul. 28, 2012 Jul. 30, 2011
**In Millions, unless otherwise
specified**

Income Taxes

| | | |
|--|----------|----------|
| <u>Deferred tax assets-current</u> | \$ 2,294 | \$ 2,410 |
| <u>Deferred tax liabilities-current</u> | (123) | (131) |
| <u>Deferred tax assets-noncurrent</u> | 2,270 | 1,864 |
| <u>Deferred tax liabilities-noncurrent</u> | (133) | (264) |
| <u>Total net deferred tax assets</u> | \$ 4,308 | \$ 3,879 |

| Goodwill and Purchased Intangible Assets (Schedule Of Purchased Intangible Assets With Finite And Indefinite Lives) (Detail) (USD \$) | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 28, 2012 Technology | Jul. 30, 2011 Technology | Jul. 28, 2012 Customer Relationships | Jul. 30, 2011 Customer Relationships | Jul. 28, 2012 Other | Jul. 30, 2011 Other | Jul. 28, 2012 Total Purchased Intangible Assets With Finite Lives | Jul. 30, 2011 Total Purchased Intangible Assets With Finite Lives | 12 Months Ended |
|--|---------------------|---------------------|--------------------------------|--------------------------------|--|--|------------------------------|------------------------------|---|---|--|
| | | | | | | | | | | | Jul. 30, 2011 In-Process Research & Development |
| In Millions, unless otherwise specified | | | | | | | | | | | |
| Business Acquisition [Line Items] | | | | | | | | | | | |
| Total purchased intangible assets with finite lives, Gross | \$ 4,539 | | \$ 2,267 | \$ 1,961 | \$ 2,261 | \$ 2,277 | \$ 49 | \$ 123 | \$ 4,577 | \$ 4,361 | |
| Total, Accumulated Amortization | | (1,998) | (908) | (561) | (1,669) | (1,346) | (41) | (91) | (2,618) | (1,998) | |
| Total purchased intangible assets with finite lives, Net | 1,959 | 2,541 | 1,359 | 1,400 | 592 | 931 | 8 | 32 | 1,959 | 2,363 | |
| IPR&D, with indefinite lives Total, Accumulated Amortization | | | | | | | | | | | 178 |
| IPR&D, with indefinite lives | | | | | | | | | | | \$ 178 |

**Summary of Significant
Accounting Policies
(Depreciation Period By
Type Of Assets) (Detail)**

**12 Months Ended
Jul. 28, 2012
Year**

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Leasehold improvements, maximum useful life \(in years\)](#) 5

Minimum

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Computer equipment and related software](#) 30

Maximum

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Computer equipment and related software](#) 36

[Operating lease assets based on lease term, years](#) 3

Building improvements

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Property and equipment, maximum useful life, years](#) 25

Leasehold improvements

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Property and equipment, maximum useful life, years](#) 10

Furniture and fixtures

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Property and equipment, maximum useful life, years](#) 5

Production Engineering And Other Equipment

[Summary Of Significant Accounting Policies \[Line Items\]](#)

[Property and equipment, maximum useful life, years](#) 5

**Investments (Realized Net
Gains (Losses) Related To
Available-For-Sale
Investments) (Detail) (USD
\$)**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

**In Millions, unless otherwise
specified**

Schedule of Available-for-sale Securities [Line Items]

Total net realized gains (losses) \$ 101 \$ 179 \$ 169

Publicly Traded Equity Securities

Schedule of Available-for-sale Securities [Line Items]

Total net realized gains (losses) 43 88 66

Fixed Income Securities

Schedule of Available-for-sale Securities [Line Items]

Total net realized gains (losses) \$ 58 \$ 91 \$ 103

**Goodwill and Purchased
Intangible Assets (Schedule
Of Amortization Of
Purchased Intangible Assets)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. 28, Jul. 30, Jul. 31,
2012 2011 2010**

**Acquired Intangible Asset Amortization by Statement of Operations
Class [Line Items]**

| | | | |
|--|--------|----------|--------|
| <u>Amortization of purchased intangible assets</u> | \$ 807 | \$ 1,020 | \$ 768 |
| Cost Of Sales | | | |

**Acquired Intangible Asset Amortization by Statement of Operations
Class [Line Items]**

| | | | |
|--|-----|-----|-----|
| <u>Amortization of purchased intangible assets</u> | 424 | 492 | 277 |
| Operating Expenses | | | |

**Acquired Intangible Asset Amortization by Statement of Operations
Class [Line Items]**

| | | | |
|--|-----|-----|-----|
| <u>Amortization of purchased intangible assets</u> | 383 | 520 | 491 |
| Operating Expenses Restructuring And Other Charges | | | |

**Acquired Intangible Asset Amortization by Statement of Operations
Class [Line Items]**

| | | | |
|--|--|------|--|
| <u>Amortization of purchased intangible assets</u> | | \$ 8 | |
|--|--|------|--|

**Fair Value - Additional
Information (Detail) (USD \$)**

**12 Months Ended
Jul. 28, 2012 Jul. 30, 2011**

Fair Value Measurements [Line Items]

| | | |
|--|----------------|----------------|
| <u>Value of investments in privately held companies on cost basis</u> | \$ 249,000,000 | |
| <u>Long term loan receivables and financed service contracts and others carrying value</u> | 1,900,000,000 | 2,000,000,000 |
| <u>Long-term debt, fair value</u> | 18,800,000,000 | 17,400,000,000 |
| <u>Long-term debt, carrying amount</u> | \$ | \$ |
| | 16,297,000,000 | 16,234,000,000 |

| | | | |
|--|--------------------------|------------------------------|------------------------------|
| Employee Benefit Plans (Summary Assumptions Related To And Valuation Of Employee Share-Based Awards (Time-Based Restricted Stock Units)) (Detail) (USD \$) In Millions, except Per Share data, unless otherwise specified | 0 | 12 Months Ended | |
| | Months | | |
| | Ended | | |
| | Mar. 17, 2011 | Jul. 28, 2012 | Jul. 30, 2011 |
| | | Time-Based Restricted | Time-Based Restricted |
| | | Stock Units (RSU's) | Stock Units (RSU's) |

**Share-based Compensation Arrangement by
Share-based Payment Award [Line Items]**

| | | |
|---|----------|----------|
| <u>Number of shares granted</u> | 62 | 54 |
| <u>Weighted-average estimated grant date fair value per share</u> | \$ 17.26 | \$ 20.59 |
| <u>Expected dividend</u> | 0.00% | 1.50% |

**Stock Repurchases Since
Inception of Program
(Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Supplementary Information [Line Items]

| | | | |
|---|-----------|-----------|-----------|
| <u>Repurchases of common stock under the repurchase program, shares</u> | 3,740 | 3,478 | 3,127 |
| <u>Repurchases of common stock under the repurchase program, value</u> | \$ 76,133 | \$ 71,773 | \$ 64,982 |

Shares of Common Stock

Supplementary Information [Line Items]

| | |
|---|-------|
| <u>Repurchases of common stock under the repurchase program, shares</u> | 3,740 |
|---|-------|

Common Stock and Additional Paid-In Capital

Supplementary Information [Line Items]

| | |
|--|--------|
| <u>Repurchases of common stock under the repurchase program, value</u> | 17,041 |
|--|--------|

Retained Earnings

Supplementary Information [Line Items]

| | |
|--|--------|
| <u>Repurchases of common stock under the repurchase program, value</u> | 59,092 |
|--|--------|

Total Cisco Shareholders' Equity

Supplementary Information [Line Items]

| | |
|--|-----------|
| <u>Repurchases of common stock under the repurchase program, value</u> | \$ 76,133 |
|--|-----------|

**Balance Sheet Details
(Tables)**

**12 Months Ended
Jul. 28, 2012**

Inventories

| | July 28, 2012 | July 30, 2011 |
|--|-----------------|-----------------|
| Inventories: | | |
| Raw materials | \$ 127 | \$ 219 |
| Work in process | 35 | 52 |
| Finished goods: | | |
| Distributor inventory and deferred cost of sales | 630 | 631 |
| Manufactured finished goods | 597 | 331 |
| Total finished goods | <u>1,227</u> | <u>962</u> |
| Service-related spares | 213 | 182 |
| Demonstration systems | 61 | 71 |
| Total | <u>\$ 1,663</u> | <u>\$ 1,486</u> |

Property And Equipment, Net

| | | |
|---|-----------------|-----------------|
| Property and equipment, net: | | |
| Land, buildings, and building and leasehold improvements | \$4,363 | \$4,760 |
| Computer equipment and related software | 1,469 | 1,429 |
| Production, engineering, and other equipment | 5,364 | 5,093 |
| Operating lease assets ⁽¹⁾ | 300 | 293 |
| Furniture and fixtures | 487 | 491 |
| | <u>11,983</u> | <u>12,066</u> |
| Less accumulated depreciation and amortization ⁽¹⁾ | <u>(8,581)</u> | <u>(8,150)</u> |
| Total | <u>\$3,402</u> | <u>\$3,916</u> |

⁽¹⁾ Accumulated depreciation related to operating lease assets was \$181 and \$169 as of July 28, 2012 and July 30, 2011, respectively.

Other Assets

| | | |
|---|-----------------|-----------------|
| Other assets: | | |
| Deferred tax assets | \$ 2,270 | \$ 1,864 |
| Investments in privately held companies | 858 | 796 |
| Other | 754 | 441 |
| Total | <u>\$ 3,882</u> | <u>\$ 3,101</u> |

Deferred Revenue

| | | |
|--|-----------------|-----------------|
| Deferred revenue: | | |
| Service | \$9,173 | \$8,521 |
| Product: | | |
| Unrecognized revenue on product shipments and other deferred revenue | 2,975 | 3,003 |
| Cash receipts related to unrecognized revenue from two-tier distributors | 732 | 683 |
| Total product deferred revenue | <u>3,707</u> | <u>3,686</u> |
| Total | <u>\$12,880</u> | <u>\$12,207</u> |
| Reported as: | | |
| Current | \$8,852 | \$8,025 |
| Noncurrent | 4,028 | 4,182 |
| Total | <u>\$12,880</u> | <u>\$12,207</u> |

**Borrowings (Schedule Of
Short-Term Debt) (Detail)
(USD \$)**

Jul. 28, 2012 Jul. 30, 2011

**In Millions, unless otherwise
specified**

Short-term Debt [Line Items]

Short-term debt \$ 31 \$ 588

Short-term debt, Weighted-Average Interest Rate

Commercial Paper

Short-term Debt [Line Items]

Short-term debt 500

Short-term debt, Weighted-Average Interest Rate 0.14%

Other Notes and Borrowings

Short-term Debt [Line Items]

Short-term debt \$ 31 \$ 88

Interest rate other short term borrowings 6.72% 4.59%

**Net Income per Share
(Calculation Of Basic And
Diluted Net Income Per
Share) (Detail) (USD \$)
In Millions, except Per Share
data, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Net Income Per Share [Abstract]

| | | | |
|---|----------|----------|----------|
| <u>Net income</u> | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| <u>Weighted-average shares-basic</u> | 5,370 | 5,529 | 5,732 |
| <u>Effect of dilutive potential common shares</u> | 34 | 34 | 116 |
| <u>Weighted-average shares-diluted</u> | 5,404 | 5,563 | 5,848 |
| <u>Net income per share-basic</u> | \$ 1.50 | \$ 1.17 | \$ 1.36 |
| <u>Net income per share-diluted</u> | \$ 1.49 | \$ 1.17 | \$ 1.33 |
| <u>Antidilutive employee share-based awards, excluded</u> | 591 | 379 | 344 |

Investments (Available-For-Sale Investments With Gross Unrealized Losses) (Detail)
(USD \$)

Jul. 28, 2012 Jul. 30, 2011

In Millions, unless otherwise specified

Schedule of Investments [Line Items]

| | | |
|--|----------|----------|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | \$ 6,127 | \$ 3,845 |
| <u>Gross unrealized losses, less than 12 months</u> | (12) | (16) |
| <u>Fair value of investment securities with unrealized losses 12 months or greater</u> | 34 | 161 |
| <u>Gross unrealized losses, 12 months or greater</u> | (3) | (6) |
| <u>Fair value of investment securities with unrealized losses</u> | 6,161 | 4,006 |
| <u>Total gross unrealized losses</u> | (15) | (22) |

Publicly Traded Equity Securities

Schedule of Investments [Line Items]

| | | |
|--|------|------|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | 167 | 112 |
| <u>Gross unrealized losses, less than 12 months</u> | (8) | (12) |
| <u>Fair value of investment securities with unrealized losses 12 months or greater</u> | 20 | |
| <u>Gross unrealized losses, 12 months or greater</u> | (3) | |
| <u>Fair value of investment securities with unrealized losses</u> | 187 | 112 |
| <u>Total gross unrealized losses</u> | (11) | (12) |

Total Fixed Income Securities

Schedule of Investments [Line Items]

| | | |
|--|-------|-------|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | 5,960 | 3,733 |
| <u>Gross unrealized losses, less than 12 months</u> | (4) | (4) |
| <u>Fair value of investment securities with unrealized losses 12 months or greater</u> | 14 | 161 |
| <u>Gross unrealized losses, 12 months or greater</u> | | (6) |
| <u>Fair value of investment securities with unrealized losses</u> | 5,974 | 3,894 |
| <u>Total gross unrealized losses</u> | (4) | (10) |

Total Fixed Income Securities | U.S. Government Agency Securities

Schedule of Investments [Line Items]

| | | |
|---|-------|-------|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | 5,357 | 2,310 |
| <u>Gross unrealized losses, less than 12 months</u> | (1) | (1) |
| <u>Fair value of investment securities with unrealized losses</u> | 5,357 | 2,310 |
| <u>Total gross unrealized losses</u> | (1) | (1) |

Total Fixed Income Securities | Non-U.S. Government And Agency Securities

Schedule of Investments [Line Items]

| | | |
|---|--|-----|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | | 875 |
| <u>Gross unrealized losses, less than 12 months</u> | | (1) |
| <u>Fair value of investment securities with unrealized losses</u> | | 875 |
| <u>Total gross unrealized losses</u> | | (1) |

Total Fixed Income Securities | Corporate Debt Securities

Schedule of Investments [Line Items]

| | | |
|---|-----|-----|
| <u>Fair value of investment securities with unrealized losses less than 12 months</u> | 603 | 548 |
|---|-----|-----|

| | | |
|--|-----|--------|
| <u>Gross unrealized losses, less than 12 months</u> | (3) | (2) |
| <u>Fair value of investment securities with unrealized losses 12 months or greater</u> | 14 | 56 |
| <u>Gross unrealized losses, 12 months or greater</u> | | (2) |
| <u>Fair value of investment securities with unrealized losses</u> | 617 | 604 |
| <u>Total gross unrealized losses</u> | (3) | (4) |
| Total Fixed Income Securities Asset-Backed Securities | | |
| <u>Schedule of Investments [Line Items]</u> | | |
| <u>Fair value of investment securities with unrealized losses 12 months or greater</u> | | 105 |
| <u>Gross unrealized losses, 12 months or greater</u> | | (4) |
| <u>Fair value of investment securities with unrealized losses</u> | | 105 |
| <u>Total gross unrealized losses</u> | | \$ (4) |

**Derivative Instruments
(Schedule Of Notional
Amounts Of Derivatives
Outstanding) (Detail) (USD
\$)**

Jul. 28, 2012 Jul. 30, 2011

**In Millions, unless otherwise
specified**

Derivative [Line Items]

Interest rate derivatives

\$ 0 \$ 0

Total

14,410 12,583

Derivatives Designated As Hedging Instrument

Derivative [Line Items]

Foreign currency derivatives-cash flow hedges

2,910 3,433

Interest rate derivatives

4,250 4,250

Net investment hedging instruments

468 73

Equity derivatives

272

Derivatives Not Designated As Hedging Instruments

Derivative [Line Items]

Foreign currency derivatives

6,241 4,565

Total return swaps-deferred compensation

\$ 269 \$ 262

**Restructuring And Other
Charges - Additional
Information (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Restructuring Cost and Reserve [Line Items]

| | | | |
|--|----------|-----|----|
| <u>Pre-tax restructuring charges</u> | \$ 1,000 | | |
| <u>Restructuring charges</u> | 304 | 124 | |
| <u>Employee severance charges</u> | 250 | | |
| <u>Other restructuring charges</u> | 54 | | |
| <u>Impairment of Intangible assets</u> | 12 | 164 | 28 |

Juarez

Restructuring Cost and Reserve [Line Items]

| | | | |
|--|--|----|--|
| <u>Reduction of goodwill</u> | | 63 | |
| <u>Impairment of Intangible assets</u> | | 8 | |

Maximum

Restructuring Cost and Reserve [Line Items]

| | | | |
|--------------------------------------|----------|--|--|
| <u>Pre-tax restructuring charges</u> | \$ 1,100 | | |
|--------------------------------------|----------|--|--|

**Income Taxes (Difference
Between Income Taxes At
Federal Statutory Rate And
Provision For Income Taxes)
(Detail)**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Income Taxes

| | | | |
|--|----------|----------|----------|
| <u>Federal statutory rate</u> | 35.00% | 35.00% | 35.00% |
| <u>State taxes, net of federal tax benefit</u> | 0.40% | 1.50% | 1.40% |
| <u>Foreign income at other than U.S. rates</u> | (15.60%) | (19.40%) | (19.30%) |
| <u>Tax credits</u> | (0.40%) | (3.00%) | (0.50%) |
| <u>Transfer pricing adjustment related to share-based compensation</u> | | | (1.70%) |
| <u>Nondeductible compensation</u> | 1.80% | 2.50% | 2.00% |
| <u>Other, net</u> | (0.40%) | 0.50% | 0.60% |
| <u>Effective income tax rate</u> | 20.80% | 17.10% | 17.50% |

**Fair Value (Reconciliation
For All Assets Measured At
Fair Value On Recurring
Basis Using Significant
Unobservable Inputs (Level
3)) (Detail) (Level 3, USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011

Assets And Liabilities At Fair Value On A Recurring Basis [Line Items]

| | | |
|---|--------|--------|
| <u>Beginning balance</u> | \$ 123 | \$ 152 |
| <u>Included in other income, net</u> | 3 | 2 |
| <u>Included in other comprehensive income</u> | (3) | |
| <u>Purchases, sales and maturities</u> | (15) | (31) |
| <u>Transfer into Level 2</u> | (107) | |
| <u>Ending balance</u> | 1 | 123 |
| <u>Losses attributable to assets still held</u> | | (1) |
| Asset-Backed Securities | | |

Assets And Liabilities At Fair Value On A Recurring Basis [Line Items]

| | | |
|---|-------|------|
| <u>Beginning balance</u> | 121 | 149 |
| <u>Included in other income, net</u> | 3 | 3 |
| <u>Included in other comprehensive income</u> | (3) | |
| <u>Purchases, sales and maturities</u> | (14) | (31) |
| <u>Transfer into Level 2</u> | (107) | |
| <u>Ending balance</u> | | 121 |
| Derivative Assets | | |

Assets And Liabilities At Fair Value On A Recurring Basis [Line Items]

| | | |
|---|-----|--------|
| <u>Beginning balance</u> | 2 | 3 |
| <u>Included in other income, net</u> | | (1) |
| <u>Purchases, sales and maturities</u> | (1) | |
| <u>Ending balance</u> | 1 | 2 |
| <u>Losses attributable to assets still held</u> | | \$ (1) |

| Derivative Instruments - Additional Information (Detail) (USD \$) | 12 Months Ended | | 12 Months Ended | | Jul. 28, 2012 Derivatives Designated As Cash Flow Hedges |
|---|-----------------------|---------------|---------------------------|---------------------------|---|
| | Jul. 28, 2012 | Jul. 31, 2010 | Jul. 31, 2010 | Mar. 31, 2011 | |
| | | | Interest Rate Swaps | Interest Rate Swaps | |
| <u>Derivative [Line Items]</u> | | | | | |
| <u>Net derivative losses to be reclassified from AOCI into earnings in next twelve months</u> | \$ 41,000,000 | | | | |
| <u>Foreign currency cash flow hedges maturity period, maximum, months</u> | | | | | 18 |
| <u>Senior fixed-rate debt issued 2006 due date</u> | | | 2016 | | |
| <u>Derivative maturity period, minimum year</u> | | | | 2014 | |
| <u>Derivative maturity period, maximum year</u> | | | | 2017 | |
| <u>Interest rate derivatives designated as cash flow hedge long-term debt</u> | \$ 3,700,000,000 | | | | |

**Borrowings (Schedule Of
Long-Term Debt) (Detail)**
(USD \$)
In Millions, unless otherwise
specified

Jul. 28, 2012 Jul. 30, 2011

Debt Instrument [Line Items]

| | | |
|--|-----------|-----------|
| <u>Long-term debt before Unaccreted discount and Hedge accounting adjustment</u> | \$ 16,000 | \$ 16,000 |
| <u>Other long-term debt</u> | 10 | |
| <u>Unaccreted discount</u> | (70) | (73) |
| <u>Hedge accounting fair value adjustments</u> | 357 | 307 |
| <u>Total long-term debt</u> | 16,297 | 16,234 |

Floating-Rate Notes, Due 2014

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 1,250 | 1,250 |
| <u>Effective Rate</u> | 0.81% | 0.60% |

1.625% Fixed-Rate Notes, Due 2014

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 2,000 | 2,000 |
| <u>Effective Rate</u> | 0.84% | 0.58% |

2.90% Fixed-Rate Notes, Due 2014

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 500 | 500 |
| <u>Effective Rate</u> | 3.11% | 3.11% |

5.50% Fixed-Rate Notes, Due 2016

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 3,000 | 3,000 |
| <u>Effective Rate</u> | 3.16% | 3.06% |

3.15% Fixed-Rate Notes, Due 2017

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 750 | 750 |
| <u>Effective Rate</u> | 1.03% | 0.81% |

4.95% Fixed-Rate Notes, Due 2019

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 2,000 | 2,000 |
| <u>Effective Rate</u> | 5.08% | 5.08% |

4.45% Fixed-Rate Notes, Due 2020

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 2,500 | 2,500 |
| <u>Effective Rate</u> | 4.50% | 4.50% |

5.90% Fixed-Rate Notes, Due 2039

Debt Instrument [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Senior Notes</u> | 2,000 | 2,000 |
| <u>Effective Rate</u> | 6.11% | 6.11% |

5.50% Fixed-Rate Notes, Due 2040

Debt Instrument [Line Items]

Senior Notes

\$ 2,000

\$ 2,000

Effective Rate

5.67%

5.67%

Other Long-Term Debt

Debt Instrument [Line Items]

Effective Rate

0.19%

**Derivative Instruments
(Effect Of Derivative
Instruments Designated As
Fair Value Hedges And
Underlying Hedged Items
On Consolidated Statements
Of Operations) (Detail)
(Derivatives Designated As
Fair Value Hedging
Instruments, USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Hedge Underlying Gain Loss [Line Items]

| | | | |
|---|-------|-------|-------|
| <u>Gains (losses) on derivative instruments</u> | \$ 74 | \$ 74 | \$ 75 |
| <u>Gains (losses) related to hedged items</u> | (76) | (77) | (80) |

Equity Derivatives | Other income, net

Hedge Underlying Gain Loss [Line Items]

| | | | |
|---|-----|--|-----|
| <u>Gains (losses) on derivative instruments</u> | (4) | | 3 |
| <u>Gains (losses) related to hedged items</u> | 4 | | (3) |

Interest Rate Derivatives | Interest Expense

Hedge Underlying Gain Loss [Line Items]

| | | | |
|---|---------|---------|---------|
| <u>Gains (losses) on derivative instruments</u> | 78 | 74 | 72 |
| <u>Gains (losses) related to hedged items</u> | \$ (80) | \$ (77) | \$ (77) |

| Fair Value (Fair Value On Nonrecurring Basis) (Detail) (Fair Value, Measurements, Nonrecurring, USD \$) In Millions, unless otherwise specified | 12 Months Ended | | |
|--|------------------|------------------|------------------|
| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 |
| Recognized Gain (Loss) for the Period | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | \$ (434) | \$ (273) | \$ (137) |
| Recognized Gain (Loss) for the Period Property Held For Sale | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | (413) | (38) | (86) |
| Recognized Gain (Loss) for the Period Investments In Privately Held Companies | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | (23) | (10) | (25) |
| Recognized Gain (Loss) for the Period Purchased Intangible Assets | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | (12) | (164) | (28) |
| Recognized Gain (Loss) for the Period Manufacturing operations held for sale | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | | (61) | |
| Recognized Gain (Loss) for the Period Assets | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Recognized (gain) loss for period | 14 | | 2 |
| Net Carrying Value | | | |
| Fair Value Assets And Liabilities Measured On Nonrecurring Basis [Line Items] | | | |
| Property held for sale | 63 | 20 | 25 |
| Investments in privately held companies | 47 | 13 | 45 |
| Purchased intangible assets | | | |
| Manufacturing operations held for sale | | \$ 167 | |

**Investments - Additional
Information (Detail) (USD \$)**

**12 Months Ended
Jul. 28, 2012 Jul. 30, 2011**

Schedule of Investments [Line Items]

Average daily balance of securities lending \$ 500,000,000 \$ 1,600,000,000

Minimum market value percentage for collateral on loaned securities 102.00%

Secured lending transactions outstanding 0 0

Available-For-Sale Investments

Schedule of Investments [Line Items]

Impairment charges \$ 0

Net Income per Share

**12 Months Ended
Jul. 28, 2012**

Net Income per Share

17. Net Income per Share

The following table presents the calculation of basic and diluted net income per share (in millions, except per-share amounts):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|----------------------|----------------------|----------------------|
| Net income | <u>\$ 8,041</u> | <u>\$ 6,490</u> | <u>\$ 7,767</u> |
| Weighted-average shares—basic | <u>5,370</u> | <u>5,529</u> | <u>5,732</u> |
| Effect of dilutive potential common shares | <u>34</u> | <u>34</u> | <u>116</u> |
| Weighted-average shares—diluted | <u>5,404</u> | <u>5,563</u> | <u>5,848</u> |
| Net income per share—basic | <u>\$ 1.50</u> | <u>\$ 1.17</u> | <u>\$ 1.36</u> |
| Net income per share—diluted | <u>\$ 1.49</u> | <u>\$ 1.17</u> | <u>\$ 1.33</u> |
| Antidilutive employee share-based awards, excluded | <u>591</u> | <u>379</u> | <u>344</u> |

Employee equity share options, unvested shares, and similar equity instruments granted by the Company are treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

Business Combinations
(Summary Of Allocation Of
Total Purchase
Consideration) (Detail) (USD
\$)
In Millions, unless otherwise
specified

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Business Acquisition [Line Items]

| | | | |
|---|--------|--------|----------|
| <u>Purchase Consideration</u> | \$ 398 | \$ 288 | \$ 6,186 |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> (39) | | (10) | 4 |
| <u>Purchased Intangible Assets</u> | 200 | 114 | 2,380 |
| <u>Goodwill</u> | 237 | 184 | 3,802 |

Lightwire, Inc.

Business Acquisition [Line Items]

| | | | |
|---|-----|--|--|
| <u>Purchase Consideration</u> | 239 | | |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> (15) | | | |
| <u>Purchased Intangible Assets</u> | 97 | | |
| <u>Goodwill</u> | 157 | | |

All Others

Business Acquisition [Line Items]

| | | | |
|---|-----|--|-----|
| <u>Purchase Consideration</u> | 159 | | 128 |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> (24) | | | 2 |
| <u>Purchased Intangible Assets</u> | 103 | | 95 |
| <u>Goodwill</u> | 80 | | 31 |

ScanSafe, Inc.

Business Acquisition [Line Items]

| | | | |
|--|--|--|-----|
| <u>Purchase Consideration</u> | | | 154 |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | | | 2 |
| <u>Purchased Intangible Assets</u> | | | 31 |
| <u>Goodwill</u> | | | 121 |

Starent Networks, Corp.

Business Acquisition [Line Items]

| | | | |
|--|--|--|-------|
| <u>Purchase Consideration</u> | | | 2,636 |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | | | (17) |
| <u>Purchased Intangible Assets</u> | | | 1,274 |
| <u>Goodwill</u> | | | 1,379 |

Tandberg ASA

Business Acquisition [Line Items]

| | | | |
|--|--|--|----------|
| <u>Purchase Consideration</u> | | | 3,268 |
| <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | | | 17 |
| <u>Purchased Intangible Assets</u> | | | 980 |
| <u>Goodwill</u> | | | \$ 2,271 |

Income Taxes (Tables)

**12 Months Ended
Jul. 28, 2012**

Provision For Income Taxes

The provision for income taxes consists of the following (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------|-----------------|-----------------|-----------------|
| Federal: | | | |
| Current | \$ 1,836 | \$ 914 | \$ 1,469 |
| Deferred | (270) | (168) | (435) |
| | <u>1,566</u> | <u>746</u> | <u>1,034</u> |
| State: | | | |
| Current | 119 | 49 | 186 |
| Deferred | (53) | 83 | — |
| | <u>66</u> | <u>132</u> | <u>186</u> |
| Foreign: | | | |
| Current | 477 | 529 | 470 |
| Deferred | 9 | (72) | (42) |
| | <u>486</u> | <u>457</u> | <u>428</u> |
| Total | <u>\$ 2,118</u> | <u>\$ 1,335</u> | <u>\$ 1,648</u> |

Income Before Provision For Income Taxes

Income before provision for income taxes consists of the following (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---------------|------------------|-----------------|-----------------|
| United States | \$ 3,235 | \$ 1,214 | \$ 1,102 |
| International | 6,924 | 6,611 | 8,313 |
| Total | <u>\$ 10,159</u> | <u>\$ 7,825</u> | <u>\$ 9,415</u> |

Difference Between Income Taxes At Federal Statutory Rate And Provision For Income Taxes

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consist of the following:

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|---------------|---------------|
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Effect of: | | | |
| State taxes, net of federal tax benefit | 0.4 | 1.5 | 1.4 |
| Foreign income at other than U.S. rates | (15.6) | (19.4) | (19.3) |
| Tax credits | (0.4) | (3.0) | (0.5) |
| Transfer pricing adjustment related to share-based compensation | — | — | (1.7) |
| Nondeductible compensation | 1.8 | 2.5 | 2.0 |
| Other, net | (0.4) | 0.5 | 0.6 |
| Total | <u>20.8 %</u> | <u>17.1 %</u> | <u>17.5 %</u> |

Aggregate Changes In Gross Unrecognized Tax Benefits

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|-----------------|-----------------|-----------------|
| Beginning balance | \$ 2,948 | \$ 2,677 | \$ 2,816 |
| Additions based on tax positions related to the current year | 155 | 374 | 246 |
| Additions for tax positions of prior years | 54 | 93 | 60 |
| Reductions for tax positions of prior years | (226) | (60) | (250) |
| Settlements | (41) | (56) | (140) |
| Lapse of statute of limitations | (71) | (80) | (55) |
| Ending balance | <u>\$ 2,819</u> | <u>\$ 2,948</u> | <u>\$ 2,677</u> |

Breakdown Between Current And Noncurrent Net Deferred Tax Assets

The following table presents the breakdown between current and noncurrent net deferred tax assets (in millions):

| | July 28, 2012 | July 30, 2011 |
|-------------------------------------|-----------------|-----------------|
| Deferred tax assets—current | \$ 2,294 | \$ 2,410 |
| Deferred tax liabilities—current | (123) | (131) |
| Deferred tax assets—noncurrent | 2,270 | 1,864 |
| Deferred tax liabilities—noncurrent | (133) | (264) |
| Total net deferred tax assets | <u>\$ 4,308</u> | <u>\$ 3,879</u> |

Components Of Deferred Tax Assets And Liabilities

The components of the deferred tax assets and liabilities are as follows (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|---------------|---------------|
| ASSETS | | |
| Allowance for doubtful accounts and returns | \$ 433 | \$ 413 |
| Sales-type and direct-financing leases | 162 | 178 |
| Inventory write-downs and capitalization | 127 | 160 |
| Investment provisions | 261 | 226 |
| IPR&D, goodwill, and purchased intangible assets | 119 | 106 |
| Deferred revenue | 1,618 | 1,634 |
| Credits and net operating loss carryforwards | 721 | 713 |
| Share-based compensation expense | 1,059 | 1,084 |
| Accrued compensation | 481 | 507 |
| Other | 583 | 590 |
| Gross deferred tax assets | 5,564 | 5,611 |
| Valuation allowance | (60) | (82) |
| Total deferred tax assets | <u>5,504</u> | <u>5,529</u> |

| LIABILITIES | | |
|---------------------------------|-----------------|-----------------|
| Purchased intangible assets | (809) | (997) |
| Depreciation | (131) | (298) |
| Unrealized gains on investments | (222) | (265) |
| Other | (34) | (90) |
| Total deferred tax liabilities | (1,196) | (1,650) |
| Total net deferred tax assets | <u>\$ 4,308</u> | <u>\$ 3,879</u> |

**Fair Value (Assets and
Liabilities Measured At Fair
Value On Recurring Basis)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

**Jul. 28,
2012** **Jul. 30,
2011**

Level 1

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

\$ 4,126 \$ 7,213

Level 2

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

37,560 35,662

Liabilities, Fair Value Disclosure

42 24

Level 2 | Derivative Assets

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

263 220

Level 2 | Derivative Liabilities

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Liabilities, Fair Value Disclosure

42 24

Level 3

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

1 123

Level 3 | Derivative Assets

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

1 2

Total

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

41,687 42,998

Liabilities, Fair Value Disclosure

42 24

Total | Derivative Assets

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

264 222

Total | Derivative Liabilities

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Liabilities, Fair Value Disclosure

42 24

Cash Equivalents | Level 1 | Money market funds

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

2,506 5,852

Cash Equivalents | Level 2 | U.S. Government Agency Securities

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

1

Cash Equivalents | Total | Money market funds

Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]

Assets, fair value measurements

2,506 5,852

| | | |
|---|----------|----------|
| Cash Equivalents Total U.S. Government Agency Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | | 1 |
| Available-For-Sale Investments Level 1 Publicly Traded Equity Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 1,620 | 1,361 |
| Available-For-Sale Investments Level 2 U.S. Government Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 24,241 | 19,139 |
| Available-For-Sale Investments Level 2 U.S. Government Agency Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 5,388 | 8,776 |
| Available-For-Sale Investments Level 2 Non-U.S. Government And Agency Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 1,638 | 3,132 |
| Available-For-Sale Investments Level 2 Corporate Debt Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 6,030 | 4,394 |
| Available-For-Sale Investments Level 3 Asset-Backed Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | | 121 |
| Available-For-Sale Investments Total U.S. Government Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 24,241 | 19,139 |
| Available-For-Sale Investments Total U.S. Government Agency Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 5,388 | 8,776 |
| Available-For-Sale Investments Total Non-U.S. Government And Agency Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 1,638 | 3,132 |
| Available-For-Sale Investments Total Corporate Debt Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | 6,030 | 4,394 |
| Available-For-Sale Investments Total Asset-Backed Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | | 121 |
| Available-For-Sale Investments Total Publicly Traded Equity Securities | | |
| <u>Fair Value, Assets And Liabilities Measured On Recurring Basis [Line Items]</u> | | |
| <u>Assets, fair value measurements</u> | \$ 1,620 | \$ 1,361 |

Shareholders' Equity
(Components Of AOCI, Net
Of Tax) (Detail) (USD \$)
In Millions, unless otherwise
specified

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Shareholders' Equity [Abstract]

| | | | |
|---|--------|----------|--------|
| <u>Net unrealized gains on investments</u> | \$ 409 | \$ 487 | \$ 333 |
| <u>Net unrealized (losses) gains on derivative instruments</u> (53) | | 6 | 27 |
| <u>Cumulative translation adjustment and other</u> | 305 | 801 | 263 |
| <u>Total</u> | \$ 661 | \$ 1,294 | \$ 623 |

Borrowings (Tables)

[Schedule Of Short-Term Debt](#)

12 Months Ended Jul. 28, 2012

The following table summarizes the Company's short-term debt (in millions, except percentages):

| | July 28, 2012 | | July 30, 2011 | | |
|----------------------------|---------------|------------------|---------------|------------------|---|
| | Amount | Weighted-Average | Amount | Weighted-Average | |
| | | Interest Rate | | Interest Rate | |
| Commercial paper | \$ — | — | \$ 500 | 0.14 | % |
| Other notes and borrowings | 31 | 6.72 % | 88 | 4.59 | % |
| Total short-term debt | <u>\$ 31</u> | | <u>\$ 588</u> | | |

[Schedule Of Long-Term Debt](#)

The following table summarizes the Company's long-term debt (in millions, except percentages):

| | July 28, 2012 | | July 30, 2011 | | |
|-----------------------------------|---------------|----------------|---------------|----------------|---|
| | Amount | Effective Rate | Amount | Effective Rate | |
| Senior Notes: | | | | | |
| Floating-rate notes, due 2014 | \$1,250 | 0.81 % | \$1,250 | 0.60 | % |
| 1.625% fixed-rate notes, due 2014 | 2,000 | 0.84 % | 2,000 | 0.58 | % |
| 2.90% fixed-rate notes, due 2014 | 500 | 3.11 % | 500 | 3.11 | % |
| 5.50% fixed-rate notes, due 2016 | 3,000 | 3.16 % | 3,000 | 3.06 | % |
| 3.15% fixed-rate notes, due 2017 | 750 | 1.03 % | 750 | 0.81 | % |
| 4.95% fixed-rate notes, due 2019 | 2,000 | 5.08 % | 2,000 | 5.08 | % |
| 4.45% fixed-rate notes, due 2020 | 2,500 | 4.50 % | 2,500 | 4.50 | % |

| | | | | | | |
|---|--------|------|---|--------|------|---|
| 5.90% fixed-rate notes, due 2039 | 2,000 | 6.11 | % | 2,000 | 6.11 | % |
| 5.50% fixed-rate notes, due 2040 | 2,000 | 5.67 | % | 2,000 | 5.67 | % |
| Total | 16,000 | | | 16,000 | | |
| Other long-term debt | 10 | 0.19 | % | — | | |
| Unaccrued discount | (70) | | | (73) | | |
| Hedge accounting fair value adjustments | 357 | | | 307 | | |
| Total long-term debt | 16,297 | | | 16,234 | | |

[Schedule Of Future Principal Payments For Long-Term Debt](#)

Future principal payments for long-term debt as of July 28, 2012 are summarized as follows (in millions):

| | Fiscal Year | Amount |
|------------|-------------|--------|
| 2013 | | \$— |
| 2014 | | 3,260 |
| 2015 | | 500 |
| 2016 | | 3,000 |
| 2017 | | 750 |
| Thereafter | | 8,500 |
| Total | | 16,010 |

**Goodwill And Purchased
Intangible Assets -
Additional Information
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. 28,
2012 Jul. 30,
2011 Jul. 31,
2010**

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Goodwill reduction related to pending sale of the Company's manufacturing operations

\$ 63

Impairment charges

12 164 28

Amortization of Acquired Intangible Assets

807 1,020 768

Restructuring And Other Charges

304 799

Cost Of Sales

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Impairment charges

64

Purchased Intangible Assets

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Amortization of Acquired Intangible Assets

92

Restructuring And Other Charges

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Restructuring And Other Charges

8

Technology

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Impairment charges

97

Customer Relationships

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Impairment charges

40

Other

Schedule of Goodwill and Purchased Intangible Assets [Line Items]

Impairment charges

\$ 27

**Financing Receivables and
Guarantees (Schedule Of
Financing Guarantees
Outstanding) (Detail) (USD
\$)
In Millions, unless otherwise
specified**

**Jul. 28,
2012** **Jul. 30,
2011**

Guarantor Obligations [Line Items]

Maximum potential future payments relating to financing guarantees \$ 509 \$ 613

Deferred revenue associated with financing guarantees (393) (496)

Maximum potential future payments relating to financing guarantees, net of associated deferred revenue 116 117

Channel Partner

Guarantor Obligations [Line Items]

Maximum potential future payments relating to financing guarantees 277 336

Deferred revenue associated with financing guarantees (193) (248)

End User

Guarantor Obligations [Line Items]

Maximum potential future payments relating to financing guarantees 232 277

Deferred revenue associated with financing guarantees \$ (200) \$ (248)

**Income Taxes (Aggregate
Changes In Gross
Unrecognized Tax Benefits)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Income Taxes

| | | | |
|---|----------|----------|----------|
| <u>Beginning balance</u> | \$ 2,948 | \$ 2,677 | \$ 2,816 |
| <u>Additions based on tax positions related to the current year</u> | 155 | 374 | 246 |
| <u>Additions for tax positions of prior years</u> | 54 | 93 | 60 |
| <u>Reductions for tax positions of prior years</u> | (226) | (60) | (250) |
| <u>Settlements</u> | (41) | (56) | (140) |
| <u>Lapse of statute of limitations</u> | (71) | (80) | (55) |
| <u>Ending balance</u> | \$ 2,819 | \$ 2,948 | \$ 2,677 |

**Financing Receivables and
Guarantees - Additional
Information (Detail) (USD \$)**

| | 12 Months Ended | | |
|--|-----------------------|------------------|----------------|
| | Jul. 28, 2012 Year | Jul. 30, 2011 | Jul. 31, 2010 |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Average term of lease arrangements, years</u> | 4 | | |
| <u>Average term of loan arrangements, years</u> | 3 | | |
| <u>Revenue recognition range, low end, in years</u> | 1 | | |
| <u>Revenue recognition range, high end, in years</u> | 3 | | |
| <u>Deferred service revenue associated with financed service contracts and other</u> | \$ 1,838,000,000 | \$ 2,044,000,000 | |
| <u>Financing receivables, 91 days past due on accrual status</u> | 109,000,000 | 50,000,000 | |
| <u>Channel partners revolving short-term financing payment term, minimum (days)</u> | 60 | | |
| <u>Channel partners revolving short-term financing payment term, maximum (days)</u> | 90 | | |
| <u>Volume of channel partner financing</u> | 21,300,000,000 | 18,200,000,000 | 17,200,000,000 |
| <u>Balance of the channel partner financing subject to guarantees</u> | 1,200,000,000 | 1,400,000,000 | |
| <u>End-user lease and loan term maximum (years)</u> | Three | | |
| <u>Financing provided by third parties for leases and loans on which the Company has provided guarantees</u> | 227,000,000 | 247,000,000 | 180,000,000 |
| Lease Receivables | | | |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Amounts greater than 91 days past due</u> | 139,000,000 | 116,000,000 | |
| Loan Receivables | | | |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Amounts greater than 91 days past due</u> | 3,000,000 | 15,000,000 | |
| Financed Service Contracts & Other | | | |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Amounts greater than 91 days past due</u> | 313,000,000 | 230,000,000 | |
| Credit Loss Allowances | | | |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Financing receivable, allowance for credit loss and deferred revenue</u> | 2,387,000,000 | 2,793,000,000 | |
| <u>Financing receivables, net of unearned income</u> | \$ 7,626,000,000 | \$ 6,966,000,000 | |
| Credit Risk Ratings | | | |
| <u>Financing Receivables And Guarantees [Line Items]</u> | | | |
| <u>Financing credit risk rating-investment-lowest</u> | 1 | | |
| <u>Financing credit risk rating-investment-highest</u> | 4 | | |
| <u>Financing credit risk rating-non investment-lowest</u> | 5 | | |
| <u>Financing credit risk rating-non investment-highest</u> | 6 | | |
| <u>Financing credit risk rating-substandard</u> | 7 | | |

**Summary of Significant
Accounting Policies -
Additional Information
(Detail) (USD \$)**

12 Months Ended

| | Jul. 28, 2012 Year | Jul. 30, 2011 | Jul. 31, 2010 |
|---|-------------------------------|----------------------|----------------------|
| <u>Summary Of Significant Accounting Policies [Line Items]</u> | | | |
| <u>Average lease term</u> | 4 years | | |
| <u>Loan receivables, term</u> | 3 years | | |
| <u>Depreciation And Amortization Expense Property And Equipment</u> | \$ | \$ | \$ |
| | 1,100,000,000 | 1,100,000,000 | 1,000,000,000 |
| <u>Purchased intangible assets, estimated useful lives, years, minimum</u> | 2 | | |
| <u>Purchased intangible assets, estimated useful lives, years, maximum</u> | 7 | | |
| <u>Advertising costs</u> | \$ 218,000,000 | \$ 325,000,000 | \$ 290,000,000 |
| Risk Level, Low | | | |
| <u>Summary Of Significant Accounting Policies [Line Items]</u> | | | |
| <u>Internal credit risk rating</u> | 1 | | |
| Risk Level, High | | | |
| <u>Summary Of Significant Accounting Policies [Line Items]</u> | | | |
| <u>Internal credit risk rating</u> | 10 | | |
| Minimum | | | |
| <u>Summary Of Significant Accounting Policies [Line Items]</u> | | | |
| <u>Financed service contracts, term</u> | 1 year | | |
| <u>Revolving short-term financing, payment terms range (in days)</u> | 60 | | |
| <u>Period for recognition of technical support services revenue, in years</u> | 1 | | |
| Maximum | | | |
| <u>Summary Of Significant Accounting Policies [Line Items]</u> | | | |
| <u>Financed service contracts, term</u> | 3 years | | |
| <u>Revolving short-term financing, payment terms range (in days)</u> | 90 | | |
| <u>Period for recognition of technical support services revenue, in years</u> | 3 | | |

Basis of Presentation

**12 Months Ended
Jul. 28, 2012**

[Basis of Presentation](#)

1. Basis of Presentation

The fiscal year for Cisco Systems, Inc. (the “Company” or “Cisco”) is the 52 or 53 weeks ending on the last Saturday in July. Fiscal 2012 and fiscal 2011 are each 52-week fiscal years, while fiscal 2010 is a 53-week fiscal year. The Consolidated Financial Statements include the accounts of Cisco and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company conducts business globally and is primarily managed on a geographic basis. Beginning in fiscal 2012, the Company is organized into the following three geographic segments: the Americas; Europe, Middle East, and Africa (“EMEA”); and Asia Pacific, Japan, and China (“APJC”). In fiscal 2011, the Company was organized into the following four geographic segments: United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. As a result of this geographic segment change in fiscal 2012, countries within the former Emerging Markets segment were consolidated into either EMEA or the Americas segment depending on their respective geographic locations. The Company has reclassified the geographic segment data for prior periods to conform to the current year’s presentation.

The Company consolidates its investment in Insieme Networks, Inc. (“Insieme”) and a venture fund managed by SOFTBANK Corp. and its affiliates (“SOFTBANK”) as these are variable interest entities and the Company is the primary beneficiary. The noncontrolling interests attributed to SOFTBANK are presented as a separate component from the Company’s equity in the equity section of the Consolidated Balance Sheets. SOFTBANK’s share of the earnings in the venture fund is not presented separately in the Consolidated Statements of Operations and is included in other income, net, as this amount is not material for any of the fiscal periods presented. The loss attributable to the noncontrolling interests on Insieme (see Note 12) is not presented separately in the Consolidated Statements of Operations as this amount is not material for the periods presented.

In addition to the geographic segment change referred to earlier, certain other reclassifications have been made to the amounts for prior years in order to conform to the current year’s presentation, which includes the combination of the Company’s financing receivables from a former two classes into a single class (see Note 7) and re-categorization of the Company’s products (see Note 16). The Company has evaluated subsequent events through the date that the financial statements were issued.

**Segment Information and
Major Customers (Summary
Of Net Sales For Groups Of
Similar Products And
Services) (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales \$ 46,061 \$ 43,218 \$ 40,040
Service

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 9,735 8,692 7,620
Sales Revenue, Product Line | Switching

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 14,531 14,130 14,074
Sales Revenue, Product Line | NGN Routing

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 8,425 8,264 7,868
Sales Revenue, Product Line | Collaboration

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 4,139 4,013 2,981
Sales Revenue, Product Line | Service Provider Video

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 3,858 3,483 3,294
Sales Revenue, Product Line | Wireless

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 1,699 1,427 1,134
Sales Revenue, Product Line | Security

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 1,349 1,200 1,302
Sales Revenue, Product Line | Data Center

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 1,298 694 196
Sales Revenue, Product Line | Other products

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales 1,027 1,315 1,571
Sales Revenue, Product Line | Product

Segment Reporting, Revenue Reconciling Item [Line Items]

Net sales \$ 36,326 \$ 34,526 \$ 32,420

**Financing Receivables and
Guarantees (Schedule Of
Financing Receivables)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

Lease Receivables

Financing Receivables [Line Items]

| | | |
|----------------------------------|----------|----------|
| <u>Gross</u> | \$ 3,429 | \$ 3,111 |
| <u>Unearned income</u> | (250) | (250) |
| <u>Allowance for credit loss</u> | (247) | (237) |
| <u>Total, net</u> | 2,932 | 2,624 |
| <u>Current</u> | 1,200 | 1,087 |
| <u>Noncurrent</u> | 1,732 | 1,537 |
| <u>Total, net</u> | 2,932 | 2,624 |

Loan Receivables

Financing Receivables [Line Items]

| | | |
|----------------------------------|-------|-------|
| <u>Gross</u> | 1,796 | 1,468 |
| <u>Allowance for credit loss</u> | (122) | (103) |
| <u>Total, net</u> | 1,674 | 1,365 |
| <u>Current</u> | 968 | 673 |
| <u>Noncurrent</u> | 706 | 692 |
| <u>Total, net</u> | 1,674 | 1,365 |

Financed Service Contracts & Other

Financing Receivables [Line Items]

| | | |
|----------------------------------|-------|-------|
| <u>Gross</u> | 2,651 | 2,637 |
| <u>Allowance for credit loss</u> | (11) | (27) |
| <u>Total, net</u> | 2,640 | 2,610 |
| <u>Current</u> | 1,493 | 1,351 |
| <u>Noncurrent</u> | 1,147 | 1,259 |
| <u>Total, net</u> | 2,640 | 2,610 |

Total Financing Receivables

Financing Receivables [Line Items]

| | | |
|----------------------------------|----------|----------|
| <u>Gross</u> | 7,876 | 7,216 |
| <u>Unearned income</u> | (250) | (250) |
| <u>Allowance for credit loss</u> | (380) | (367) |
| <u>Total, net</u> | 7,246 | 6,599 |
| <u>Current</u> | 3,661 | 3,111 |
| <u>Noncurrent</u> | 3,585 | 3,488 |
| <u>Total, net</u> | \$ 7,246 | \$ 6,599 |

Segment Information and Major Customers (Tables)

**12 Months Ended
Jul. 28, 2012**

[Summary Of Reportable Segments](#)

Summarized financial information by segment for fiscal 2012, 2011, and 2010, based on the Company's internal management system and as utilized by the Company's Chief Operating Decision Maker ("CODM"), is as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------------------|---------------|---------------|---------------|
| Net sales: | | | |
| Americas | \$ 26,501 | \$ 25,015 | \$ 23,334 |
| EMEA | 12,075 | 11,604 | 10,825 |
| APJC | 7,485 | 6,599 | 5,881 |
| Total | \$ 46,061 | \$ 43,218 | \$ 40,040 |
| Gross margin: | | | |
| Americas | 16,639 | 15,766 | 15,042 |
| EMEA | 7,605 | 7,452 | 7,235 |
| APJC | 4,519 | 4,143 | 3,842 |
| Segment total | 28,763 | 27,361 | 26,119 |
| Unallocated corporate items | (554) | (825) | (476) |
| Total | \$ 28,209 | \$ 26,536 | \$ 25,643 |

[Summary Of Net Sales For Groups Of Similar Products And Services](#)

The following table presents net sales for groups of similar products and services (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|------------------------|---------------|---------------|---------------|
| Net sales: | | | |
| Switching | \$ 14,531 | \$ 14,130 | \$ 14,074 |
| NGN Routing | 8,425 | 8,264 | 7,868 |
| Collaboration | 4,139 | 4,013 | 2,981 |
| Service Provider Video | 3,858 | 3,483 | 3,294 |
| Wireless | 1,699 | 1,427 | 1,134 |
| Security | 1,349 | 1,200 | 1,302 |
| Data Center | 1,298 | 694 | 196 |
| Other | 1,027 | 1,315 | 1,571 |
| Product | 36,326 | 34,526 | 32,420 |
| Service | 9,735 | 8,692 | 7,620 |
| Total | \$ 46,061 | \$ 43,218 | \$ 40,040 |

[Property and Equipment Information for Geographic Areas](#)

Property and equipment information is based on the physical location of the assets. The following table presents property and equipment information for geographic areas (in millions):

| | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-------------------------------------|---------------|---------------|---------------|
| Property and equipment, net: | | | |
| United States | \$ 2,842 | \$ 3,284 | \$ 3,283 |
| International | 560 | 632 | 658 |
| Total | \$ 3,402 | \$ 3,916 | \$ 3,941 |

**Summary of Significant
Accounting Policies (Tables)**

**12 Months Ended
Jul. 28, 2012**

[Depreciation Period By Type Of
Assets](#)

Depreciation and amortization are computed using the straight-line method, generally over the following periods:

| <u>Asset category</u> | <u>Period</u> |
|--|---|
| Buildings | 25 years |
| Building improvements | 10 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of remaining lease term or 5 years |
| Computer equipment and related software | 30 to 36 months |
| Production, engineering, and other equipment | Up to 5 years |
| Operating lease assets | Based on lease term generally up to 3 years |

**Supplemental Information
(Tables)**

**12 Months Ended
Jul. 28, 2012**

[Stock Repurchases Since
Inception of Program](#)

The stock repurchases since the inception of this program and the related impacts on Cisco shareholders' equity are summarized in the following table (in millions):

| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Retained Earnings | Total Cisco Shareholders' Equity |
|---|------------------------------|---|----------------------|--|
| Repurchases of common stock under the repurchase program | 3,740 | \$ 17,041 | \$59,092 | \$ 76,133 |

Employee Benefit Plans
(Summary of Share-Based
Awards available for Grant)
(Detail)
In Millions, unless otherwise
specified

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Employee Stock Benefit Plans [Abstract]

| | | | |
|--|------|------|------|
| <u>Balance at beginning of fiscal year</u> | 255 | 295 | 253 |
| <u>Options granted</u> | | | (4) |
| <u>Restricted stock, stock units, and other share-based awards granted</u> | (95) | (82) | (81) |
| <u>Share-based awards canceled/forfeited/expired</u> | 64 | 42 | 123 |
| <u>Other</u> | (6) | | 4 |
| <u>Balance at end of fiscal year</u> | 218 | 255 | 295 |

**Goodwill and Purchased
Intangible Assets (Schedule
Of Estimated Future
Amortization Expense Of
Purchased Intangible Assets)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012

Finite-Lived Intangible Assets, Future Amortization Expense [Abstract]

| | |
|--------------|----------|
| <u>2013</u> | \$ 706 |
| <u>2014</u> | 523 |
| <u>2015</u> | 444 |
| <u>2016</u> | 217 |
| <u>2017</u> | 69 |
| <u>Total</u> | \$ 1,959 |

**Net Income per Share
(Tables)**

**12 Months Ended
Jul. 28, 2012**

Calculation Of Basic And Diluted Net
Income Per Share

The following table presents the calculation of basic and diluted net income per share (in millions, except per-share amounts):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--|----------------------|----------------------|----------------------|
| Net income | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| Weighted-average shares—basic | 5,370 | 5,529 | 5,732 |
| Effect of dilutive potential common shares | 34 | 34 | 116 |
| Weighted-average shares—diluted | 5,404 | 5,563 | 5,848 |
| Net income per share—basic | \$ 1.50 | \$ 1.17 | \$ 1.36 |
| Net income per share—diluted | \$ 1.49 | \$ 1.17 | \$ 1.33 |
| Antidilutive employee share- based awards, excluded | 591 | 379 | 344 |

**Business Combinations
(Tables)**

Summary Of Allocation Of Total Purchase
Consideration

**12 Months Ended
Jul. 28, 2012**

A summary of the allocation of the total purchase consideration is presented as follows (in millions):

| <u>Fiscal 2012</u> | <u>Purchase Consideration</u> | <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | <u>Purchased Intangible Assets</u> | <u>Goodwill</u> |
|-------------------------------|-----------------------------------|--|--|-----------------|
| Lightwire, Inc. | \$ 239 | \$ (15) | \$ 97 | \$ 157 |
| All others | 159 | (24) | 103 | 80 |
| Total acquisitions | \$ 398 | \$ (39) | \$ 200 | \$ 237 |

| <u>Fiscal 2011</u> | <u>Purchase Consideration</u> | <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | <u>Purchased Intangible Assets</u> | <u>Goodwill</u> |
|---------------------------|-----------------------------------|--|--|-----------------|
| Total acquisitions | \$ 288 | \$ (10) | \$ 114 | \$ 184 |

| <u>Fiscal 2010</u> | <u>Purchase Consideration</u> | <u>Net Tangible Assets Acquired/ (Liabilities Assumed)</u> | <u>Purchased Intangible Assets</u> | <u>Goodwill</u> |
|---------------------------|-----------------------------------|--|--|-----------------|
| ScanSafe, Inc. | \$ 154 | \$ 2 | \$ 31 | \$ 121 |
| Starent Networks, Corp. | 2,636 | (17) | 1,274 | 1,379 |
| Tandberg ASA | 3,268 | 17 | 980 | 2,271 |
| All others | 128 | 2 | 95 | 31 |
| Total acquisitions | \$ 6,186 | \$ 4 | \$ 2,380 | \$ 3,802 |

**Goodwill and Purchased
Intangible Assets (Tables)**

**12 Months Ended
Jul. 28, 2012**

[Schedule Of Goodwill By
Reportable Segments](#)

The following table presents the goodwill allocated to the Company's reportable segments as of July 28, 2012 and July 30, 2011, as well as the changes to goodwill during fiscal 2012 and 2011 (in millions):

| | Balance at July 30, 2011 | Acquisitions | Other | Balance at July 28, 2012 |
|-----------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,627 | \$ 136 | \$(8) | \$11,755 |
| EMEA | 3,272 | 64 | (49) | 3,287 |
| APJC | 1,919 | 37 | — | 1,956 |
| Total | \$16,818 | \$ 237 | \$(57) | \$16,998 |

| | Balance at July 31, 2010 | Acquisitions | Other | Balance at July 30, 2011 |
|-----------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,571 | \$ 122 | \$(66) | \$11,627 |
| EMEA | 3,209 | 38 | 25 | 3,272 |
| APJC | 1,894 | 24 | 1 | 1,919 |
| Total | \$16,674 | \$ 184 | \$(40) | \$16,818 |

[Schedule Of Intangible Assets
Acquired Through Business
Combinations](#)

The following tables present details of the Company's intangible assets acquired through business combinations completed during fiscal 2012 and 2011 (in millions, except years):

| Fiscal 2012 | FINITE LIVES | | | | | | INDEFINITE LIVES | | TOTAL |
|------------------------|---|---------------|---|-------------|---|-------------|------------------|---------------|-------|
| | TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | IPR&D | | |
| | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | | | |
| | Life (in Years) | Amount | Life (in Years) | Amount | Life (in Years) | Amount | | | |
| Lightwire, Inc. | 5.0 | \$ 97 | — | \$ — | — | \$ — | \$ — | \$ 97 | |
| All others | 3.5 | 102 | 3.0 | 1 | — | — | — | 103 | |
| Total | | \$ 199 | | \$ 1 | | \$ — | \$ — | \$ 200 | |

| Fiscal 2011 | FINITE LIVES | | | | | | INDEFINITE LIVES | | TOTAL |
|--------------|---|--------------|---|--------------|---|-------------|------------------|---------------|-------|
| | TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | IPR&D | | |
| | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | | | |
| | Life (in Years) | Amount | Life (in Years) | Amount | Life (in Years) | Amount | | | |
| Total | 4.8 | \$ 92 | 6.4 | \$ 16 | 2.5 | \$ 1 | \$ 5 | \$ 114 | |

[Schedule Of Purchased
Intangible Assets With Finite
And Indefinite Lives](#)

The following tables present details of the Company's purchased intangible assets (in millions):

| July 28, 2012 | Accumulated | | |
|---|----------------|--------------------|----------------|
| | Gross | Amortization | Net |
| Purchased intangible assets with finite lives: | | | |
| Technology | \$2,267 | \$ (908) | \$1,359 |
| Customer relationships | 2,261 | (1,669) | 592 |
| Other | 49 | (41) | 8 |
| Total | \$4,577 | \$ (2,618) | \$1,959 |

| July 30, 2011 | Gross | Accumulated Amortization | Net |
|--|----------------|-----------------------------|----------------|
| Purchased intangible assets with finite lives: | | | |
| Technology | \$1,961 | \$ (561) | \$1,400 |
| Customer relationships | 2,277 | (1,346) | 931 |
| Other | 123 | (91) | 32 |
| Total purchased intangible assets with finite lives | 4,361 | (1,998) | 2,363 |
| IPR&D, with indefinite lives | 178 | — | 178 |
| Total | \$4,539 | \$ (1,998) | \$2,541 |

[Schedule Of Amortization Of
Purchased Intangible Assets](#)

The following table presents the amortization of purchased intangible assets (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|-----------------|---------------|
| Amortization of purchased intangible assets: | | | |
| Cost of sales | \$ 424 | \$ 492 | \$ 277 |
| Operating expenses: | | | |
| Amortization of purchased intangible assets | 383 | 520 | 491 |
| Restructuring and other charges | — | 8 | — |
| Total | \$ 807 | \$ 1,020 | \$ 768 |

[Schedule Of Estimated Future
Amortization Expense Of
Purchased Intangible Assets](#)

The estimated future amortization expense of purchased intangible assets with finite lives as of July 28, 2012 is as follows (in millions):

| Fiscal Year | Amount |
|--------------|----------------|
| 2013 | \$706 |
| 2014 | 523 |
| 2015 | 444 |
| 2016 | 217 |
| 2017 | 69 |
| Total | \$1,959 |

Supplemental Information

**12 Months Ended
Jul. 28, 2012**

[Supplemental Information](#)

Supplemental Information

In September 2001, the Company's Board of Directors authorized a stock repurchase program. As of July 28, 2012, the Company's Board of Directors had authorized an aggregate repurchase of up to \$82 billion of common stock under this program with no termination date. For additional information regarding stock repurchases, see Note 13 to the Consolidated Financial Statements. The stock repurchases since the inception of this program and the related impacts on Cisco shareholders' equity are summarized in the following table (in millions):

| | Shares of Common Stock | Common Stock and Additional Paid-In Capital | Retained Earnings | Total Cisco Shareholders' Equity |
|---|------------------------------|---|----------------------|--|
| Repurchases of common stock under the repurchase program | 3,740 | \$ 17,041 | \$59,092 | \$ 76,133 |

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

**Restructuring and Other
Charges (Tables)**

**12 Months Ended
Jul. 28, 2012**

[Schedule Of Activities Related
To Restructuring And Other
Charges](#)

The following table summarizes the activities related to the restructuring and other charges pursuant to the Company's July 2011 announcement related to the realignment and restructuring of the Company's business as well as certain consumer product lines as announced during April 2011 (in millions):

| | Voluntary Early Retirement Program | Employee Severance | Goodwill and Intangible Assets | Other | Total |
|--|---------------------------------------|-----------------------|-----------------------------------|-------------|--------------|
| Gross charges in fiscal 2011 | \$ 453 | \$ 247 | \$ 71 | \$28 | \$799 |
| Cash payments | (436) | (13) | — | — | (449) |
| Non-cash items | — | — | (71) | (17) | (88) |
| Balance as of July 30, 2011 | 17 | 234 | — | 11 | 262 |
| Gross charges in fiscal 2012 | — | 299 | — | 54 | 353 |
| Change in estimate related to fiscal 2011 charges | — | (49) | — | — | (49) |
| Cash payments | (17) | (401) | — | (18) | (436) |
| Non-cash items | — | — | — | (20) | (20) |
| Balance as of July 28, 2012 | \$ — | \$ 83 | \$ — | \$27 | \$110 |

**Borrowings (Schedule Of
Future Principal Payments
For Long-Term Debt)
(Detail) (USD \$) Jul. 28, 2012**

**In Millions, unless otherwise
specified**

[Borrowings \[Abstract\]](#)

| | |
|-----------------------------------|-----------|
| <u>2013</u> | |
| <u>2014</u> | 3,260 |
| <u>2015</u> | 500 |
| <u>2016</u> | 3,000 |
| <u>2017</u> | 750 |
| <u>Thereafter</u> | 8,500 |
| <u>Total</u> | \$ 16,010 |

**Segment Information And
Major Customers -
Additional Information
(Detail) (USD \$)**

12 Months Ended

| | Jul. 28, 2012 Customer | Jul. 30, 2011 Customer | Jul. 31, 2010 Customer |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
|--|-----------------------------------|-----------------------------------|-----------------------------------|

Segment Reporting Information [Line Items]

Number of geographic segments

| | | | |
|--|-------|------|--|
| | three | four | |
|--|-------|------|--|

Net sales

| | | | |
|--|-------------------|-------------------|-------------------|
| | \$ 46,061,000,000 | \$ 43,218,000,000 | \$ 40,040,000,000 |
|--|-------------------|-------------------|-------------------|

Number of customer accounted for 10% or more net sales

| | | | |
|--|---|---|---|
| | 0 | 0 | 0 |
|--|---|---|---|

Federal

Segment Reporting Information [Line Items]

Net sales

| | | | |
|--|----------------|----------------|----------------|
| | 22,600,000,000 | 21,500,000,000 | 20,400,000,000 |
|--|----------------|----------------|----------------|

International

Segment Reporting Information [Line Items]

Cash and cash equivalents and investments

| | | | |
|--|----------------|----------------|--|
| | 42,500,000,000 | 39,800,000,000 | |
|--|----------------|----------------|--|

United States

Segment Reporting Information [Line Items]

Cash and cash equivalents and investments

| | | | |
|--|------------------|------------------|--|
| | \$ 6,200,000,000 | \$ 4,800,000,000 | |
|--|------------------|------------------|--|

Shareholders' Equity
(Tables)

12 Months Ended
Jul. 28, 2012

[Stock Repurchase Program](#)

A summary of the stock repurchase activity under the stock repurchase program, reported based on the trade date, is summarized as follows (in millions, except per-share amounts):

| | Shares Repurchased | Weighted- Average Price per Share | Amount Repurchased |
|--|-----------------------|---|-----------------------|
| Cumulative balance at July 31, 2010 | 3,127 | \$ 20.78 | \$ 64,982 |
| Repurchase of common stock under the stock repurchase program | 351 | 19.36 | 6,791 |
| Cumulative balance at July 30, 2011 | 3,478 | \$ 20.64 | \$ 71,773 |
| Repurchase of common stock under the stock repurchase program | 262 | 16.64 | 4,360 |
| Cumulative balance at July 28, 2012 | 3,740 | \$ 20.36 | \$ 76,133 |

[Comprehensive Income](#)

The components of comprehensive income, net of tax, are as follows (in millions):

| | Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|-------------|------------------|------------------|------------------|
| Net income | | \$8,041 | \$6,490 | \$7,767 |
| Net change in unrealized gains/losses on available-for- sale investments: | | | | |
| Change in net unrealized (losses) gains, net of tax benefit (expense) of \$6, \$(151), and \$(199) for fiscal 2012, 2011, and 2010, respectively | | (31) | 281 | 334 |
| Net (gains) losses reclassified into earnings, net of tax effects of \$36, \$68, and \$17 for fiscal 2012, 2011, and 2010, respectively | | (65) | (112) | (151) |
| | | (96) | 169 | 183 |
| Net change in unrealized gains/losses on derivative instruments: | | | | |
| Change in derivative instruments, net of tax benefit (expense) of \$0, \$0 and \$(9) for fiscal 2012, 2011, and 2010, respectively | | (131) | 87 | 46 |
| Net losses (gains) reclassified into earnings | | 72 | (108) | 2 |
| | | (59) | (21) | 48 |
| Net change in cumulative translation adjustment and other, net of tax benefit (expense) of \$36, \$(34), and \$(9) for fiscal 2012, 2011, and 2010, respectively | | (496) | 538 | (55) |
| Comprehensive income | | 7,390 | 7,176 | 7,943 |
| Comprehensive loss (income) attributable to noncontrolling interests | | 18 | (15) | 12 |
| Comprehensive income attributable to Cisco Systems, Inc. | | \$7,408 | \$7,161 | \$7,955 |

Components Of AOCI, Net Of Tax

The components of AOCI, net of tax, are summarized as follows (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Net unrealized gains on investments | <u>\$ 409</u> | <u>\$ 487</u> | <u>\$ 333</u> |
| Net unrealized (losses) gains on derivative instruments | <u>(53)</u> | <u>6</u> | <u>27</u> |
| Cumulative translation adjustment and other | <u>305</u> | <u>801</u> | <u>263</u> |
| Total | <u>\$ 661</u> | <u>\$ 1,294</u> | <u>\$ 623</u> |

| Goodwill and Purchased Intangible Assets (Schedule Of Intangible Assets Acquired Through Business Combinations) (Detail) (USD \$) In Millions, unless otherwise specified | | | | 12 Months Ended | 12 Months Ended | 12 Months Ended | 12 Months Ended | 12 Months Ended | | | | | |
|--|---------------------|---------------------|---------------------|--|--|--------------------------------|--|--|-----------------------------------|--|--------------------------------------|--|--|
| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 | Jul. 30, 2011 In-Process Research & Development | Jul. 30, 2011 Technology Year | Jul. 28, 2012 Technology | Jul. 30, 2011 Customer Relationships Year | Jul. 28, 2012 Customer Relationships | Jul. 30, 2011 Other Year | Jul. 28, 2012 Lightwire, Inc. | Jul. 28, 2012 All Others | Jul. 28, 2012 All Others Technology Year | Jul. 28, 2012 All Others Customer Relationships Year |
| Schedule of Finite Lived and Indefinite Lived Intangible Assets Acquired Through Business Combinations [Line Items] | | | | | | | | | | | | | |
| Weighted-Average Useful Life (in Years) | | | | | 4.8 | | 6.4 | | 2.5 | 5.0 | 3.5 | 3.0 | |
| Amount, acquired finite lives | | | | | \$ 92 | \$ 199 | \$ 16 | \$ 1 | \$ 1 | \$ 97 | \$ 102 | \$ 1 | |
| Amount, acquired indefinite lives | | | | 5 | | | | | | | | | |
| Amount, acquired indefinite and finite lives intangible assets | \$ 200 | \$ 114 | \$ 2,380 | | | | | | \$ 97 | | \$ 103 | | |

**Investments (Credit Losses
For Fixed Income Securities)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011

Investments [Abstract]

| | | |
|---|---------|---------|
| <u>Balance at beginning of fiscal year</u> | \$ (23) | \$ (95) |
| <u>Sales of other-than-temporarily impaired fixed income securities</u> | 23 | 72 |
| <u>Balance at end of fiscal year</u> | | \$ (23) |

Consolidated Balance Sheets
(USD \$)
In Millions, unless otherwise
specified

| | Jul. | Jul. |
|---|---------------|---------------|
| | 28, | 30, |
| | 2012 | 2011 |
| <u>Current assets:</u> | | |
| <u>Cash and cash equivalents</u> | \$ | \$ |
| | 9,799 | 7,662 |
| <u>Investments</u> | 38,917 | 36,923 |
| <u>Accounts receivable, net of allowance for doubtful accounts of \$207 at July 28, 2012 and \$204 at July 30, 2011</u> | 4,369 | 4,698 |
| <u>Inventories</u> | 1,663 | 1,486 |
| <u>Financing receivables, net</u> | 3,661 | 3,111 |
| <u>Deferred tax assets</u> | 2,294 | 2,410 |
| <u>Other current assets</u> | 1,230 | 941 |
| <u>Total current assets</u> | 61,933 | 57,231 |
| <u>Property and equipment, net</u> | 3,402 | 3,916 |
| <u>Financing receivables, net</u> | 3,585 | 3,488 |
| <u>Goodwill</u> | 16,998 | 16,818 |
| <u>Purchased intangible assets, net</u> | 1,959 | 2,541 |
| <u>Other assets</u> | 3,882 | 3,101 |
| <u>TOTAL ASSETS</u> | 91,759 | 87,095 |
| <u>Current liabilities:</u> | | |
| <u>Short-term debt</u> | 31 | 588 |
| <u>Accounts payable</u> | 859 | 876 |
| <u>Income taxes payable</u> | 276 | 120 |
| <u>Accrued compensation</u> | 2,928 | 3,163 |
| <u>Deferred revenue</u> | 8,852 | 8,025 |
| <u>Other current liabilities</u> | 4,785 | 4,734 |
| <u>Total current liabilities</u> | 17,731 | 17,506 |
| <u>Long-term debt</u> | 16,297 | 16,234 |
| <u>Income taxes payable</u> | 1,844 | 1,191 |
| <u>Deferred revenue</u> | 4,028 | 4,182 |
| <u>Other long-term liabilities</u> | 558 | 723 |
| <u>Total liabilities</u> | 40,458 | 39,836 |
| <u>Commitments and contingencies (Note 12)</u> | | |
| <u>Cisco shareholders' equity:</u> | | |
| <u>Preferred stock, no par value: 5 shares authorized; none issued and outstanding</u> | | |
| <u>Common stock and additional paid-in capital, \$0.001 par value: 20,000 shares authorized; 5,298 and 5,435 shares issued and outstanding at July 28, 2012 and July 30, 2011, respectively</u> | 39,271 | 38,648 |
| <u>Retained earnings</u> | 11,354 | 7,284 |
| <u>Accumulated other comprehensive income</u> | 661 | 1,294 |
| <u>Total Cisco shareholders' equity</u> | 51,286 | 47,226 |
| <u>Noncontrolling interests</u> | 15 | 33 |
| <u>Total equity</u> | 51,301 | 47,259 |

TOTAL LIABILITIES AND EQUITY

\$ \$
91,759 87,095

**Supplemental Information -
Additional Information
(Detail) (USD \$)
In Billions, unless otherwise
specified**

Jul. 28, 2012

[Supplementary Information \[Line Items\]](#)

[Authorized common stock repurchase amount](#) \$ 82

**Shareholders' Equity
(Comprehensive Income)
(Parenthetical) (Detail) (USD
\$)**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

**In Millions, unless otherwise
specified**

Comprehensive Income (Loss) [Line Items]

| | | | |
|---|-------|----------|----------|
| <u>Unrealized gains and losses on investments, tax benefit (expense)</u> | \$ 6 | \$ (151) | \$ (199) |
| <u>Net (gains) losses reclassified, tax effect</u> | 36 | 68 | 17 |
| <u>Derivative instruments, tax benefit (expense)</u> | 0 | 0 | (9) |
| <u>Cumulative translation adjustment and other, tax benefit (expense)</u> | \$ 36 | \$ (34) | \$ (9) |

**Income Taxes (Components
Of Deferred Tax Assets And
Liabilities) (Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

Income Taxes

| | | |
|---|----------|----------|
| <u>Allowance for doubtful accounts and returns</u> | \$ 433 | \$ 413 |
| <u>Sales-type and direct-financing leases</u> | 162 | 178 |
| <u>Inventory write-downs and capitalization</u> | 127 | 160 |
| <u>Investment provisions</u> | 261 | 226 |
| <u>IPR&D, goodwill, and purchased intangible assets</u> | 119 | 106 |
| <u>Deferred revenue</u> | 1,618 | 1,634 |
| <u>Credits and net operating loss carryforwards</u> | 721 | 713 |
| <u>Share-based compensation expense</u> | 1,059 | 1,084 |
| <u>Accrued compensation</u> | 481 | 507 |
| <u>Other</u> | 583 | 590 |
| <u>Gross deferred tax assets</u> | 5,564 | 5,611 |
| <u>Valuation allowance</u> | (60) | (82) |
| <u>Total deferred tax assets</u> | 5,504 | 5,529 |
| <u>Purchased intangible assets</u> | (809) | (997) |
| <u>Depreciation</u> | (131) | (298) |
| <u>Unrealized gains on investments</u> | (222) | (265) |
| <u>Other</u> | (34) | (90) |
| <u>Total deferred tax liabilities</u> | (1,196) | (1,650) |
| <u>Total net deferred tax assets</u> | \$ 4,308 | \$ 3,879 |

| Consolidated Statements Of Equity (USD \$) In Millions, unless otherwise specified | Total USD (\$) | Shares of Common Stock | Common Stock and Additional Paid-In Capital USD (\$) | Retained Earnings USD (\$) | Accumulated Other Comprehensive Income (Loss) USD (\$) | Total Cisco Shareholders' Equity USD (\$) | Noncontrolling Interest USD (\$) |
|---|----------------------|---------------------------------|---|----------------------------------|--|--|--|
| <u>Beginning balance at Jul. 25, 2009</u> | \$ 38,677 | | \$ 34,344 | \$ 3,868 | \$ 435 | \$ 38,647 | \$ 30 |
| <u>Beginning balance (in shares) at Jul. 25, 2009</u> | | 5,785 | | | | | |
| <u>Net income</u> | 7,767 | | | 7,767 | | 7,767 | |
| Change in: | | | | | | | |
| <u>Unrealized gains and losses on investments, net</u> | 183 | | | | 195 | 195 | (12) |
| <u>Derivative instruments</u> | 48 | | | | 48 | 48 | |
| <u>Cumulative translation adjustment and other</u> | (55) | | | | (55) | (55) | |
| <u>Comprehensive income (loss)</u> | 7,943 | | | | | 7,955 | (12) |
| <u>Issuance of common stock (in shares)</u> | | 201 | | | | | |
| <u>Issuance of common stock</u> | 3,278 | | 3,278 | | | 3,278 | |
| <u>Repurchase of common stock (in shares)</u> | | (331) | | | | | |
| <u>Repurchase of common stock</u> | (7,932) | | (2,148) | (5,784) | | (7,932) | |
| <u>Tax effects from employee stock incentive plans</u> | 719 | | 719 | | | 719 | |
| <u>Share-based compensation expense</u> | 1,517 | | 1,517 | | | 1,517 | |
| <u>Purchase acquisitions</u> | 83 | | 83 | | | 83 | |
| <u>Ending Balance at Jul. 31, 2010</u> | 44,285 | | 37,793 | 5,851 | 623 | 44,267 | 18 |
| <u>Ending Balance (in shares) at Jul. 31, 2010</u> | | 5,655 | | | | | |
| <u>Net income</u> | 6,490 | | | 6,490 | | 6,490 | |
| Change in: | | | | | | | |
| <u>Unrealized gains and losses on investments, net</u> | 169 | | | | 154 | 154 | 15 |
| <u>Derivative instruments</u> | (21) | | | | (21) | (21) | |
| <u>Cumulative translation adjustment and other</u> | 538 | | | | 538 | 538 | |
| <u>Comprehensive income (loss)</u> | 7,176 | | | | | 7,161 | 15 |
| <u>Issuance of common stock (in shares)</u> | | 141 | | | | | |
| <u>Issuance of common stock</u> | 1,831 | | 1,831 | | | 1,831 | |
| <u>Repurchase of common stock (in shares)</u> | | (361) | | | | | |
| <u>Repurchase of common stock</u> | (6,974) | | (2,575) | (4,399) | | (6,974) | |

| | | | | | | |
|--|-----------|-----------|-----------|--------|-----------|-------|
| <u>Cash dividends declared (\$0.28 per common share in 2012 and 0.12 per common share in 2011)</u> | (658) | | (658) | | (658) | |
| <u>Tax effects from employee stock incentive plans</u> | (33) | (33) | | | (33) | |
| <u>Share-based compensation expense</u> | 1,620 | 1,620 | | | 1,620 | |
| <u>Purchase acquisitions</u> | 12 | 12 | | | 12 | |
| <u>Total Equity at Jul. 30, 2011</u> | 33 | | | | | |
| <u>Total Equity at Jul. 30, 2011</u> | 47,226 | | | | | |
| <u>Ending Balance at Jul. 30, 2011</u> | 47,259 | 38,648 | 7,284 | 1,294 | 47,226 | 33 |
| <u>Ending Balance (in shares) at Jul. 30, 2011</u> | | 5,435 | | | | |
| <u>Net income</u> | 8,041 | | 8,041 | | 8,041 | |
| Change in: | | | | | | |
| <u>Unrealized gains and losses on investments, net</u> | (96) | | | (78) | (78) | (18) |
| <u>Derivative instruments</u> | (59) | | | (59) | (59) | |
| <u>Cumulative translation adjustment and other</u> | (496) | | | (496) | (496) | |
| <u>Comprehensive income (loss)</u> | 7,390 | | | | 7,408 | (18) |
| <u>Issuance of common stock (in shares)</u> | | 137 | | | | |
| <u>Issuance of common stock</u> | 1,372 | 1,372 | | | 1,372 | |
| <u>Repurchase of common stock (in shares)</u> | | (274) | | | | |
| <u>Repurchase of common stock</u> | (4,560) | (2,090) | (2,470) | | (4,560) | |
| <u>Cash dividends declared (\$0.28 per common share in 2012 and 0.12 per common share in 2011)</u> | (1,501) | | (1,501) | | (1,501) | |
| <u>Tax effects from employee stock incentive plans</u> | (66) | (66) | | | (66) | |
| <u>Share-based compensation expense</u> | 1,401 | 1,401 | | | 1,401 | |
| <u>Purchase acquisitions</u> | 6 | 6 | | | 6 | |
| <u>Total Equity at Jul. 28, 2012</u> | 15 | | | | | |
| <u>Total Equity at Jul. 28, 2012</u> | 51,286 | | | | | |
| <u>Ending Balance at Jul. 28, 2012</u> | \$ 51,301 | \$ 39,271 | \$ 11,354 | \$ 661 | \$ 51,286 | \$ 15 |
| <u>Ending Balance (in shares) at Jul. 28, 2012</u> | | 5,298 | | | | |

**Shareholders' Equity (Stock
Repurchase Program)
(Detail) (USD \$)
In Millions, except Per Share
data, unless otherwise
specified**

12 Months Ended

**Jul. 28, Jul. 30,
2012 2011**

Shareholders' Equity [Abstract]

| | | |
|--|-----------|-----------|
| <u>Cumulative Shares Repurchased, Beginning balance</u> | 3,478 | 3,127 |
| <u>Repurchase of common stock under the stock repurchase program, Shares Repurchased</u> | 262 | 351 |
| <u>Cumulative Shares Repurchased, Ending balance</u> | 3,740 | 3,478 |
| <u>Cumulative Weighted-Average Price per Share, Beginning balance</u> | \$ 20.64 | \$ 20.78 |
| <u>Repurchase of common stock under the stock repurchase program, Weighted-Average Price per Share</u> | \$ 16.64 | \$ 19.36 |
| <u>Cumulative Weighted-Average Price per Share, Ending balance</u> | \$ 20.36 | \$ 20.64 |
| <u>Cumulative Amount Repurchased, Beginning balance</u> | \$ 71,773 | \$ 64,982 |
| <u>Repurchase of common stock under the stock repurchase program, Amount Repurchased</u> | 4,360 | 6,791 |
| <u>Cumulative Amount Repurchased, Ending balance</u> | \$ 76,133 | \$ 71,773 |

Balance Sheet Details
(Detail) (USD \$)
In Millions, unless otherwise
specified

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Inventories:

| | | | |
|---|-----------|-------------|-------|
| <u>Raw materials</u> | \$ 127 | \$ 219 | |
| <u>Work in process</u> | 35 | 52 | |
| <u>Distributor inventory and deferred cost of sales</u> | 630 | 631 | |
| <u>Manufactured finished goods</u> | 597 | 331 | |
| <u>Total finished goods</u> | 1,227 | 962 | |
| <u>Service-related spares</u> | 213 | 182 | |
| <u>Demonstration systems</u> | 61 | 71 | |
| <u>Total</u> | 1,663 | 1,486 | |
| <u>Property and equipment, net:</u> | | | |
| <u>Land, buildings, and building and leasehold improvements</u> | 4,363 | 4,760 | |
| <u>Computer equipment and related software</u> | 1,469 | 1,429 | |
| <u>Production, engineering, and other equipment</u> | 5,364 | 5,093 | |
| <u>Operating lease assets</u> | 300 | [1] 293 | [1] |
| <u>Furniture and fixtures</u> | 487 | 491 | |
| <u>Property, plant and equipment, gross</u> | 11,983 | 12,066 | |
| <u>Less accumulated depreciation and amortization</u> | (8,581) | [1] (8,150) | [1] |
| <u>Total</u> | 3,402 | 3,916 | 3,941 |
| <u>Other assets:</u> | | | |
| <u>Deferred tax assets</u> | 2,270 | 1,864 | |
| <u>Investments in privately held companies</u> | 858 | 796 | |
| <u>Other</u> | 754 | 441 | |
| <u>Total</u> | 3,882 | 3,101 | |
| <u>Deferred revenue:</u> | | | |
| <u>Service</u> | 9,173 | 8,521 | |
| <u>Unrecognized revenue on product shipments and other deferred revenue</u> | 2,975 | 3,003 | |
| <u>Cash receipts related to unrecognized revenue from two-tier distributors</u> | 732 | 683 | |
| <u>Total product deferred revenue</u> | 3,707 | 3,686 | |
| <u>Total</u> | 12,880 | 12,207 | |
| <u>Current</u> | 8,852 | 8,025 | |
| <u>Noncurrent</u> | 4,028 | 4,182 | |
| <u>Total</u> | \$ 12,880 | \$ 12,207 | |

[1] Accumulated depreciation related to operating lease assets was \$181 and \$169 as of July 28, 2012 and July 30, 2011, respectively.

**Employee Benefit Plans
(Summary Of Share-Based
Compensation Expense)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. 28,
2012 Jul. 30,
2011 Jul. 31,
2010**

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense \$ 1,401 \$ 1,620 \$ 1,517

Cost Of Sales-Product

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 53 61 57

Cost Of Sales-Service

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 156 177 164

Share-Based Compensation Expense In Cost Of Sales

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 209 238 221

Research And Development

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 401 481 450

Sales And Marketing

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 588 651 602

General And Administrative

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense 203 250 244

Share-Based Compensation Expense In Operating Expenses

**Share-based Compensation Arrangement by Share-based Payment
Award [Line Items]**

Total share-based compensation expense \$ 1,192 \$ 1,382 \$ 1,296

Investments (Tables)

12 Months Ended

Jul. 28, 2012

[Summary Of Available-For-Sale Investments](#)

The following tables summarize the Company's available-for-sale investments (in millions):

| July 28, 2012 | Amortized | Gross | Gross | Fair |
|---|-----------------|------------------|-------------------|-----------------|
| | Cost | Unrealized Gains | Unrealized Losses | Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$24,201 | \$ 41 | \$ (1) | \$24,241 |
| U.S. government agency securities | 5,367 | 21 | — | 5,388 |
| Non-U.S. government and agency securities | 1,629 | 9 | — | 1,638 |
| Corporate debt securities | 5,959 | 74 | (3) | 6,030 |
| Total fixed income securities | 37,156 | 145 | (4) | 37,297 |
| Publicly traded equity securities | 1,107 | 524 | (11) | 1,620 |
| Total | \$38,263 | \$ 669 | \$ (15) | \$38,917 |

| July 30, 2011 | Amortized | Gross | Gross | Fair |
|---|-----------------|------------------|-------------------|-----------------|
| | Cost | Unrealized Gains | Unrealized Losses | Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$19,087 | \$ 52 | \$ — | \$19,139 |
| U.S. government agency securities | 8,742 | 35 | (1) | 8,776 |
| Non-U.S. government and agency securities | 3,119 | 14 | (1) | 3,132 |
| Corporate debt securities | 4,333 | 65 | (4) | 4,394 |
| Asset-backed securities | 120 | 5 | (4) | 121 |
| Total fixed income securities | 35,401 | 171 | (10) | 35,562 |
| Publicly traded equity securities | 734 | 639 | (12) | 1,361 |
| Total | \$36,135 | \$ 810 | \$ (22) | \$36,923 |

[Gross Realized Gains And Gross Realized Losses Related To Available-For-Sale Investment](#)

The following table presents the gross realized gains and gross realized losses related to the Company's available-for-sale investments (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------------|---------------|---------------|---------------|
| Gross realized gains | \$ 641 | \$ 348 | \$ 279 |
| Gross realized losses | (540) | (169) | (110) |
| Total | \$ 101 | \$ 179 | \$ 169 |

[Realized Net Gains \(Losses\) Related To Available-For-Sale Investments](#)

The following table presents the realized net gains (losses) related to the Company's available-for-sale investments (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|---------------|---------------|
| Net gains on investments in publicly traded equity securities | \$ 43 | \$ 88 | \$ 66 |
| Net gains on investments in fixed income securities | 58 | 91 | 103 |
| Total | \$ 101 | \$ 179 | \$ 169 |

[Credit Losses For Fixed Income Securities](#)

The following table summarizes the activity related to credit losses for fixed income securities (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|---------------|-----------------|
| Balance at beginning of fiscal year | \$ (23) | \$ (95) |
| Sales of other-than-temporarily impaired fixed income securities | 23 | 72 |
| Balance at end of fiscal year | \$ — | \$ (23) |

[Available-For-Sale Investments With Gross Unrealized Losses](#)

The following tables present the breakdown of the available-for-sale investments with gross unrealized losses and the duration that those losses had been unrealized at July 28, 2012 and July 30, 2011 (in millions):

| | UNREALIZED LOSSES | | UNREALIZED LOSSES | | TOTAL | |
|--------------------------------------|---------------------|-------------------------|----------------------|-------------------------|-----------------|-------------------------|
| | LESS THAN 12 MONTHS | | 12 MONTHS OR GREATER | | | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| July 28, 2012 | | | | | | |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 5,357 | \$ (1) | \$ — | \$ — | \$ 5,357 | \$ (1) |
| Corporate debt securities | 603 | (3) | 14 | — | 617 | (3) |
| Total fixed income securities | 5,960 | (4) | 14 | — | 5,974 | (4) |
| Publicly traded equity securities | 167 | (8) | 20 | (3) | 187 | (11) |
| Total | \$ 6,127 | \$ (12) | \$ 34 | \$ (3) | \$ 6,161 | \$ (15) |

| | UNREALIZED LOSSES | | UNREALIZED LOSSES | | TOTAL | |
|---|---------------------|-------------------------|----------------------|-------------------------|-----------------|-------------------------|
| | LESS THAN 12 MONTHS | | 12 MONTHS OR GREATER | | | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| July 30, 2011 | | | | | | |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 2,310 | \$ (1) | \$ — | \$ — | \$ 2,310 | \$ (1) |
| Non-U.S. government and agency securities | 875 | (1) | — | — | 875 | (1) |
| Corporate debt securities | 548 | (2) | 56 | (2) | 604 | (4) |
| Asset-backed securities | — | — | 105 | (4) | 105 | (4) |
| Total fixed income securities | 3,733 | (4) | 161 | (6) | 3,894 | (10) |
| Publicly traded equity securities | 112 | (12) | — | — | 112 | (12) |
| Total | \$ 3,845 | \$ (16) | \$ 161 | \$ (6) | \$ 4,006 | \$ (22) |

[Maturities of Fixed Income Securities](#)

The following table summarizes the maturities of the Company's fixed income securities at July 28, 2012 (in millions):

| | Amortized | |
|---------------------|-----------------|-----------------|
| | Cost | Fair Value |
| Less than 1 year | \$16,257 | \$16,274 |
| Due in 1 to 2 years | 12,277 | 12,323 |
| Due in 2 to 5 years | 8,549 | 8,623 |
| Due after 5 years | 73 | 77 |
| Total | \$37,156 | \$37,297 |

**Financing Receivables and
Guarantees (Schedule Of
Aging Analysis Of Financing
Receivables) (Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

Financing Receivable, Recorded Investment, Past Due [Line Items]

| | | |
|--|--------|--------|
| <u>31-60 Days Past Due</u> | \$ 250 | \$ 165 |
| <u>61-90 Days Past Due</u> | 145 | 75 |
| <u>Greater than 90 Days Past Due</u> | 576 | 438 |
| <u>Total Past Due</u> | 971 | 678 |
| <u>Current</u> | 6,655 | 6,288 |
| <u>Gross Receivables, Net of Unearned Income</u> | 7,626 | 6,966 |
| <u>Non-Accrual Financing Receivables</u> | 45 | 55 |
| <u>Impaired Financing Receivables</u> | 28 | 34 |

Lease Receivables

Financing Receivable, Recorded Investment, Past Due [Line Items]

| | | |
|--|-------|-------|
| <u>31-60 Days Past Due</u> | 151 | 89 |
| <u>61-90 Days Past Due</u> | 69 | 35 |
| <u>Greater than 90 Days Past Due</u> | 173 | 152 |
| <u>Total Past Due</u> | 393 | 276 |
| <u>Current</u> | 2,786 | 2,585 |
| <u>Gross Receivables, Net of Unearned Income</u> | 3,179 | 2,861 |
| <u>Non-Accrual Financing Receivables</u> | 23 | 34 |
| <u>Impaired Financing Receivables</u> | 14 | 24 |

Loan Receivables

Financing Receivable, Recorded Investment, Past Due [Line Items]

| | | |
|--|-------|-------|
| <u>31-60 Days Past Due</u> | 10 | 8 |
| <u>61-90 Days Past Due</u> | 8 | 7 |
| <u>Greater than 90 Days Past Due</u> | 11 | 21 |
| <u>Total Past Due</u> | 29 | 36 |
| <u>Current</u> | 1,767 | 1,432 |
| <u>Gross Receivables, Net of Unearned Income</u> | 1,796 | 1,468 |
| <u>Non-Accrual Financing Receivables</u> | 4 | 4 |
| <u>Impaired Financing Receivables</u> | 4 | 4 |

Financed Service Contracts & Other

Financing Receivable, Recorded Investment, Past Due [Line Items]

| | | |
|--|-------|-------|
| <u>31-60 Days Past Due</u> | 89 | 68 |
| <u>61-90 Days Past Due</u> | 68 | 33 |
| <u>Greater than 90 Days Past Due</u> | 392 | 265 |
| <u>Total Past Due</u> | 549 | 366 |
| <u>Current</u> | 2,102 | 2,271 |
| <u>Gross Receivables, Net of Unearned Income</u> | 2,651 | 2,637 |
| <u>Non-Accrual Financing Receivables</u> | 18 | 17 |

Impaired Financing Receivables

\$ 10

\$ 6

Employee Benefit Plans

**12 Months Ended
Jul. 28, 2012**

[Employee Benefit Plans](#)

14. Employee Benefit Plans

(a) Employee Stock Incentive Plans

Stock Incentive Plan Program Description As of July 28, 2012, the Company had five stock incentive plans: the 2005 Stock Incentive Plan (the “2005 Plan”); the 1996 Stock Incentive Plan (the “1996 Plan”); the 1997 Supplemental Stock Incentive Plan (the “Supplemental Plan”); the Cisco Systems, Inc. SA Acquisition Long-Term Incentive Plan (the “SA Acquisition Plan”); and the Cisco Systems, Inc. WebEx Acquisition Long-Term Incentive Plan (the “WebEx Acquisition Plan”). In addition, the Company has, in connection with the acquisitions of various companies, assumed the share-based awards granted under stock incentive plans of the acquired companies or issued share-based awards in replacement thereof. Share-based awards are designed to reward employees for their long-term contributions to the Company and provide incentives for them to remain with the Company. The number and frequency of share-based awards are based on competitive practices, operating results of the Company, government regulations, and other factors. Since the inception of the stock incentive plans, the Company has granted share-based awards to a significant percentage of its employees, and the majority has been granted to employees below the vice president level. The Company’s primary stock incentive plans are summarized as follows:

2005 Plan As amended on November 15, 2007, the maximum number of shares issuable under the 2005 Plan over its term is 559 million shares plus the amount of any shares underlying awards outstanding on November 15, 2007 under the 1996 Plan, the SA Acquisition Plan, and the WebEx Acquisition Plan that are forfeited or are terminated for any other reason before being exercised or settled. If any awards granted under the 2005 Plan are forfeited or are terminated for any other reason before being exercised or settled, then the shares underlying the awards will again be available under the 2005 Plan.

Pursuant to an amendment approved by the Company’s shareholders on November 12, 2009, the number of shares available for issuance under the 2005 Plan was reduced by 1.5 shares for each share awarded as a stock grant or a stock unit, and any shares underlying awards outstanding under the 1996 Plan, the SA Acquisition Plan, and the WebEx Acquisition Plan that expire unexercised at the end of their maximum terms become available for reissuance under the 2005 Plan. The 2005 Plan permits the granting of stock options, restricted stock, restricted stock units (“RSU”), the vesting of which may be performance-based or market-based along with the requisite service requirement, and stock appreciation rights to employees (including employee directors and officers), consultants of the Company and its subsidiaries and affiliates, and non-employee directors of the Company. Stock options and stock appreciation rights granted under the 2005 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and prior to November 12, 2009 have an expiration date no later than nine years from the grant date. The expiration date for stock options and stock appreciation rights granted subsequent to the amendment approved on November 12, 2009 shall be no later than 10 years from the grant date. The stock options will generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively. Time-based stock grants and time-based RSUs will generally vest with respect to 20% or 25% of the shares or share units covered by the grant on each of the first through fifth or fourth anniversaries of the date of the grant, respectively. The Compensation and Management Development Committee of the Board of Directors has the discretion to use different vesting schedules. Stock appreciation rights may be awarded in combination with stock options or stock grants, and such awards shall provide that the

stock appreciation rights will not be exercisable unless the related stock options or stock grants are forfeited. Stock grants may be awarded in combination with non-statutory stock options, and such awards may provide that the stock grants will be forfeited in the event that the related non-statutory stock options are exercised.

1996 Plan The 1996 Plan expired on December 31, 2006, and the Company can no longer make equity awards under the 1996 Plan. The maximum number of shares issuable over the term of the 1996 Plan was 2.5 billion shares. Stock options granted under the 1996 Plan have an exercise price of at least 100% of the fair market value of the underlying stock on the grant date and expire no later than nine years from the grant date. The stock options generally become exercisable for 20% or 25% of the option shares one year from the date of grant and then ratably over the following 48 or 36 months, respectively. Certain other grants have utilized a 60-month ratable vesting schedule. In addition, the Board of Directors, or other committees administering the 1996 Plan, have the discretion to use a different vesting schedule and have done so from time to time.

Supplemental Plan The Supplemental Plan expired on December 31, 2007, and the Company can no longer make equity awards under the Supplemental Plan. Officers and members of the Company's Board of Directors were not eligible to participate in the Supplemental Plan. Nine million shares were reserved for issuance under the Supplemental Plan.

Acquisition Plans In connection with the Company's acquisitions of Scientific-Atlanta, Inc. ("Scientific-Atlanta") and WebEx Communications, Inc. ("WebEx"), the Company adopted the SA Acquisition Plan and the WebEx Acquisition Plan, respectively, each effective upon completion of the applicable acquisition. These plans constitute assumptions, amendments, restatements, and renamings of the 2003 Long-Term Incentive Plan of Scientific-Atlanta and the WebEx Communications, Inc. Amended and Restated 2000 Stock Incentive Plan, respectively. The plans permit the grant of stock options, stock, stock units, and stock appreciation rights to certain employees of the Company and its subsidiaries and affiliates who had been employed by Scientific-Atlanta or its subsidiaries or WebEx or its subsidiaries, as applicable. As a result of the shareholder approval of the amendment and extension of the 2005 Plan, as of November 15, 2007, the Company will no longer make stock option grants or direct share issuances under either the SA Acquisition Plan or the WebEx Acquisition Plan.

(b) Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan, which includes its subplan, the International Employee Stock Purchase Plan (together, the "Purchase Plan"), under which 471.4 million shares of the Company's common stock have been reserved for issuance as of July 28, 2012. Eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods. Employees may purchase a limited number of shares of the Company's stock at a discount of up to 15% of the lesser of the market value at the beginning of the offering period or the end of each 6-month purchase period. The Purchase Plan is scheduled to terminate on January 3, 2020. The Company issued 35 million, 34 million, and 27 million shares under the Purchase Plan in fiscal 2012, 2011, and 2010, respectively. As of July 28, 2012, 87 million shares were available for issuance under the Purchase Plan.

(c) Summary of Share-Based Compensation Expense

Share-based compensation expense consists primarily of expenses for stock options, stock purchase rights, restricted stock, and restricted stock units granted to employees. The following table summarizes share-based compensation expense (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--------------------|----------------------|----------------------|----------------------|
|--------------------|----------------------|----------------------|----------------------|

| | | | |
|--|------------------------|------------------------|------------------------|
| Cost of sales—product | <u>\$ 53</u> | <u>\$ 61</u> | <u>\$ 57</u> |
| Cost of sales—service | <u>156</u> | <u>177</u> | <u>164</u> |
| Share-based compensation expense in cost of sales | <u>209</u> | <u>238</u> | <u>221</u> |
| Research and development | <u>401</u> | <u>481</u> | <u>450</u> |
| Sales and marketing | <u>588</u> | <u>651</u> | <u>602</u> |
| General and administrative | <u>203</u> | <u>250</u> | <u>244</u> |
| Share-based compensation expense in operating expenses | <u>1,192</u> | <u>1,382</u> | <u>1,296</u> |
| Total share-based compensation expense | <u><u>\$ 1,401</u></u> | <u><u>\$ 1,620</u></u> | <u><u>\$ 1,517</u></u> |

As of July 28, 2012, the total compensation cost related to unvested share-based awards not yet recognized was \$2.0 billion, which is expected to be recognized over approximately 2.4 years on a weighted-average basis. The income tax benefit for share-based compensation expense was \$335 million, \$444 million, and \$415 million for fiscal 2012, 2011, and 2010, respectively.

(d) Share-Based Awards Available for Grant

A summary of share-based awards available for grant is as follows (in millions):

| Years Ended | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Balance at beginning of fiscal year | <u>255</u> | <u>295</u> | <u>253</u> |
| Options granted | — | — | (4) |
| Restricted stock, stock units, and other share-based awards granted | (95) | (82) | (81) |
| Share-based awards canceled/forfeited/ expired | 64 | 42 | 123 |
| Other | (6) | — | 4 |
| Balance at end of fiscal year | <u><u>218</u></u> | <u><u>255</u></u> | <u><u>295</u></u> |

As reflected in the preceding table, for each share awarded as restricted stock or subject to a restricted stock unit award under the 2005 Plan, an equivalent of 1.5 shares was deducted from the available share-based award balance. For restricted stock units that were awarded with vesting contingent upon the achievement of future financial performance or market-based metrics, the maximum awards that can be achieved upon full vesting of such awards were reflected in the preceding table.

(e) Restricted Stock and Stock Unit Awards

A summary of the restricted stock and stock unit activity, which includes time-based and performance-based or market-based restricted stock, is as follows (in millions, except per-share amounts):

| | <u>Restricted Stock/ Stock Units</u> | <u>Weighted-Average Grant Date Fair Value per Share</u> | <u>Aggregated Fair Market Value</u> |
|-----------------------------|--|---|---|
| BALANCE AT JULY 25, 2009 | 62 | \$ 21.25 | |
| Granted and assumed | 54 | 23.40 | |
| Vested | (16) | 21.56 | \$ 378 |
| Canceled/forfeited | <u>(3)</u> | 22.40 | |

| | | | |
|---------------------|-------|----------|--------|
| BALANCE AT | | | |
| JULY 31, 2010 | 97 | 22.35 | |
| Granted and assumed | 56 | 20.62 | |
| Vested | (27) | 22.54 | \$ 529 |
| Canceled/forfeited | (10) | 22.04 | |
| BALANCE AT | | | |
| JULY 30, 2011 | 116 | 21.50 | |
| Granted and assumed | 65 | 17.45 | |
| Vested | (35) | 21.94 | \$ 580 |
| Canceled/forfeited | (18) | 20.38 | |
| BALANCE AT | | | |
| JULY 28, 2012 | 128 | \$ 19.46 | |

(f) Stock Option Awards

A summary of the stock option activity is as follows (in millions, except per-share amounts):

| | STOCK OPTIONS OUTSTANDING | |
|-----------------------------------|---------------------------|--------------------------|
| | Number | Weighted-Average |
| | Outstanding | Exercise Price per Share |
| BALANCE AT JULY 25, 2009 | 1,004 | \$ 24.29 |
| Granted and assumed | 15 | 13.23 |
| Exercised | (158) | 17.88 |
| Canceled/forfeited/expired | (129) | 47.31 |
| BALANCE AT JULY 31, 2010 | 732 | 21.39 |
| Exercised | (80) | 16.55 |
| Canceled/forfeited/expired | (31) | 25.91 |
| BALANCE AT JULY 30, 2011 | 621 | 21.79 |
| Assumed from acquisitions | 1 | 2.08 |
| Exercised | (66) | 13.51 |
| Canceled/forfeited/expired | (36) | 23.40 |
| BALANCE AT JULY 28, 2012 | 520 | \$ 22.68 |

The total pretax intrinsic value of stock options exercised during fiscal 2012, 2011, and 2010 was \$333 million, \$312 million, and \$1.0 billion, respectively.

The following table summarizes significant ranges of outstanding and exercisable stock options as of July 28, 2012 (in millions, except years and share prices):

| Range of Exercise Prices | STOCK OPTIONS OUTSTANDING | | | | STOCK OPTIONS EXERCISABLE | | |
|--------------------------|---------------------------|--|---|---------------------------|---------------------------|---|---------------------------|
| | Number Outstanding | Weighted-Average Remaining Contractual Life (in Years) | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value | Number Exercisable | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value |
| \$ 0.01 – 15.00 | 10 | 4.10 | \$ 6.95 | \$ 92 | 9 | \$ 7.18 | \$ 82 |
| 15.01 – 18.00 | 83 | 2.12 | 17.79 | — | 83 | 17.79 | — |
| 18.01 – 20.00 | 150 | 0.93 | 19.31 | — | 150 | 19.31 | — |

| | | | | | | | |
|---------------|-----|------|---------|-------|-----|----------|-------|
| 20.01 – 25.00 | 143 | 2.87 | 22.75 | — | 141 | 22.76 | — |
| 25.01 – 35.00 | 134 | 4.08 | 30.64 | — | 129 | 30.67 | — |
| Total | 520 | 2.53 | \$22.68 | \$ 92 | 512 | \$ 22.65 | \$ 82 |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$15.69 as of July 27, 2012, which would have been received by the option holders had those option holders exercised their stock options as of that date. The total number of in-the-money stock options exercisable as of July 28, 2012 was 10 million. As of July 30, 2011, 575 million outstanding stock options were exercisable and the weighted-average exercise price was \$21.37.

(g) Valuation of Employee Share-Based Awards

The valuation of time-based RSU's and the underlying assumptions being used are summarized as follows:

| Years Ended | RESTRICTED STOCK UNITS | |
|--|------------------------|---------------|
| | July 28, 2012 | July 30, 2011 |
| Number of shares granted (in millions) | 62 | 54 |
| Weighted-average assumptions/inputs: | | |
| Grant date fair value per share | \$ 17.26 | \$ 20.59 |
| Expected dividend | 1.5 % | 0.3 % |

Prior to the initial declaration of a quarterly cash dividend on March 17, 2011, the fair value of time-based RSUs was measured based on the grant date share price, as the Company did not historically pay cash dividends on its common stock. For awards granted on or subsequent to March 17, 2011, the Company used the preceding assumptions, in addition to risk-free interest rates, to determine the grant date fair value of time-based restricted stock units.

In addition to the time-based RSUs in the preceding table, in fiscal 2012, the Company granted approximately 2 million performance-based stock unit awards ("PRSUs"), which are contingent on the achievement of the Company's financial performance metrics or its market-based returns. On the date of grant, the Company estimated the fair value of restricted stock units with market-based conditions using a Monte Carlo simulation model. The Company used the assumptions in the preceding table to determine the grant date fair value of restricted stock units with performance metrics conditions.

The valuation of employee stock purchase rights and the underlying assumptions being used are summarized as follows:

| Years Ended | EMPLOYEE STOCK PURCHASE RIGHTS | | |
|--|--------------------------------|---------------|---------------|
| | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Weighted-average assumptions: | | | |
| Expected volatility | 27.2 % | 35.1 % | 34.8 % |
| Risk-free interest rate | 0.2 % | 0.9 % | 0.4 % |
| Expected dividend | 1.5 % | 0.0 % | 0.0 % |
| Expected life (in years) | 0.8 | 1.8 | 0.8 |
| Weighted-average estimated grant date fair value per share | \$ 3.81 | \$ 6.31 | \$ 5.03 |

The valuation of employee stock options and the underlying assumptions being used are summarized as follows:

| Year Ended | July 31, 2010 |
|---|---------------|
| Weighted-average assumptions: | |
| Expected volatility | 30.5 % |
| Risk-free interest rate | 2.3 % |
| Expected dividend | 0.0 % |
| Kurtosis | 4.1 |
| Skewness | 0.20 |
| Weighted-average expected life (in years) | 5.1 |
| Weighted-average estimated grant date fair value per option | \$ 6.50 |

The valuation of employee stock purchase rights and the related assumptions are for the employee stock purchases made during the respective fiscal years. The valuation of employee stock options and the related assumptions are for awards granted during the indicated fiscal year.

The Company uses third-party analyses to assist in developing the assumptions used in, as well as calibrating, its lattice-binomial and Black-Scholes models. The Company is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

The Company used the implied volatility for traded options (with contract terms corresponding to the expected life of the employee stock purchase rights) on the Company's stock as the expected volatility assumption required in the Black-Scholes model. The implied volatility is more representative of future stock price trends than historical volatility. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of the Company's employee stock purchase rights. The dividend yield assumption is based on the history and expectation of dividend payouts at the grant date. Prior to the initial declaration of a quarterly cash dividend on March 17, 2011, the expected dividend yield was 0% as the Company did not historically pay cash dividends on its common stock. For awards granted on or subsequent to March 17, 2011, the Company used an annualized dividend yield based on the then current per-share dividend declared by its Board of Directors.

The use of the lattice-binomial model requires extensive actual employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions as presented in the preceding table. The estimated kurtosis and skewness are technical measures of the distribution of stock price returns, which affect expected employee stock option exercise behaviors, and are based on the Company's stock price return history as well as consideration of various academic analyses. The expected life of employee stock options is a derived output of the lattice-binomial model, which represents the weighted-average period the stock options are expected to remain outstanding.

(h) Employee 401(k) Plans

The Company sponsors the Cisco Systems, Inc. 401(k) Plan (the "Plan") to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides for tax-deferred salary contributions and after-tax contributions for eligible employees. The Plan allows employees to contribute from 1% to 75% of their annual compensation to the Plan on a pretax and after-tax basis, and effective January 1, 2011, the Plan also allows employees to make Roth contributions. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. The Company matches pretax employee contributions up to 100% of the first 4.5% of eligible earnings that are contributed by employees. Therefore, the maximum matching contribution that the Company may allocate to each participant's account will not exceed \$11,250 for the 2012 calendar year due to the \$250,000 annual limit on eligible earnings imposed by the Internal Revenue Code. All matching contributions vest immediately. The

Company's matching contributions to the Plan totaled \$231 million, \$239 million, and \$210 million in fiscal 2012, 2011, and 2010, respectively.

The Plan allows employees who meet the age requirements and reach the Plan contribution limits to make a catch-up contribution not to exceed the lesser of 75% of their eligible compensation or the limit set forth in the Internal Revenue Code. The catch-up contributions are not eligible for matching contributions. In addition, the Plan provides for discretionary profit-sharing contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. There were no discretionary profit-sharing contributions made in fiscal 2012, 2011, or 2010.

The Company also sponsors other 401(k) plans that arose from acquisitions of other companies. The Company's contributions to these plans were not material to the Company on either an individual or aggregate basis for any of the fiscal years presented.

(i) Deferred Compensation Plans

The Cisco Systems, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"), a nonqualified deferred compensation plan, became effective in 2007. As required by applicable law, participation in the Deferred Compensation Plan is limited to a select group of the Company's management employees. Under the Deferred Compensation Plan, which is an unfunded and unsecured deferred compensation arrangement, a participant may elect to defer base salary, bonus, and/or commissions, pursuant to such rules as may be established by the Company, up to the maximum percentages for each deferral election as described in the plan. The Company may also, at its discretion, make a matching contribution to the employee under the Deferred Compensation Plan. A matching contribution equal to 4.5% of eligible compensation in excess of the Internal Revenue Code limit for qualified plans for calendar year 2012 that is deferred by participants under the Deferred Compensation Plan (with a \$1.5 million cap on eligible compensation) will be made to eligible participants' accounts at the end of calendar year 2012. The deferred compensation liability under the Deferred Compensation Plan, together with a deferred compensation plan assumed from Scientific-Atlanta, was approximately \$355 million and \$375 million as of July 28, 2012 and July 30, 2011, respectively, and was recorded primarily in other long-term liabilities.

Fair Value (Tables)

12 Months Ended Jul. 28, 2012

[Assets and Liabilities Measured At Fair Value On Recurring Basis](#)

Assets and liabilities measured at fair value on a recurring basis as of July 28, 2012 and July 30, 2011 were as follows (in millions):

| | JULY 28, 2012 | | | | JULY 30, 2011 | | | |
|---|-------------------------|----------|---------|----------|-------------------------|----------|---------|----------|
| | FAIR VALUE MEASUREMENTS | | | | FAIR VALUE MEASUREMENTS | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Cash equivalents: | | | | | | | | |
| Money market funds | \$2,506 | \$— | \$— | \$2,506 | \$5,852 | \$— | \$— | \$5,852 |
| U.S. government agency securities | — | — | — | — | — | 1 | — | 1 |
| Available-for-sale investments: | | | | | | | | |
| U.S. government securities | — | 24,241 | — | 24,241 | — | 19,139 | — | 19,139 |
| U.S. government agency securities | — | 5,388 | — | 5,388 | — | 8,776 | — | 8,776 |
| Non-U.S. government and agency securities | — | 1,638 | — | 1,638 | — | 3,132 | — | 3,132 |
| Corporate debt securities | — | 6,030 | — | 6,030 | — | 4,394 | — | 4,394 |
| Asset-backed securities | — | — | — | — | — | — | 121 | 121 |
| Publicly traded equity securities | 1,620 | — | — | 1,620 | 1,361 | — | — | 1,361 |
| Derivative assets | — | 263 | 1 | 264 | — | 220 | 2 | 222 |
| Total | \$4,126 | \$37,560 | \$1 | \$41,687 | \$7,213 | \$35,662 | \$123 | \$42,998 |
| Liabilities: | | | | | | | | |
| Derivative liabilities | \$— | \$42 | \$— | \$42 | \$— | \$24 | \$— | \$24 |
| Total | \$— | \$42 | \$— | \$42 | \$— | \$24 | \$— | \$24 |

[Fair Value On Nonrecurring Basis](#)

The following tables present the Company's financial instruments and nonfinancial assets that were measured at fair value on a nonrecurring basis during the indicated periods and the related recognized gains and losses for the periods (in millions):

| | July 28, 2012 | | July 30, 2011 | | July 31, 2010 | |
|--|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|
| | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended |
| Property held for sale | \$ 63 | \$ (413) | \$ 20 | \$ (38) | \$ 25 | \$ (86) |
| Investments in privately held companies | \$ 47 | (23) | \$ 13 | (10) | \$ 45 | (25) |
| Purchased intangible assets | \$ — | (12) | \$ — | (164) | \$ — | (28) |
| Manufacturing operations held for sale | \$ — | — | \$ 167 | (61) | \$ — | — |
| Gains on assets no longer held at end of fiscal year | | <u>14</u> | | <u>—</u> | | <u>2</u> |
| Total losses for nonrecurring measurements | | <u>\$ (434)</u> | | <u>\$ (273)</u> | | <u>\$ (137)</u> |

[Reconciliation For All Assets Measured At Fair Value On Recurring Basis Using Significant Unobservable Inputs \(Level 3\)](#)

The following tables present a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 28, 2012 and July 30, 2011 (in millions):

| | Asset-Backed Securities | Derivative Assets | Total |
|--|-------------------------|-------------------|--------------|
| Balance at July 30, 2011 | \$ 121 | \$ 2 | \$123 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | — | 3 |
| Included in other comprehensive income | (3) | — | (3) |
| Sales | (14) | (1) | (15) |
| Transfer into Level 2 | (107) | — | (107) |
| Balance at July 28, 2012 | \$— | \$ 1 | \$1 |
| | | | |
| | | | |
| | | | |
| Balance at July 31, 2010 | \$ 149 | \$ 3 | \$152 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | (1) | 2 |

| | | | |
|---|---------------|-------------|--------------|
| Purchases, sales and maturities | <u>(31)</u> | <u>—</u> | <u>(31)</u> |
| Balance at July 30, 2011 | <u>\$ 121</u> | <u>\$ 2</u> | <u>\$123</u> |
| Losses attributable to assets still held as of July 30, 2011 | \$ — | \$ (1) | \$(1) |

| Employee Stock Benefit Plans - Additional Information (Detail) (USD \$) | 0 | 12 Months Ended | | | 12 Months Ended | | | 12 Months Ended | | | 12 | 1 | 12 Months Ended | | | 12 Months Ended | | | | | | |
|--|---------------|--------------------|---------------|---------------|-----------------|--|---------------------------------|--|--|--|--|--------------------|--------------------|---|--|-------------------------------------|-------------------------------------|-------------------------------------|---|---|--|--|
| | Months Ended | 12 Months Ended | | | 12 Months Ended | | | 12 Months Ended | | | Months Ended | Months Ended | 12 Months Ended | | | 12 Months Ended | | | | | | |
| | Mar. 17, 2011 | Jul. 28, 2012 Year | Jul. 30, 2011 | Jul. 31, 2010 | Jul. 27, 2012 | Performance Based Restricted Stock Units | Dec. 31, 2007 Supplemental Plan | Jul. 28, 2012 Employee Stock Purchase Rights | Jul. 30, 2011 Employee Stock Purchase Rights | Jul. 31, 2010 Employee Stock Purchase Rights | Jul. 28, 2012 Employee Stock Purchase Rights | Nov. 12, 2009 Plan | Nov. 15, 2007 Plan | 12 Months Ended Jul. 28, 2012 2005 Plan Time Based Stock Grants and Purchase Rights | Nov. 12, 2009 Employee Stock Purchase Rights | Jul. 28, 2012 Employee 401(K) Plans | Jul. 30, 2011 Employee 401(K) Plans | Jul. 31, 2010 Employee 401(K) Plans | Jul. 28, 2012 Deferred Compensation Plans | Jul. 30, 2011 Deferred Compensation Plans | Jul. 28, 2012 Defined Pension Employee 401(K) Plans Employee Maximum | Jul. 28, 2012 Defined Pension Deferred Compensation Plans Employee Maximum |
| Share-based Compensation Arrangement by Share-based Payment Award [Line Items] | | | | | | | | | | | | | | | | | | | | | | |
| Number of stock incentive plans | 5 | | | | | | | | | | | | | | | | | | | | | |
| Shares reserved in employee stock incentive plan | | | | | | 9,000,000 | | | | | | 559,000,000 | | 2,500,000,000 | | | | | | | | |
| Reduction in number of shares available for issuance after amendment | | | | | | | | | | | 1.5 | | | | | | | | | | | |
| Stock options and stock appreciation rights exercise price percentage of the fair market value of the underlying stock on the grant date | | | | | | | | | 100.00% | | | | | 100.00% | | | | | | | | |
| Prior to 11/12/09, expiration date for stock options and stock appreciation rights, max time from grant date prior to date, in years | | | | | | | | | | | | | | Nine | Nine | | | | | | | |
| After 11/12/09, expiration date for stock options and stock appreciation rights, max time from grant date prior to date, in years | | | | | | | | | 10 | | | | | | | | | | | | | |
| Percentage in which stock options and RSUs become exercisable for within one year from the date of grant, minimum | | | | | | | | | 20.00% | | | | | 20.00% | 20.00% | | | | | | | |
| Percentage in which stock options and RSUs become exercisable for within one year from the date of grant, maximum | | | | | | | | | 25.00% | | | | | 25.00% | 25.00% | | | | | | | |
| Stock options exercisable, period after grant date | | | | | | | | | 1 year | | | | | 1 year | | | | | | | | |
| Number of months in which stock options ratably exercise, minimum | | | | | | | | | 36 | | | | | 36 | | | | | | | | |
| Number of months in which stock options ratably exercise, maximum | | | | | | | | | 48 | | | | | 48 | | | | | | | | |
| Ratable vesting period, months | | | | | | | | | | | | | | 60 | | | | | | | | |
| ESPP-Shares reserved | 471,400,000 | | | | | | | | | | | | | | | | | | | | | |
| ESPP-Deferring Period Plan Description | | | | | | | | | | | | | | | | | | | | | | |
| ESPP-Termination of Purchase Plan | | | | | | | | | | | | | | | | | | | | | | |
| ESPP-Discount rate | | | | | | | | | | | | | | | | | | | | | | |
| Shares issued under employee purchase plan | | 35,000,000 | 34,000,000 | 27,000,000 | | | | | | | | | | | | | | | | | | |
| ESPP-shares available for issuance | | 87,000,000 | | | | | | | | | | | | | | | | | | | | |
| Total compensation cost related to unvested share-based awards | | \$ 2,000,000,000 | | | | | | | | | | | | | | | | | | | | |
| Expected period of recognition of compensation cost, years | | 2.4 | | | | | | | | | | | | | | | | | | | | |
| Income tax benefit for employee share-based compensation expense | | 335,000,000 | 444,000,000 | 415,000,000 | | | | | | | | | | | | | | | | | | |
| Total pretax intrinsic value | | 333,000,000 | 312,000,000 | 1,000,000,000 | | | | | | | | | | | | | | | | | | |
| Closing stock price | | | | | | | | | | | | | | | | | | | | | \$ 15.69 | |
| In-the-money exercisable stock option shares | | 10,000,000 | | | | | | | | | | | | | | | | | | | | |
| Stock Options Exercisable | | 512,000,000 | 575,000,000 | | | | | | | | | | | | | | | | | | | |
| Stock Options Exercisable, Weighted-Average Exercise Price per Share | | \$ 22.65 | \$ 21.37 | | | | | | | | | | | | | | | | | | | |
| Performance restricted stock and stock unit awards or ("PSUs"), granted in period | | | | | | 2,000,000 | | | | | | | | | | | | | | | | |
| Expected dividend yield | | 0.00% | | | | | | 1.50% | 0.00% | 0.00% | | | | | | | | | | | | |
| Employee contribution minimum rate | | | | | | | | | | | | | | | 1.00% | | | | | | | |
| Employee contribution maximum rate | | | | | | | | | | | | | | | 75.00% | | | | | | | |
| Company maximum match rate | | | | | | | | | | | | | | | 100.00% | | | | | | | |
| Company match on employee contribution | | | | | | | | | | | | | | | 4.50% | | | 4.50% | | | | |
| Maximum matching contribution allocated to each participant | | 11,250 | | | | | | | | | | | | | | | | | | | | |
| Annual limit on eligible earnings | | | | | | | | | | | | | | | | | | | | | 250,000 | 1,500,000 |
| Company's matching contributions | | | | | | | | | | | | | | | 231,000,000 | 239,000,000 | 210,000,000 | | | | | |
| Deferred compensation liability | | | | | | | | | | | | | | | | | | | \$ 355,000,000 | \$ 375,000,000 | | |

Segment Information and Major Customers

12 Months Ended
Jul. 28, 2012

[Segment Information and Major Customers](#)

16. Segment Information and Major Customers

(a) Net Sales and Gross Margin by Segment

The Company conducts business globally and is primarily managed on a geographic basis consisting of three segments: the Americas; EMEA; and APJC. In fiscal 2011, the Company had been organized into the following four segments: United States and Canada, European Markets, Emerging Markets, and Asia Pacific Markets. As a result of this segment change effective in the first quarter of fiscal 2012, countries within the former Emerging Markets segment were consolidated into either EMEA or the Americas segment depending on their respective geographic locations. The Company has reclassified the segment data for the prior period to conform to the current year's presentation.

The Company's management makes financial decisions and allocates resources based on the information it receives from its internal management system. Sales are attributed to a segment based on the ordering location of the customer. The Company does not allocate research and development, sales and marketing, or general and administrative expenses to its segments in this internal management system because management does not include the information in its measurement of the performance of the operating segments. In addition, the Company does not allocate amortization of acquisition-related intangible assets, share-based compensation expense, charges related to asset impairments and restructurings, and certain other charges to the gross margin for each segment because management does not include this information in its measurement of the performance of the operating segments. Summarized financial information by segment for fiscal 2012, 2011, and 2010, based on the Company's internal management system and as utilized by the Company's Chief Operating Decision Maker ("CODM"), is as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------------------|---------------|---------------|---------------|
| Net sales: | | | |
| Americas | \$ 26,501 | \$ 25,015 | \$ 23,334 |
| EMEA | 12,075 | 11,604 | 10,825 |
| APJC | 7,485 | 6,599 | 5,881 |
| Total | \$ 46,061 | \$ 43,218 | \$ 40,040 |
| Gross margin: | | | |
| Americas | 16,639 | 15,766 | 15,042 |
| EMEA | 7,605 | 7,452 | 7,235 |
| APJC | 4,519 | 4,143 | 3,842 |
| Segment total | 28,763 | 27,361 | 26,119 |
| Unallocated corporate items | (554) | (825) | (476) |
| Total | \$ 28,209 | \$ 26,536 | \$ 25,643 |

Net sales in the United States, which is included in the Americas, were \$22.6 billion, \$21.5 billion, and \$20.4 billion for fiscal 2012, 2011, and 2010, respectively.

(b) Net Sales for Groups of Similar Products and Services

The Company designs, manufactures, and sells Internet Protocol (“IP”)-based networking and other products related to the communications and IT industry and provides services associated with these products and their use. The Company formerly grouped its products and technologies into categories of Switches, Routers, New Products, and Other. Effective in the first quarter of fiscal 2012, the Company recategorized its products and technologies into the following categories: Switching, NGN Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other Products. These products, primarily integrated by Cisco IOS Software, link geographically dispersed local-area networks (“LANs”), metropolitan-area networks (“MANs”), and wide-area networks (“WANs”). The Company has reclassified the prior periods to conform to the current year’s presentation.

The following table presents net sales for groups of similar products and services (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|------------------------|-------------------------|----------------------|----------------------|
| Net sales: | | | |
| Switching | \$ 14,531 | \$ 14,130 | \$ 14,074 |
| NGN Routing | 8,425 | 8,264 | 7,868 |
| Collaboration | 4,139 | 4,013 | 2,981 |
| Service Provider Video | 3,858 | 3,483 | 3,294 |
| Wireless | 1,699 | 1,427 | 1,134 |
| Security | 1,349 | 1,200 | 1,302 |
| Data Center | 1,298 | 694 | 196 |
| Other | 1,027 | 1,315 | 1,571 |
| Product | 36,326 | 34,526 | 32,420 |
| Service | 9,735 | 8,692 | 7,620 |
| Total | <u>\$ 46,061</u> | <u>\$ 43,218</u> | <u>\$ 40,040</u> |

(c) Additional Segment Information

The majority of the Company’s assets, excluding cash and cash equivalents and investments, as of July 28, 2012 and July 30, 2011 were attributable to its U.S. operations. The Company’s total cash and cash equivalents and investments held by various foreign subsidiaries were \$42.5 billion and \$39.8 billion as of July 28, 2012 and July 30, 2011, respectively, and the remaining \$6.2 billion and \$4.8 billion at the respective fiscal year ends was available in the United States. In fiscal 2012, 2011, and 2010, no single customer accounted for 10% or more of the Company’s net sales.

Property and equipment information is based on the physical location of the assets. The following table presents property and equipment information for geographic areas (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|-------------------------------------|------------------------|----------------------|----------------------|
| Property and equipment, net: | | | |
| United States | \$ 2,842 | \$ 3,284 | \$ 3,283 |
| International | 560 | 632 | 658 |
| Total | <u>\$ 3,402</u> | <u>\$ 3,916</u> | <u>\$ 3,941</u> |

**Investments (Summary Of
Available-For-Sale
Investments) (Detail) (USD
\$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|-----------|-----------|
| <u>Amortized Cost</u> | \$ 38,263 | \$ 36,135 |
| <u>Gross Unrealized Gains</u> | 669 | 810 |
| <u>Gross Unrealized Losses</u> | (15) | (22) |
| <u>Fair Value</u> | 38,917 | 36,923 |

Publicly Traded Equity Securities

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|-------|-------|
| <u>Amortized Cost</u> | 1,107 | 734 |
| <u>Gross Unrealized Gains</u> | 524 | 639 |
| <u>Gross Unrealized Losses</u> | (11) | (12) |
| <u>Fair Value</u> | 1,620 | 1,361 |

Total Fixed Income Securities

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|--------|--------|
| <u>Amortized Cost</u> | 37,156 | 35,401 |
| <u>Gross Unrealized Gains</u> | 145 | 171 |
| <u>Gross Unrealized Losses</u> | (4) | (10) |
| <u>Fair Value</u> | 37,297 | 35,562 |

Total Fixed Income Securities | U.S. Government Securities

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|--------|--------|
| <u>Amortized Cost</u> | 24,201 | 19,087 |
| <u>Gross Unrealized Gains</u> | 41 | 52 |
| <u>Gross Unrealized Losses</u> | (1) | |
| <u>Fair Value</u> | 24,241 | 19,139 |

Total Fixed Income Securities | U.S. Government Agency Securities

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|-------|-------|
| <u>Amortized Cost</u> | 5,367 | 8,742 |
| <u>Gross Unrealized Gains</u> | 21 | 35 |
| <u>Gross Unrealized Losses</u> | | (1) |
| <u>Fair Value</u> | 5,388 | 8,776 |

Total Fixed Income Securities | Non-U.S. Government And Agency Securities

Available-for-sale investments: [Line Items]

| | | |
|--------------------------------|-------|-------|
| <u>Amortized Cost</u> | 1,629 | 3,119 |
| <u>Gross Unrealized Gains</u> | 9 | 14 |
| <u>Gross Unrealized Losses</u> | | (1) |
| <u>Fair Value</u> | 1,638 | 3,132 |

Total Fixed Income Securities | Corporate Debt Securities

Available-for-sale investments: [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Amortized Cost</u> | 5,959 | 4,333 |
|-----------------------|-------|-------|

| | | |
|--|-------|--------|
| <u>Gross Unrealized Gains</u> | 74 | 65 |
| <u>Gross Unrealized Losses</u> | (3) | (4) |
| <u>Fair Value</u> | 6,030 | 4,394 |
| Total Fixed Income Securities Asset-Backed Securities | | |
| <u>Available-for-sale investments: [Line Items]</u> | | |
| <u>Amortized Cost</u> | | 120 |
| <u>Gross Unrealized Gains</u> | | 5 |
| <u>Gross Unrealized Losses</u> | | (4) |
| <u>Fair Value</u> | | \$ 121 |

**Income Taxes (Income
Before Provision For Income
Taxes) (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Income Taxes

United States

\$ 3,235 \$ 1,214 \$ 1,102

International

6,924 6,611 8,313

INCOME BEFORE PROVISION FOR INCOME TAXES

\$ 10,159 \$ 7,825 \$ 9,415

**Consolidated Statements Of
Equity (Parenthetical) (USD
\$)**

**12 Months Ended
Jul. 28, 2012 Jul. 30, 2011**

Cash dividends declared, per common share \$ 0.28 \$ 0.12

**Consolidated Balance Sheets
(Parenthetical) (USD \$)**

**In Millions, except Per Share
data, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

| | | |
|---|----------|----------|
| <u>Accounts receivable, allowance for doubtful accounts</u> | \$ 207 | \$ 204 |
| <u>Preferred stock, par value</u> | \$ 0 | \$ 0 |
| <u>Preferred stock, shares authorized</u> | 5 | 5 |
| <u>Preferred stock, issued</u> | 0 | 0 |
| <u>Preferred stock, outstanding</u> | 0 | 0 |
| <u>Common stock, par value</u> | \$ 0.001 | \$ 0.001 |
| <u>Common stock, shares authorized</u> | 20,000 | 20,000 |
| <u>Common stock, shares issued</u> | 5,298 | 5,435 |
| <u>Common stock, shares outstanding</u> | 5,298 | 5,435 |

Fair Value

**12 Months Ended
Jul. 28, 2012**

[Fair Value](#)

9. Fair Value

Fair value is defined 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 or permitted to be either recorded or disclosed at fair value, the Company considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

(a) Fair Value Hierarchy

The accounting guidance for fair value measurement requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

(b) Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of July 28, 2012 and July 30, 2011 were as follows (in millions):

| | JULY 28, 2012 | | | | JULY 30, 2011 | | | |
|-----------------------------------|-------------------------|---------|---------|------------------|-------------------------|---------|---------|------------------|
| | FAIR VALUE MEASUREMENTS | | | | FAIR VALUE MEASUREMENTS | | | |
| | Level 1 | Level 2 | Level 3 | Total Balance | Level 1 | Level 2 | Level 3 | Total Balance |
| Assets | | | | | | | | |
| Cash equivalents: | | | | | | | | |
| Money market funds | \$2,506 | \$— | \$— | \$2,506 | \$5,852 | \$— | \$— | \$5,852 |
| U.S. government agency securities | — | — | — | — | — | 1 | — | 1 |

| | | | | | | | | |
|-----------------------------------|----------------|-----------------|------------|-----------------|----------------|-----------------|--------------|-----------------|
| Available-for-sale investments: | | | | | | | | |
| U.S. | | | | | | | | |
| government securities | — | 24,241 | — | 24,241 | — | 19,139 | — | 19,139 |
| U.S. | | | | | | | | |
| government agency securities | — | 5,388 | — | 5,388 | — | 8,776 | — | 8,776 |
| Non-U.S. | | | | | | | | |
| government and agency securities | — | 1,638 | — | 1,638 | — | 3,132 | — | 3,132 |
| Corporate debt securities | — | 6,030 | — | 6,030 | — | 4,394 | — | 4,394 |
| Asset-backed securities | — | — | — | — | — | — | 121 | 121 |
| Publicly traded equity securities | 1,620 | — | — | 1,620 | 1,361 | — | — | 1,361 |
| Derivative assets | — | 263 | 1 | 264 | — | 220 | 2 | 222 |
| Total | <u>\$4,126</u> | <u>\$37,560</u> | <u>\$1</u> | <u>\$41,687</u> | <u>\$7,213</u> | <u>\$35,662</u> | <u>\$123</u> | <u>\$42,998</u> |
| Liabilities: | | | | | | | | |
| Derivative liabilities | \$— | \$42 | \$— | \$42 | \$— | \$24 | \$— | \$24 |
| Total | <u>\$—</u> | <u>\$42</u> | <u>\$—</u> | <u>\$42</u> | <u>\$—</u> | <u>\$24</u> | <u>\$—</u> | <u>\$24</u> |

Level 2 fixed income securities are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets and liabilities. The Company uses such pricing data as the primary input to make its assessments and determinations as to the ultimate valuation of its investment portfolio and has not made, during the periods presented, any material adjustments to such inputs. The Company is ultimately responsible for the financial statements and underlying estimates. The Company's derivative instruments are primarily classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

Level 3 assets include certain derivative instruments, the values of which are determined based on discounted cash flow models using inputs that the Company could not corroborate with market data.

The following tables present a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 28, 2012 and July 30, 2011 (in millions):

| | Asset- Backed Securities | Derivative Assets | Total |
|--|--------------------------------|----------------------|--------------|
| Balance at July 30, 2011 | \$ 121 | \$ 2 | \$123 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | — | 3 |
| Included in other comprehensive income | (3) | — | (3) |
| Sales | (14) | (1) | (15) |
| Transfer into Level 2 | (107) | — | (107) |
| Balance at July 28, 2012 | \$— | \$ 1 | \$1 |

The Company's asset-backed securities, prior to being sold, were reclassified from Level 3 to Level 2 during fiscal 2012, as the Company observed an increase in market activity and that observable market data was available for these financial assets.

| | Asset- Backed Securities | Derivative Assets | Total |
|--|--------------------------------|----------------------|--------|
| Balance at July 31, 2010 | \$ 149 | \$ 3 | \$152 |
| Total gains and losses (realized and unrealized): | | | |
| Included in other income, net | 3 | (1) | 2 |
| Purchases, sales and maturities | (31) | — | (31) |
| Balance at July 30, 2011 | \$ 121 | \$ 2 | \$123 |
| Losses attributable to assets still held as of July 30, 2011 | \$ — | \$ (1) | \$(1) |

(c) Assets Measured at Fair Value on a Nonrecurring Basis

The following tables present the Company's financial instruments and nonfinancial assets that were measured at fair value on a nonrecurring basis during the indicated periods and the related recognized gains and losses for the periods (in millions):

| | July 28, 2012 | | July 30, 2011 | | July 31, 2010 | |
|---|---|--|---|--|---|--|
| | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended | Net Carrying Value as of Year End | Total Gains (Losses) for the Year Ended |
| Property held for sale | \$ 63 | \$ (413) | \$ 20 | \$ (38) | \$ 25 | \$ (86) |
| Investments in privately held companies | \$ 47 | (23) | \$ 13 | (10) | \$ 45 | (25) |
| Purchased intangible assets | \$ — | (12) | \$ — | (164) | \$ — | (28) |

| | | | | | | |
|--|------|------------------|--------|------------------|------|------------------|
| Manufacturing operations held for sale | \$ — | — | \$ 167 | (61) | \$ — | — |
| Gains on assets no longer held at end of fiscal year | | <u>14</u> | | <u>—</u> | | <u>2</u> |
| Total losses for nonrecurring measurements | | <u>\$ (434)</u> | | <u>\$ (273)</u> | | <u>\$ (137)</u> |

The assets in the preceding table were measured at fair value due to events or circumstances the Company identified as having significant impact on their fair value during the respective periods. To arrive at the valuation of these assets, the Company considers any significant changes in the financial metrics and economic variables and also uses third-party valuation reports to assist in the valuation as necessary. These assets were classified as Level 3 assets because the Company used unobservable inputs to value them.

The property held for sale represents land and buildings which met the criteria to be classified as held for sale. The fair value of property held for sale was measured with the assistance of third-party valuation models which used comparable property values or discounted cash flow techniques as part of its analysis. The fair value measurement was categorized as Level 3 as significant unobservable inputs were used in the valuation report. The impairment charges as a result of the valuations, which represented the difference between the fair value less cost to sell and the carrying amount of the assets held for sale, were included in G&A expenses.

The fair value measurement of the impaired investments was classified as Level 3 because significant unobservable inputs were used in the valuation due to the absence of quoted market prices and inherent lack of liquidity. Significant unobservable inputs, which included financial metrics of comparable private and public companies, financial condition and near-term prospects of the investees, recent financing activities of the investee, and the investee's capital structure as well as other economic variables, reflected the assumptions market participants would use in pricing these assets. The impairment charges, representing the difference between the cost and the fair value as a result of the evaluation, were recorded to other income, net.

The fair value of purchased intangible assets measured at fair value on a nonrecurring basis was categorized as Level 3 due to the use of significant unobservable inputs in the valuation. Significant unobservable inputs that were used included expected revenues and net income related to the assets and the expected life of the assets. The difference between the estimated fair value and the carrying value of the assets was recorded as an impairment charge. For the years ended July 28, 2012, July 30, 2011, and July 31, 2010, such impairment charges were recorded in cost of sales and operating expenses as appropriate. See Note 4.

The loss related to the manufacturing operations held for sale was primarily related to a reduction in goodwill related to the sale of the Company's set-top box manufacturing operations in Juarez, Mexico. See Note 5. This goodwill reduction represents the difference between the carrying value and the implied fair value of the goodwill associated with the disposal group being evaluated.

(d) Other Fair Value Disclosures

As of July 28, 2012, the carrying value of the Company's investments in privately held companies that were accounted for under the cost method was \$249 million. It was not practicable to estimate the fair value of this portfolio.

The fair value of the Company's short-term loan receivables and financed service contracts approximates their carrying value due to their short duration.

The aggregate carrying value of the Company's long-term loan receivables and financed service contracts and other as of July 28, 2012 and July 30, 2011 was \$1.9 billion and \$2.0 billion, respectively. The estimated fair value of the Company's long-term loan receivables and financed service contracts and other approximates their carrying value. The Company uses significant unobservable inputs in determining discounted cash flows to estimate the fair value of its long-term loan receivables and financed service contracts and therefore they are categorized as Level 3.

As of July 28, 2012, the fair value of the Company's long-term debt was \$18.8 billion with a carrying amount of \$16.3 billion. This compares to a fair value of \$17.4 billion and a carrying amount of \$16.2 billion as of July 30, 2011. The fair value of the long-term debt was determined based on observable market prices in a less active market and was categorized as Level 2 in the fair value hierarchy.

**Employee Benefit Plans
(Summary Of Significant
Ranges Of Outstanding And
Exercisable Stock Options)
(Detail) (USD \$)**

12 Months Ended

In Millions, except Per Share data, unless otherwise specified

**Share-based Compensation
Arrangement by Share-
based Payment Award [Line
Items]**

| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 | Jul. 25, 2009 | Jul. 28, 2012 \$0.01-15.00 | Jul. 28, 2012 15.01-18.00 | Jul. 28, 2012 18.01-20.00 | Jul. 28, 2012 20.01-25.00 | Jul. 28, 2012 25.01-35.00 |
|--|---------------|---------------|---------------|---------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <u>Range of Exercise Price of Stock Options Outstanding and Exercisable, minimum</u> | | | | | \$ 0.01 | \$ 15.01 | \$ 18.01 | \$ 20.01 | \$ 25.01 |
| <u>Range of Exercise Price of Stock Options Outstanding and Exercisable, maximum</u> | | | | | \$ 15.00 | \$ 18.00 | \$ 20.00 | \$ 25.00 | \$ 35.00 |
| <u>Stock Options Outstanding</u> | 520 | 621 | 732 | 1,004 | 10 | 83 | 150 | 143 | 134 |
| <u>Stock Options Outstanding, Weighted-Average Remaining Contractual Life (in Years)</u> | 2.53 | | | 4.10 | | 2.12 | 0.93 | 2.87 | 4.08 |
| <u>Stock Options Outstanding, Weighted-Average Exercise Price per Share</u> | \$ 22.68 | \$ 21.79 | \$ 21.39 | \$ 24.29 | \$ 6.95 | \$ 17.79 | \$ 19.31 | \$ 22.75 | \$ 30.64 |
| <u>Stock Options Outstanding, Aggregate Intrinsic Value</u> | \$ 92 | | | \$ 92 | | | | | |
| <u>Stock Options Exercisable</u> | 512 | 575 | | 9 | 83 | 150 | 141 | 129 | |
| <u>Stock Options Exercisable, Weighted-Average Exercise Price per Share</u> | \$ 22.65 | \$ 21.37 | | \$ 7.18 | \$ 17.79 | \$ 19.31 | \$ 22.76 | \$ 30.67 | |
| <u>Stock Options Exercisable, Aggregate Intrinsic Value</u> | \$ 82 | | | \$ 82 | | | | | |

| Shareholders' Equity - Additional Information (Detail) (USD \$) Share data in Millions, except Per Share data, unless otherwise specified | 12 Months Ended | | 1 Months Ended |
|--|-----------------|------------------|---------------------------------------|
| | Jul. 28, 2012 | Jul. 30, 2011 | Aug. 14, 2012 Dividend Declared |
| <u>Shareholders Equity [Line Items]</u> | | | |
| <u>Authorized common stock repurchase amount</u> | \$ | | |
| | 82,000,000,000 | | |
| <u>Remaining authorized repurchase amount</u> | 5,900,000,000 | | |
| <u>Cash dividends paid per common share</u> | \$ 0.28 | \$ 0.12 | |
| <u>Cash dividends paid</u> | 1,501,000,000 | 658,000,000 | |
| <u>Dividend declared per common share to be paid</u> | \$ 0.28 | \$ 0.12 | \$ 0.14 |
| <u>Dividend declared date</u> | | | Aug. 14, 2012 |
| <u>Dividend payable date</u> | | | Oct. 28, 2012 |
| <u>Shares repurchased in settlement of employee tax withholding obligations</u> | 12 | 10 | |
| <u>Dollar value of shares repurchased in settlement of employee tax withholding obligations</u> | \$ 200,000,000 | \$ | |
| | | 183,000,000 | |

**Commitments and
Contingencies (Schedule Of
Future Minimum Lease
Payments Under All
Noncancelable Operating
Leases) (Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012

Commitments and Contingencies [Abstract]

| | |
|-------------------|----------|
| <u>2013</u> | \$ 328 |
| <u>2014</u> | 243 |
| <u>2015</u> | 199 |
| <u>2016</u> | 97 |
| <u>2017</u> | 70 |
| <u>Thereafter</u> | 202 |
| <u>Total</u> | \$ 1,139 |

**Valuation And Qualifying
Accounts (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Lease Receivables

Valuation and Qualifying Accounts Disclosure [Line Items]

| | | | |
|--|--------|--------|--------|
| <u>Balance at beginning of fiscal year</u> | \$ 237 | \$ 207 | \$ 213 |
| <u>Provisions</u> | 22 | 31 | 25 |
| <u>Write-offs net of recoveries</u> | (2) | (13) | (1) |
| <u>Foreign exchange and other</u> | (10) | 12 | (30) |
| <u>Balance at end of fiscal year</u> | 247 | 237 | 207 |

Loan Receivables

Valuation and Qualifying Accounts Disclosure [Line Items]

| | | | |
|--|-----|------|------|
| <u>Balance at beginning of fiscal year</u> | 103 | 73 | 88 |
| <u>Provisions</u> | 22 | 43 | 43 |
| <u>Write-offs net of recoveries</u> | | (18) | (69) |
| <u>Foreign exchange and other</u> | (3) | 5 | 11 |
| <u>Balance at end of fiscal year</u> | 122 | 103 | 73 |

Accounts Receivable

Valuation and Qualifying Accounts Disclosure [Line Items]

| | | | |
|--|--------|--------|--------|
| <u>Balance at beginning of fiscal year</u> | 204 | 235 | 216 |
| <u>Provisions</u> | 19 | 7 | 44 |
| <u>Write-offs net of recoveries</u> | (16) | (38) | (25) |
| <u>Balance at end of fiscal year</u> | \$ 207 | \$ 204 | \$ 235 |

| Document and Entity Information (USD \$) | 12 Months Ended | | |
|---|-------------------------|----------------------|----------------------|
| | Jul. 28, 2012 | Sep. 05, 2012 | Jan. 27, 2012 |
| <u>Document Information [Line Items]</u> | | | |
| <u>Document Type</u> | 10-K | | |
| <u>Amendment Flag</u> | false | | |
| <u>Document Period End Date</u> | Jul. 28, 2012 | | |
| <u>Document Fiscal Year Focus</u> | 2012 | | |
| <u>Document Fiscal Period Focus</u> | FY | | |
| <u>Trading Symbol</u> | CSCO | | |
| <u>Entity Registrant Name</u> | CISCO SYSTEMS, INC. | | |
| <u>Entity Central Index Key</u> | 0000858877 | | |
| <u>Current Fiscal Year End Date</u> | --07-28 | | |
| <u>Entity Well-known Seasoned Issuer</u> | Yes | | |
| <u>Entity Current Reporting Status</u> | Yes | | |
| <u>Entity Voluntary Filers</u> | No | | |
| <u>Entity Filer Category</u> | Large Accelerated Filer | | |
| <u>Entity Common Stock, Shares Outstanding</u> | | 5,290,061,557 | |
| <u>Entity Public Float</u> | | | \$ 105,101,493,544 |

Borrowings

**12 Months Ended
Jul. 28, 2012**

Borrowings

10. Borrowings

(a) Short-Term Debt

The following table summarizes the Company's short-term debt (in millions, except percentages):

| | July 28, 2012 | | | July 30, 2011 | | |
|----------------------------|---------------------|------------------|---|----------------------|------------------|---|
| | Amount | Weighted-Average | | Amount | Weighted-Average | |
| | | Interest Rate | | | Interest Rate | |
| Commercial paper | \$ — | — | | \$ 500 | 0.14 | % |
| Other notes and borrowings | <u>31</u> | 6.72 | % | <u>88</u> | 4.59 | % |
| Total short-term debt | <u>\$ 31</u> | | | <u>\$ 588</u> | | |

In fiscal 2011, the Company established a short-term debt financing program of up to \$3.0 billion through the issuance of commercial paper notes. The Company uses the proceeds from the issuance of commercial paper notes for general corporate purposes.

Other notes and borrowings in the preceding table consist of notes and credit facilities established with a number of financial institutions that are available to certain foreign subsidiaries of the Company. These notes and credit facilities are subject to various terms and foreign currency market interest rates pursuant to individual financial arrangements between the financing institution and the applicable foreign subsidiary.

As of July 28, 2012 and July 30, 2011, the estimated fair value of the short-term debt approximates its carrying value due to the short maturities.

(b) Long-Term Debt

The following table summarizes the Company's long-term debt (in millions, except percentages):

| | July 28, 2012 | | | July 30, 2011 | | |
|-----------------------------------|----------------|----------------|---|---------------|----------------|---|
| | Amount | Effective Rate | | Amount | Effective Rate | |
| Senior Notes: | | | | | | |
| Floating-rate notes, due 2014 | \$1,250 | 0.81 | % | \$1,250 | 0.60 | % |
| 1.625% fixed-rate notes, due 2014 | 2,000 | 0.84 | % | 2,000 | 0.58 | % |
| 2.90% fixed-rate notes, due 2014 | 500 | 3.11 | % | 500 | 3.11 | % |
| 5.50% fixed-rate notes, due 2016 | 3,000 | 3.16 | % | 3,000 | 3.06 | % |
| 3.15% fixed-rate notes, due 2017 | 750 | 1.03 | % | 750 | 0.81 | % |
| 4.95% fixed-rate notes, due 2019 | 2,000 | 5.08 | % | 2,000 | 5.08 | % |
| 4.45% fixed-rate notes, due 2020 | 2,500 | 4.50 | % | 2,500 | 4.50 | % |

| | | | | | | |
|---|-----------------|------|---|-----------------|------|---|
| 5.90% fixed-rate notes, due 2039 | 2,000 | 6.11 | % | 2,000 | 6.11 | % |
| 5.50% fixed-rate notes, due 2040 | 2,000 | 5.67 | % | 2,000 | 5.67 | % |
| Total | 16,000 | | | 16,000 | | |
| Other long-term debt | 10 | 0.19 | % | — | | |
| Unaccreted discount | (70) | | | (73) | | |
| Hedge accounting fair value adjustments | 357 | | | 307 | | |
| Total long-term debt | <u>\$16,297</u> | | | <u>\$16,234</u> | | |

To achieve its interest rate risk management objectives, the Company entered into interest rate swaps with an aggregate notional amount of \$4.25 billion designated as fair value hedges of certain fixed-rate senior notes. In effect, these swaps convert the fixed interest rates of the fixed-rate notes to floating interest rates based on the London InterBank Offered Rate (“LIBOR”). The gains and losses related to changes in the fair value of the interest rate swaps substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to the changes in market interest rates. See Note 11.

The effective rates for the fixed-rate debt include the interest on the notes, the accretion of the discount, and, if applicable, adjustments related to hedging. Interest is payable semiannually on each class of the senior fixed-rate notes and payable quarterly on the floating-rate notes. Each of the senior fixed-rate notes is redeemable by the Company at any time, subject to a make-whole premium.

The senior notes rank at par with the issued commercial paper notes, as well as any other commercial paper notes that may be issued in the future pursuant to the short-term debt financing program, as discussed earlier under “Short-Term Debt.” As of July 28, 2012, the Company was in compliance with all debt covenants.

Future principal payments for long-term debt as of July 28, 2012 are summarized as follows (in millions):

| | Fiscal Year | Amount |
|------------|-------------|-----------------|
| 2013 | | \$— |
| 2014 | | 3,260 |
| 2015 | | 500 |
| 2016 | | 3,000 |
| 2017 | | 750 |
| Thereafter | | 8,500 |
| Total | | <u>\$16,010</u> |

(c) Credit Facility

On February 17, 2012, the Company entered into a credit agreement with certain institutional lenders that provides for a \$3.0 billion unsecured revolving credit facility that is scheduled to expire on February 17, 2017. Any advances under the credit agreement will accrue interest at rates that are equal to, based on certain conditions, either (i) the higher of the Federal Funds rate plus 0.50%, Bank of America’s “prime rate” as announced from time to time, or one-month LIBOR plus 1.00%, or (ii) LIBOR plus a margin that is based on the Company’s senior debt

credit ratings as published by Standard & Poor's Financial Services, LLC and Moody's Investors Service, Inc. The credit agreement requires the Company to comply with certain covenants, including that it maintains an interest coverage ratio as defined in the agreement. As of July 28, 2012, the Company was in compliance with all such required covenants, and the Company had not borrowed any funds under the credit facility.

The Company may also, upon the agreement of either the then-existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional \$2.0 billion and/or extend the expiration date of the credit facility up to February 17, 2019.

This credit facility replaces the Company's prior credit facility that was entered into on August 17, 2007, which was terminated in connection with its entering into the new credit facility.

| Borrowings - Additional Information (Detail) (USD \$) | 12 Months Ended Jul. 28, 2012 | Jul. 30, 2011 |
|---|---|----------------------|
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Short-term debt financing program</u> | \$ 3,000,000,000 | \$ 3,000,000,000 |
| <u>Notional amount of interest rate derivatives</u> | 0 | 0 |
| <u>Increase to maximum borrowing capacity-Maturity Date</u> | Feb. 17, 2019 | |
| Unsecured Revolving Credit Facility | | |
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Maximum borrowing capacity</u> | 3,000,000,000 | |
| <u>Maturity date</u> | February 17, 2017 | |
| <u>LIBOR plus margin based on the Company's senior debt S&P or Moody's credit ratings description</u> | either (i) the higher of the Federal Funds rate plus 0.50%, Bank of America's "prime rate" as announced from time to time, or one-month LIBOR plus 1.00%, or (ii) LIBOR plus a margin | |
| <u>Interest Rate-Federal Funds rate plus 0.50%</u> | 0.50% | |
| <u>Interest rate-one-month LIBOR plus 1.00%</u> | 1.00% | |
| <u>Increase to maximum borrowing capacity</u> | 2,000,000,000 | |
| Senior Notes Issued March 2011 | | |
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Notional amount of interest rate derivatives</u> | \$ 4,250,000,000 | |

| Commitments and Contingencies - Additional Information (Detail) (USD \$) | 12 Months Ended | | | 36 Months Ended |
|---|-----------------|----------------|------------------|--------------------|
| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 | Jul. 28, 2012 |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Rent expense</u> | \$ 404,000,000 | \$ 428,000,000 | \$ 364,000,000 | |
| <u>Investor Funding Commitments</u> | 3,869,000,000 | 4,313,000,000 | | 3,869,000,000 |
| <u>Liability for purchase commitments</u> | 193,000,000 | 168,000,000 | | 193,000,000 |
| <u>Future compensation expense & contingent consideration</u> | 789,000,000 | | | |
| <u>VCE-Cumulative Investor Ownership</u> | 35.00% | | | 35.00% |
| <u>Percentage of VCE's losses</u> | 36.80% | 36.80% | 35.00% | |
| <u>Losses from VCE</u> | (160,000,000) | (76,000,000) | (3,000,000) | (239,000,000) |
| <u>VCE-Carrying Value</u> | 153,000,000 | | | 153,000,000 |
| <u>Ownership percentage as a result of investment</u> | 86.00% | | | 86.00% |
| <u>Brazilian authority claim of import tax evasion by importer, tax portion</u> | 427,000,000 | | | 427,000,000 |
| <u>Brazilian authority claim of import tax evasion by importer, interest portion</u> | 1,000,000,000 | | | 1,000,000,000 |
| <u>Brazilian authority claim of import tax evasion by importer, penalties portion</u> | 1,900,000,000 | | | 1,900,000,000 |
| Acquisition | | | | |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Compensation expense connection with the business combinations and asset purchases</u> | 50,000,000 | 127,000,000 | 120,000,000 | |
| Insieme Networks Inc | | | | |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Future compensation expense & contingent consideration</u> | 750,000,000 | | | |
| <u>Investment in Insieme Networks, Inc. including funding and a license of technology</u> | 100,000,000 | | | 100,000,000 |
| VCE | | | | |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Investment in Insieme Networks, Inc. including funding and a license of technology</u> | 392,000,000 | | | 392,000,000 |
| Private Equity Funds Investor | | | | |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Funding commitments</u> | 120,000,000 | 192,000,000 | | 120,000,000 |
| <u>Investment in Insieme Networks, Inc. including funding and a license of technology</u> | \$ 276,000,000 | \$ 90,000,000 | | \$ 276,000,000 |
| Minimum | | | | |
| <u>Site Contingency [Line Items]</u> | | | | |
| <u>Term of operating leases, in years</u> | 1 | | | |

| | |
|---|----|
| <u>Warranty period for products, in days</u> | 90 |
| Maximum | |
| <u>Site Contingency [Line Items]</u> | |
| <u>Warranty period for products, in years</u> | 5 |

**Consolidated Statements Of
Operations (USD \$)
In Millions, except Per Share
data, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

NET SALES:

| | | | |
|------------------------|-----------|-----------|-----------|
| <u>Product</u> | \$ 36,326 | \$ 34,526 | \$ 32,420 |
| <u>Service</u> | 9,735 | 8,692 | 7,620 |
| <u>Total net sales</u> | 46,061 | 43,218 | 40,040 |

COST OF SALES:

| | | | |
|----------------------------|--------|--------|--------|
| <u>Product</u> | 14,505 | 13,647 | 11,620 |
| <u>Service</u> | 3,347 | 3,035 | 2,777 |
| <u>Total cost of sales</u> | 17,852 | 16,682 | 14,397 |

GROSS MARGIN

| | | | |
|--|--------|--------|--------|
| | 28,209 | 26,536 | 25,643 |
|--|--------|--------|--------|

OPERATING EXPENSES:

| | | | |
|--|--------|--------|--------|
| <u>Research and development</u> | 5,488 | 5,823 | 5,273 |
| <u>Sales and marketing</u> | 9,647 | 9,812 | 8,782 |
| <u>General and administrative</u> | 2,322 | 1,908 | 1,933 |
| <u>Amortization of purchased intangible assets</u> | 383 | 520 | 491 |
| <u>Restructuring And Other Charges</u> | 304 | 799 | |
| <u>Total operating expenses</u> | 18,144 | 18,862 | 16,479 |

OPERATING INCOME

| | | | |
|--|--------|-------|-------|
| | 10,065 | 7,674 | 9,164 |
|--|--------|-------|-------|

Interest income

| | | | |
|--|-----|-----|-----|
| | 650 | 641 | 635 |
|--|-----|-----|-----|

Interest expense

| | | | |
|--|-------|-------|-------|
| | (596) | (628) | (623) |
|--|-------|-------|-------|

Other income, net

| | | | |
|--|----|-----|-----|
| | 40 | 138 | 239 |
|--|----|-----|-----|

Interest and other income, net

| | | | |
|--|----|-----|-----|
| | 94 | 151 | 251 |
|--|----|-----|-----|

INCOME BEFORE PROVISION FOR INCOME TAXES

| | | | |
|--|--------|-------|-------|
| | 10,159 | 7,825 | 9,415 |
|--|--------|-------|-------|

Provision for income taxes

| | | | |
|--|-------|-------|-------|
| | 2,118 | 1,335 | 1,648 |
|--|-------|-------|-------|

NET INCOME

| | | | |
|--|----------|----------|----------|
| | \$ 8,041 | \$ 6,490 | \$ 7,767 |
|--|----------|----------|----------|

Net income per share

| | | | |
|--------------|---------|---------|---------|
| <u>Basic</u> | \$ 1.50 | \$ 1.17 | \$ 1.36 |
|--------------|---------|---------|---------|

| | | | |
|----------------|---------|---------|---------|
| <u>Diluted</u> | \$ 1.49 | \$ 1.17 | \$ 1.33 |
|----------------|---------|---------|---------|

Shares used in per-share calculation

| | | | |
|--------------|-------|-------|-------|
| <u>Basic</u> | 5,370 | 5,529 | 5,732 |
|--------------|-------|-------|-------|

| | | | |
|----------------|-------|-------|-------|
| <u>Diluted</u> | 5,404 | 5,563 | 5,848 |
|----------------|-------|-------|-------|

Cash dividends declared per common share

| | | | |
|--|---------|---------|--|
| | \$ 0.28 | \$ 0.12 | |
|--|---------|---------|--|

**Goodwill and Purchased
Intangible Assets**

**12 Months Ended
Jul. 28, 2012**

Goodwill and Purchased
Intangible Assets

4. Goodwill and Purchased Intangible Assets

(a) Goodwill

Beginning in fiscal 2012, the Company's reportable segments were changed to the following segments: the Americas, EMEA, and APJC. As a result, the Company reallocated the goodwill at July 30, 2011 to these reportable segments. The following table presents the goodwill allocated to the Company's reportable segments as of July 28, 2012 and July 30, 2011, as well as the changes to goodwill during fiscal 2012 and 2011 (in millions):

| | Balance at July 30, 2011 | Acquisitions | Other | Balance at July 28, 2012 |
|-----------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,627 | \$ 136 | \$(8) | \$11,755 |
| EMEA | 3,272 | 64 | (49) | 3,287 |
| APJC | 1,919 | 37 | — | 1,956 |
| Total | \$16,818 | \$ 237 | \$(57) | \$16,998 |

| | Balance at July 31, 2010 | Acquisitions | Other | Balance at July 30, 2011 |
|-----------------|--------------------------------|---------------|---------------|--------------------------------|
| Americas | \$11,571 | \$ 122 | \$(66) | \$11,627 |
| EMEA | 3,209 | 38 | 25 | 3,272 |
| APJC | 1,894 | 24 | 1 | 1,919 |
| Total | \$16,674 | \$ 184 | \$(40) | \$16,818 |

In the preceding table, the column entitled "Other" primarily includes foreign currency translation and purchase accounting adjustments. In fiscal 2011, "Other" also includes a goodwill reduction of \$63 million related to the sale of the Company's manufacturing operations in Juarez, Mexico and an adjustment related to a divestiture. The goodwill reductions were included in restructuring and other charges. See Note 5.

(b) Purchased Intangible Assets

The following tables present details of the Company's intangible assets acquired through business combinations completed during fiscal 2012 and 2011 (in millions, except years):

| | FINITE LIVES | | | | | | INDEFINITE LIVES | | TOTAL |
|------------------------|---|---------------|---|-------------|---|-------------|------------------|---------------|-------|
| | TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | IPR&D | | |
| | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | | | |
| Fiscal 2012 | | | | | | | Amount | Amount | |
| Lightwire, Inc. | 5.0 | \$ 97 | — | \$ — | — | \$ — | \$ — | \$ 97 | |
| All others | 3.5 | 102 | 3.0 | 1 | — | — | — | 103 | |
| Total | | \$ 199 | | \$ 1 | | \$ — | \$ — | \$ 200 | |

| FINITE LIVES | | | | | | INDEFINITE LIVES | | TOTAL |
|---|--------|---|--------|---|--------|------------------|--------|-------|
| TECHNOLOGY | | CUSTOMER RELATIONSHIPS | | OTHER | | IPR&D | | |
| Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | Weighted-Average Useful Life (in Years) | Amount | | | |
| | | | | | | Amount | Amount | |

| Fiscal 2011 | Weighted-Average Useful | | Weighted-Average Useful | | Weighted-Average Useful | | Amount | Amount |
|-------------|-------------------------|--------|-------------------------|--------|-------------------------|--------|--------|--------|
| | Life (in Years) | Amount | Life (in Years) | Amount | Life (in Years) | Amount | | |
| Total | 4.8 | \$ 92 | 6.4 | \$ 16 | 2.5 | \$ 1 | \$ 5 | \$ 114 |

The following tables present details of the Company's purchased intangible assets (in millions):

| July 28, 2012 | | Gross | Accumulated Amortization | Net |
|---|--|----------------|--------------------------|----------------|
| Purchased intangible assets with finite lives: | | | | |
| Technology | | \$2,267 | \$ (908) | \$1,359 |
| Customer relationships | | 2,261 | (1,669) | 592 |
| Other | | 49 | (41) | 8 |
| Total | | \$4,577 | \$ (2,618) | \$1,959 |

| July 30, 2011 | | Gross | Accumulated Amortization | Net |
|---|--|----------------|--------------------------|----------------|
| Purchased intangible assets with finite lives: | | | | |
| Technology | | \$1,961 | \$ (561) | \$1,400 |
| Customer relationships | | 2,277 | (1,346) | 931 |
| Other | | 123 | (91) | 32 |
| Total purchased intangible assets with finite lives | | 4,361 | (1,998) | 2,363 |
| IPR&D, with indefinite lives | | 178 | — | 178 |
| Total | | \$4,539 | \$ (1,998) | \$2,541 |

Purchased intangible assets include intangible assets acquired through business combinations as well as through direct purchases or licenses. All IPR&D projects outstanding at the end of fiscal 2011 were completed during fiscal 2012 and reclassified to technology purchased intangible assets with finite lives.

The following table presents the amortization of purchased intangible assets (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|-----------------|---------------|
| Amortization of purchased intangible assets: | | | |
| Cost of sales | \$ 424 | \$ 492 | \$ 277 |
| Operating expenses: | | | |
| Amortization of purchased intangible assets | 383 | 520 | 491 |
| Restructuring and other charges | — | 8 | — |
| Total | \$ 807 | \$ 1,020 | \$ 768 |

Amortization of purchased intangible assets for fiscal 2012, 2011, and 2010 included impairment charges of approximately \$12 million, \$164 million, and \$28 million, respectively. The impairment charges of \$12 million for fiscal 2012 were due to declines in estimated fair value resulting from reductions in expected future cash flows associated with certain of the Company's technology assets. For fiscal 2011, the \$164 million in impairment charges consisted of \$64 million of charges to product cost of sales, \$92 million of charges to amortization of purchased intangibles, and \$8 million of charges to restructuring and other charges. These impairment charges were primarily due to declines in estimated fair value resulting from reductions in expected future cash flows associated with certain of the Company's consumer products and were categorized as follows: \$97 million in technology assets, \$40 million in customer relationships, and \$27 million in other purchased intangible assets. For fiscal 2010, the impairment charges were due to

reductions in expected future cash flows related to certain of the Company's technologies and customer relationships and were recorded as amortization of purchased intangible assets.

The estimated future amortization expense of purchased intangible assets with finite lives as of July 28, 2012 is as follows (in millions):

| | <u>Fiscal Year</u> | <u>Amount</u> |
|-------|--------------------|----------------|
| 2013 | | \$706 |
| 2014 | | 523 |
| 2015 | | 444 |
| 2016 | | 217 |
| 2017 | | 69 |
| Total | | <u>\$1,959</u> |

Business Combinations

**12 Months Ended
Jul. 28, 2012**

Business Combinations

3. Business Combinations

(a) Acquisition Summary

The Company completed seven business combinations during fiscal 2012. A summary of the allocation of the total purchase consideration is presented as follows (in millions):

| <u>Fiscal 2012</u> | Purchase Consideration | Net Tangible Assets Acquired/ (Liabilities Assumed) | Purchased Intangible Assets | Goodwill |
|---------------------------|---------------------------|--|-----------------------------------|---------------|
| Lightwire, Inc. | \$ 239 | \$ (15) | \$ 97 | \$ 157 |
| All others | 159 | (24) | 103 | 80 |
| Total acquisitions | \$ 398 | \$ (39) | \$ 200 | \$ 237 |

The Company acquired Lightwire, Inc. (“Lightwire”) in the third quarter of fiscal 2012. With its acquisition of Lightwire, a developer of advanced optical interconnect technology for high-speed networking applications, the Company aims to develop and deliver cost-effective, high-speed networks with the next generation of optical connectivity.

The total purchase consideration related to the Company’s business combinations completed during fiscal 2012 consisted of either cash consideration or cash consideration along with vested share-based awards assumed. The total cash and cash equivalents acquired from these business combinations were immaterial. Total transaction costs related to the Company’s business combination activities during fiscal 2012, 2011, and 2010 were \$15 million, \$10 million, and \$32 million, respectively. These transaction costs were expensed as incurred as general and administrative (“G&A”) expenses.

The Company continues to evaluate certain assets and liabilities related to business combinations completed during the recent periods. Additional information, which existed as of the acquisition date but at that time was unknown to the Company, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities may result in a corresponding adjustment to goodwill.

The goodwill generated from the Company’s business combinations completed during the year ended July 28, 2012 is primarily related to expected synergies. The goodwill is not deductible for U.S. federal income tax purposes.

Fiscal 2011 and 2010

Allocation of the purchase consideration for business combinations completed in fiscal 2011 is summarized as follows (in millions):

| <u>Fiscal 2011</u> | Purchase Consideration | Net Tangible Assets Acquired/ (Liabilities Assumed) | Purchased Intangible Assets | Goodwill |
|---------------------------|---------------------------|--|-----------------------------------|---------------|
| Total acquisitions | \$ 288 | \$ (10) | \$ 114 | \$ 184 |

Allocation of the purchase consideration for business combinations completed in fiscal 2010 is summarized as follows (in millions):

| Fiscal 2010 | Purchase Consideration | Net Tangible Assets Acquired/ (Liabilities Assumed) | Purchased Intangible Assets | Goodwill |
|---------------------------|---------------------------|--|-----------------------------------|-----------------|
| ScanSafe, Inc. | \$ 154 | \$ 2 | \$ 31 | \$ 121 |
| Starent Networks, Corp. | 2,636 | (17) | 1,274 | 1,379 |
| Tandberg ASA | 3,268 | 17 | 980 | 2,271 |
| All others | 128 | 2 | 95 | 31 |
| Total acquisitions | \$ 6,186 | \$ 4 | \$ 2,380 | \$ 3,802 |

The Consolidated Financial Statements include the operating results of each business combination from the date of acquisition. Pro forma results of operations for the acquisitions completed during fiscal 2012, 2011, and 2010 have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to the Company's financial results.

(b) Acquisition of NDS Group Limited

On July 30, 2012, the Company completed its acquisition of NDS Group Limited ("NDS"), a leading provider of video software and content security solutions that enable service providers and media companies to securely deliver and monetize new video entertainment experiences. NDS uses the combination of a software platform and services to create differentiated video offerings for service providers that enable subscribers to intuitively view, search, and navigate digital content. Under the terms of the acquisition agreement, the Company paid total cash consideration of approximately \$5.0 billion, which included the repayment of approximately \$1.0 billion of debt, to acquire all of the business and operations of NDS.

The acquisition of NDS is expected to complement and accelerate the delivery of Cisco Videoscape, the Company's comprehensive platform that enables service providers and media companies to deliver next-generation entertainment experiences. With the NDS acquisition, the Company aims to broaden its opportunities in the service provider market and to expand its reach into emerging markets such as China and India, where NDS has an established customer presence. The Company has not completed its purchase accounting for the NDS acquisition and therefore has not included a detailed purchase price allocation in this note. The Company expects that most of the purchase price will be allocated to goodwill and purchased intangible assets with finite lives.

Income Taxes

**12 Months Ended
Jul. 28, 2012**

Income Taxes

15. Income Taxes

(a) Provision for Income Taxes

The provision for income taxes consists of the following (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--------------------|------------------------|----------------------|----------------------|
| Federal: | | | |
| Current | \$ 1,836 | \$ 914 | \$ 1,469 |
| Deferred | (270) | (168) | (435) |
| | <u>1,566</u> | <u>746</u> | <u>1,034</u> |
| State: | | | |
| Current | 119 | 49 | 186 |
| Deferred | (53) | 83 | — |
| | <u>66</u> | <u>132</u> | <u>186</u> |
| Foreign: | | | |
| Current | 477 | 529 | 470 |
| Deferred | 9 | (72) | (42) |
| | <u>486</u> | <u>457</u> | <u>428</u> |
| Total | <u>\$ 2,118</u> | <u>\$ 1,335</u> | <u>\$ 1,648</u> |

Income before provision for income taxes consists of the following (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--------------------|-------------------------|----------------------|----------------------|
| United States | \$ 3,235 | \$ 1,214 | \$ 1,102 |
| International | 6,924 | 6,611 | 8,313 |
| Total | <u>\$ 10,159</u> | <u>\$ 7,825</u> | <u>\$ 9,415</u> |

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consist of the following:

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|---|----------------------|----------------------|----------------------|
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| Effect of: | | | |
| State taxes, net of federal tax benefit | 0.4 | 1.5 | 1.4 |
| Foreign income at other than U.S. rates | (15.6) | (19.4) | (19.3) |
| Tax credits | (0.4) | (3.0) | (0.5) |
| Transfer pricing adjustment related to share-based compensation | — | — | (1.7) |

| | | | | | |
|----------------------------|-------------|---|-------------|---|-------------|
| Nondeductible compensation | 1.8 | | 2.5 | | 2.0 |
| Other, net | (0.4) | | 0.5 | | 0.6 |
| Total | <u>20.8</u> | % | <u>17.1</u> | % | <u>17.5</u> |

During fiscal 2011, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reinstated the U.S. federal R&D tax credit through December 31, 2011, retroactive to January 1, 2010. As a result, the tax provision in fiscal 2011 includes a tax benefit of \$65 million related to the R&D tax credit for fiscal 2010.

During fiscal 2010, the U.S. Court of Appeals for the Ninth Circuit (the “Ninth Circuit”) withdrew its prior holding and reaffirmed the 2005 U.S. Tax Court ruling in *Xilinx, Inc. v. Commissioner*. This final decision impacted the tax treatment of share-based compensation expenses for the purpose of determining intangible development costs under a company’s research and development cost-sharing arrangement. While the Company was not a named party to the case, this decision resulted in a change in the Company’s tax benefits recognized in its financial statements. As a result of the decision, the Company recognized in fiscal 2011 a combined tax benefit of \$724 million, of which \$158 million was recorded as a reduction to the provision for income taxes and \$566 million was recorded as an increase to additional paid-in capital.

U.S. income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries were not provided for on a cumulative total of \$41.3 billion of undistributed earnings for certain foreign subsidiaries as of the end of fiscal 2012. The Company intends to reinvest these earnings indefinitely in its foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

As a result of certain employment and capital investment actions, the Company’s income in certain foreign countries is subject to reduced tax rates and in some cases is wholly exempt from taxes. A portion of these tax incentives will expire at the end of fiscal 2015, and the majority of the remaining balance will expire at the end of fiscal 2025. The gross income tax benefit attributable to tax incentives were estimated to be \$1.3 billion (\$0.24 per diluted share) in fiscal 2012, of which, approximately \$0.5 billion (\$0.09 per diluted share) is based on tax incentives that will expire at the end of fiscal 2015. As of the end of fiscal 2011 and fiscal 2010, the gross income tax benefits attributable to tax incentives were estimated to be \$1.3 billion (\$0.24 per diluted share) and \$1.7 billion (\$0.30 per diluted share), for the respective years. The gross income tax benefits for the respective years were partially offset by accruals of U.S. income taxes on undistributed earnings.

(b) Unrecognized Tax Benefits

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in millions):

| <u>Years Ended</u> | <u>July 28, 2012</u> | <u>July 30, 2011</u> | <u>July 31, 2010</u> |
|--------------------|----------------------|----------------------|----------------------|
| Beginning balance | \$ 2,948 | \$ 2,677 | \$ 2,816 |

| | | | |
|--|-----------------|-----------------|-----------------|
| Additions based on tax positions related to the current year | 155 | 374 | 246 |
| Additions for tax positions of prior years | 54 | 93 | 60 |
| Reductions for tax positions of prior years | (226) | (60) | (250) |
| Settlements | (41) | (56) | (140) |
| Lapse of statute of limitations | (71) | (80) | (55) |
| Ending balance | <u>\$ 2,819</u> | <u>\$ 2,948</u> | <u>\$ 2,677</u> |

As of July 28, 2012, \$2.4 billion of the unrecognized tax benefits would affect the effective tax rate if realized. During fiscal 2012, the Company recognized \$146 million of net interest expense and \$21 million of penalties. During fiscal 2011, the Company recognized \$38 million of net interest expense and \$9 million of penalties. The Company's total accrual for interest and penalties was \$381 million and \$214 million as of the end of fiscal 2012 and 2011, respectively. The Company is no longer subject to U.S. federal income tax audit for returns covering tax years through fiscal 2001. With limited exceptions, the Company is no longer subject to foreign income tax audits for returns covering tax years through fiscal 2000 and state and local income tax audits for returns covering tax years through fiscal 1997.

During fiscal 2010, the Ninth Circuit withdrew its prior holding and reaffirmed the 2005 U.S. Tax Court ruling in *Xilinx, Inc. v. Commissioner*. As a result of this final decision in fiscal 2010, the Company decreased the amount of gross unrecognized tax benefits by approximately \$220 million and decreased the amount of accrued interest by \$218 million.

The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. The Company believes it is reasonably possible that certain federal, foreign, and state tax matters may be concluded in the next 12 months. Specific positions that may be resolved include issues involving transfer pricing and various other matters. The Company estimates that the unrecognized tax benefits at July 28, 2012 could be reduced by approximately \$1.1 billion in the next 12 months.

(c) Deferred Tax Assets and Liabilities

The following table presents the breakdown between current and noncurrent net deferred tax assets (in millions):

| | July 28, 2012 | July 30, 2011 |
|-------------------------------------|-----------------|-----------------|
| Deferred tax assets—current | \$ 2,294 | \$ 2,410 |
| Deferred tax liabilities—current | (123) | (131) |
| Deferred tax assets—noncurrent | 2,270 | 1,864 |
| Deferred tax liabilities—noncurrent | (133) | (264) |
| Total net deferred tax assets | <u>\$ 4,308</u> | <u>\$ 3,879</u> |

The components of the deferred tax assets and liabilities are as follows (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|---------------|---------------|
| ASSETS | | |
| Allowance for doubtful accounts and returns | \$ 433 | \$ 413 |
| Sales-type and direct-financing leases | 162 | 178 |
| Inventory write-downs and capitalization | 127 | 160 |
| Investment provisions | 261 | 226 |
| IPR&D, goodwill, and purchased intangible assets | 119 | 106 |

| | | |
|--|-----------------|----------|
| Deferred revenue | 1,618 | 1,634 |
| Credits and net operating loss carryforwards | 721 | 713 |
| Share-based compensation expense | 1,059 | 1,084 |
| Accrued compensation | 481 | 507 |
| Other | 583 | 590 |
| Gross deferred tax assets | 5,564 | 5,611 |
| Valuation allowance | (60) | (82) |
| Total deferred tax assets | 5,504 | 5,529 |
| LIABILITIES | | |
| Purchased intangible assets | (809) | (997) |
| Depreciation | (131) | (298) |
| Unrealized gains on investments | (222) | (265) |
| Other | (34) | (90) |
| Total deferred tax liabilities | (1,196) | (1,650) |
| Total net deferred tax assets | \$ 4,308 | \$ 3,879 |

As of July 28, 2012, the Company's federal, state, and foreign net operating loss carryforwards for income tax purposes were \$321 million, \$1.5 billion, and \$240 million, respectively. A significant amount of the federal net operating loss carryforwards relate to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. If not utilized, the federal net operating loss will begin to expire in fiscal 2019 and the foreign and state net operating loss carryforwards will begin to expire in fiscal 2013. The Company has provided a valuation allowance of \$55 million for deferred tax assets related to foreign net operating losses that are not expected to be realized.

As of July 28, 2012, the Company's federal, state and foreign tax credit carryforwards for income tax purposes were approximately \$6 million, \$562 million and \$4 million, respectively. The federal and foreign tax credit carryforwards will begin to expire in fiscal 2019 and 2027, respectively. The majority of state tax credits can be carried forward indefinitely.

Derivative Instruments

12 Months Ended

Jul. 28, 2012

Derivative Instruments

11. Derivative Instruments

(a) Summary of Derivative Instruments

The Company uses derivative instruments primarily to manage exposures to foreign currency exchange rate, interest rate, and equity price risks. The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates, interest rates, and equity prices. The Company's derivatives expose it to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. The Company does, however, seek to mitigate such risks by limiting its counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored. Management does not expect material losses as a result of defaults by counterparties.

The fair values of the Company's derivative instruments and the line items on the Consolidated Balance Sheets to which they were recorded are summarized as follows (in millions):

| | DERIVATIVE ASSETS | | | DERIVATIVE LIABILITIES | | |
|--|-------------------------|---------------|---------------|-----------------------------|--------------|--------------|
| | Balance Sheet Line Item | July 28, | July 30, | Balance Sheet Line Item | July 28, | July 30, |
| | | 2012 | 2011 | | 2012 | 2011 |
| Derivatives designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | \$ 24 | \$ 67 | Other current liabilities | \$ 26 | \$ 12 |
| Interest rate derivatives | Other assets | 223 | 146 | Other long-term liabilities | — | — |
| Equity derivatives | Other current assets | — | — | Other current liabilities | 4 | — |
| Total | | 247 | 213 | | 30 | 12 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | 16 | 7 | Other current liabilities | 12 | 12 |
| Equity derivatives | Other assets | 1 | 2 | Other long-term liabilities | — | — |
| Total | | 17 | 9 | | 12 | 12 |
| Total | | \$ 264 | \$ 222 | | \$ 42 | \$ 24 |

The effects of the Company's cash flow and net investment hedging instruments on OCI and the Consolidated Statements of Operations are summarized as follows (in millions):

| | GAINS (LOSSES) RECOGNIZED IN OCI ON DERIVATIVES FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | GAINS (LOSSES) RECLASSIFIED FROM AOCI INTO INCOME FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | |
|---|---|--------------|--------------|---|----------------|---------------|---------------|
| | July 28, | July 30, | July 31, | Line Item in Statements of | July 28, | July 30, | July 31, |
| | 2012 | 2011 | 2010 | Operations | 2012 | 2011 | 2010 |
| Derivatives designated as cash flow hedging instruments: | | | | | | | |
| Foreign currency derivatives | \$(131) | \$ 87 | \$ 33 | Operating expenses | \$(59) | \$ 89 | \$(1) |
| | | | | Cost of sales - service | (14) | 17 | — |
| Interest rate derivatives | — | — | 23 | Interest expense | 1 | 2 | — |
| Total | \$(131) | \$ 87 | \$ 56 | | \$(72) | \$ 108 | \$(1) |
| Derivatives designated as net investment hedging instruments: | | | | | | | |
| Foreign currency derivatives | \$ 23 | \$(10) | \$(2) | Other income, net | \$— | \$— | \$— |

During each of the fiscal years presented, the amounts recognized in earnings on derivative instruments designated as cash flow hedges related to the ineffective portion were not material, and the Company did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness. As of July 28, 2012, the Company estimates that approximately \$41 million of net derivative gains related to its cash flow hedges included in AOCI will be reclassified into earnings within the next 12 months.

The effect on the Consolidated Statements of Operations of derivative instruments designated as fair value hedges and the underlying hedged items is summarized as follows (in millions):

| | Line Item in Statements of Operations | GAINS (LOSSES) ON DERIVATIVES INSTRUMENTS FOR THE YEARS ENDED | | | GAINS (LOSSES) RELATED TO HEDGED ITEMS FOR THE YEARS ENDED | | |
|--|---------------------------------------|---|---------------|---------------|--|-----------------|-----------------|
| | | July 28, 2012 | July 30, 2011 | July 31, 2010 | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Derivatives Designated as Fair Value Hedging Instruments | | | | | | | |
| Equity derivatives | Other income, net | \$ (4) | \$— | \$ 3 | \$ 4 | \$— | \$ (3) |
| Interest rate derivatives | Interest expense | 78 | 74 | 72 | (80) | (77) | (77) |
| Total | | \$ 74 | \$ 74 | \$ 75 | \$ (76) | \$ (77) | \$ (80) |

The Company did not exclude from the assessment of hedge effectiveness any component of the changes in fair value of the derivative instruments designated as fair value hedges.

The effect on the Consolidated Statements of Operations of derivative instruments not designated as hedges is summarized as follows (in millions):

| Derivatives Not Designated as Hedging Instruments | Line Item in Statements of Operations | GAINS (LOSSES) FOR THE YEARS ENDED | | |
|---|---------------------------------------|------------------------------------|---------------|-----------------|
| | | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Foreign currency derivatives | Other income, net | \$ (206) | \$ 264 | \$ (100) |
| Total return swaps - deferred compensation | Cost of sales - product | 4 | — | — |
| Total return swaps - deferred compensation | Operating expenses | 3 | 33 | 18 |
| Equity derivatives | Other income, net | 6 | 25 | 12 |
| Total | | \$ (193) | \$ 322 | \$ (70) |

The notional amounts of the Company's outstanding derivatives are summarized as follows (in millions):

| | July 28, 2012 | July 30, 2011 |
|---|------------------|------------------|
| Derivatives designated as hedging instruments: | | |
| Foreign currency derivatives - cash flow hedges | \$ 2,910 | \$ 3,433 |
| Interest rate derivatives | 4,250 | 4,250 |
| Net investment hedging instruments | 468 | 73 |
| Equity derivatives | 272 | — |
| Derivatives not designated as hedging instruments: | | |
| Foreign currency derivatives | 6,241 | 4,565 |
| Total return swaps-deferred compensation | 269 | 262 |
| Total | \$ 14,410 | \$ 12,583 |

(b) Foreign Currency Exchange Risk

The Company conducts business globally in numerous currencies. Therefore, it is exposed to adverse movements in foreign currency exchange rates. To limit the exposure related to foreign currency changes, the Company enters into foreign currency contracts. The Company does not enter into such contracts for trading purposes.

The Company hedges forecasted foreign currency transactions related to certain operating expenses and service cost of sales with currency options and forward contracts. These currency option and forward contracts, designated as cash flow hedges, generally have maturities of less than 18 months. The Company assesses effectiveness based on

changes in total fair value of the derivatives. The effective portion of the derivative instrument's gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion, if any, of the gain or loss is reported in earnings immediately. During the fiscal years presented, the Company did not discontinue any cash flow hedges for which it was probable that a forecasted transaction would not occur.

The Company enters into foreign exchange forward and option contracts to reduce the short-term effects of foreign currency fluctuations on assets and liabilities such as foreign currency receivables, including long-term customer financings, investments, and payables. These derivatives are not designated as hedging instruments. Gains and losses on the contracts are included in other income, net, and substantially offset foreign exchange gains and losses from the remeasurement of intercompany balances or other current assets, investments, or liabilities denominated in currencies other than the functional currency of the reporting entity.

The Company hedges certain net investments in its foreign operations with forward contracts to reduce the effects of foreign currency fluctuations on the Company's net investment in those foreign subsidiaries. These derivative instruments generally have maturities of up to six months.

(c) Interest Rate Risk

Interest Rate Derivatives, Investments The Company's primary objective for holding fixed income securities is to achieve an appropriate investment return consistent with preserving principal and managing risk. To realize these objectives, the Company may utilize interest rate swaps or other derivatives designated as fair value or cash flow hedges. As of July 28, 2012 and July 30, 2011, the Company did not have any outstanding interest rate derivatives related to its fixed income securities.

Interest Rate Derivatives Designated as Fair Value Hedge, Long-Term Debt In fiscal 2011, the Company entered into interest rate swaps designated as fair value hedges related to fixed-rate senior notes that were issued in March 2011 and are due in 2014 and 2017. In fiscal 2010, the Company entered into interest rate swaps designated as fair value hedges for a portion of senior fixed-rate notes that were issued in 2006 and are due in 2016. Under these interest rate swaps, the Company receives fixed-rate interest payments and makes interest payments based on LIBOR plus a fixed number of basis points. The effect of such swaps is to convert the fixed interest rates of the senior fixed-rate notes to floating interest rates based on LIBOR. The gains and losses related to changes in the fair value of the interest rate swaps are included in interest expense and substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to the changes in market interest rates. The fair value of the interest rate swaps was reflected in other assets.

Interest Rate Derivatives Designated as Cash Flow Hedge, Long-Term Debt In fiscal 2010, the Company entered into contracts related to interest rate derivatives designated as cash flow hedges, with an aggregate notional amount of \$3.7 billion, to hedge against interest rate movements in connection with its anticipated issuance of senior notes. These derivative instruments were settled in connection with the actual issuance of the senior notes. The effective portion of these hedges was recorded to AOCI, net of tax, and is being amortized to interest expense over the respective lives of the notes.

(d) Equity Price Risk

The Company may hold equity securities for strategic purposes or to diversify its overall investment portfolio. The publicly traded equity securities in the Company's portfolio are subject to price risk. To manage its exposure to changes in the fair value of certain equity securities, the Company may enter into equity derivatives that are designated as fair value hedges. The changes in the value of the hedging instruments are included in other income, net, and offset the change in the fair value of the underlying hedged investment. In addition, the Company periodically manages the risk of its investment portfolio by entering into equity derivatives that are not designated as accounting hedges. The changes in the fair value of these derivatives are also included in other income, net.

The Company is also exposed to variability in compensation charges related to certain deferred compensation obligations to employees. Although not designated as accounting hedges, the Company utilizes derivatives such as total return swaps to economically hedge this exposure.

(e) Credit-Risk-Related Contingent Features

Certain derivative instruments are executed under agreements that have provisions requiring the Company and the counterparty to maintain a specified credit rating from certain credit rating agencies. If the Company's or the counterparty's credit-rating falls below a specified credit rating, either party has the right to request collateral on the derivatives' net liability position. Such provisions did not affect the Company's financial position as of July 28, 2012 and July 30, 2011.

**Derivative Instruments
(Derivatives Recorded At
Fair Value) (Detail) (USD \$)
In Millions, unless otherwise
specified**

| | Jul. 28, 2012 | Jul. 30, 2011 |
|--|--------------------------|--------------------------|
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | \$ 264 | \$ 222 |
| <u>Derivative liabilities</u> | 42 | 24 |
| Derivatives Designated As Hedging Instrument | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | 247 | 213 |
| <u>Derivative liabilities</u> | 30 | 12 |
| Derivatives Not Designated As Hedging Instruments | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | 17 | 9 |
| <u>Derivative liabilities</u> | 12 | 12 |
| Foreign Currency Derivatives Derivatives Designated As Hedging Instrument Other current assets | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | 24 | 67 |
| Foreign Currency Derivatives Derivatives Designated As Hedging Instrument Other Current Liabilities | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative liabilities</u> | 26 | 12 |
| Foreign Currency Derivatives Derivatives Not Designated As Hedging Instruments Other current assets | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | 16 | 7 |
| Foreign Currency Derivatives Derivatives Not Designated As Hedging Instruments Other Current Liabilities | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative liabilities</u> | 12 | 12 |
| Interest Rate Derivatives Derivatives Designated As Hedging Instrument Other assets | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | 223 | 146 |
| Equity Derivatives Derivatives Designated As Hedging Instrument Other Current Liabilities | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative liabilities</u> | 4 | |
| Equity Derivatives Derivatives Not Designated As Hedging Instruments Other assets | | |
| <u>Derivative [Line Items]</u> | | |
| <u>Derivative assets</u> | \$ 1 | \$ 2 |

Financing Receivables and Guarantees

12 Months Ended
Jul. 28, 2012

[Financing Receivables and Guarantees](#)

7. Financing Receivables and Guarantees

(a) Financing Receivables

Financing receivables primarily consist of lease receivables, loan receivables, and financed service contracts and other. Lease receivables represent sales-type and direct-financing leases resulting from the sale of the Company's and complementary third-party products and are typically collateralized by a security interest in the underlying assets. Loan receivables represent financing arrangements related to the sale of the Company's products and services, which may include additional funding for other costs associated with network installation and integration of the Company's products and services. Lease receivables consist of arrangements with terms of four years on average, while loan receivables generally have terms of up to three years. The financed service contracts and other category includes financing receivables related to technical support and advanced services, as well as receivables related to financing of certain indirect costs associated with leases. Revenue related to the technical support services is typically deferred and included in deferred service revenue and is recognized ratably over the period during which the related services are to be performed, which typically ranges from one to three years.

A summary of the Company's financing receivables is presented as follows (in millions):

| | Lease | Loan | Financed Service | Total Financing |
|----------------------------------|-----------------|-----------------|---------------------|-----------------|
| July 28, 2012 | Receivables | Receivables | Contracts and Other | Receivables |
| Gross | \$ 3,429 | \$ 1,796 | \$ 2,651 | \$ 7,876 |
| Unearned income | (250) | — | — | (250) |
| Allowance for credit loss | (247) | (122) | (11) | (380) |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |
| Reported as: | | | | |
| Current | \$ 1,200 | \$ 968 | \$ 1,493 | \$ 3,661 |
| Noncurrent | 1,732 | 706 | 1,147 | 3,585 |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |
| | | | | |
| July 30, 2011 | Lease | Loan | Financed Service | Total |
| | Receivables | Receivables | Contracts and Other | Financing |
| Gross | \$ 3,111 | \$ 1,468 | \$ 2,637 | \$ 7,216 |
| Unearned income | (250) | — | — | (250) |
| Allowance for credit loss | (237) | (103) | (27) | (367) |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |
| Reported as: | | | | |
| Current | \$ 1,087 | \$ 673 | \$ 1,351 | \$ 3,111 |
| Noncurrent | 1,537 | 692 | 1,259 | 3,488 |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |

As of July 28, 2012 and July 30, 2011, the deferred service revenue related to the financed service contracts and other was \$1,838 million and \$2,044 million, respectively.

Contractual maturities of the gross lease receivables at July 28, 2012 are summarized as follows (in millions):

| Fiscal Year | Amount |
|-------------|---------|
| 2013 | \$1,401 |
| 2014 | 1,055 |
| 2015 | 619 |
| 2016 | 276 |
| 2017 | 77 |
| Thereafter | 1 |

| | |
|-------|----------------|
| Total | <u>\$3,429</u> |
|-------|----------------|

Actual cash collections may differ from the contractual maturities due to early customer buyouts, refinancings, or defaults.

(b) Credit Quality of Financing Receivables

Financing receivables categorized by the Company's internal credit risk rating as of July 28, 2012 and July 30, 2011 are summarized as follows (in millions):

| | INTERNAL CREDIT RISK | | | Total | Residual Value | Gross Receivables, Net of Unearned Income |
|---|-----------------------|-----------------------|----------------------|-----------------------|----------------------|---|
| | RATING | | | | | |
| July 28, 2012 | 1 to 4 | 5 to 6 | 7 and Higher | | | |
| Lease receivables | \$1,532 | \$1,342 | \$ 31 | \$2,905 | \$ 274 | \$ 3,179 |
| Loan receivables | 831 | 921 | 44 | 1,796 | — | 1,796 |
| Financed service contracts and other | 1,552 | 1,030 | 69 | 2,651 | — | 2,651 |
| Total | <u>\$3,915</u> | <u>\$3,293</u> | <u>\$ 144</u> | <u>\$7,352</u> | <u>\$ 274</u> | <u>\$ 7,626</u> |

| | INTERNAL CREDIT RISK | | | Total | Residual Value | Gross Receivables, Net of Unearned Income |
|--------------------------------------|----------------------|----------------|---------------|----------------|-------------------|---|
| | RATING | | | | | |
| July 30, 2011 | 1 to 4 | 5 to 6 | 7 and Higher | | | |
| Lease receivables | \$1,249 | \$1,275 | \$ 41 | \$2,565 | \$ 296 | \$ 2,861 |
| Loan receivables | 662 | 767 | 39 | 1,468 | — | 1,468 |
| Financed service contracts and other | 1,623 | 958 | 56 | 2,637 | — | 2,637 |
| Total | <u>\$3,534</u> | <u>\$3,000</u> | <u>\$ 136</u> | <u>\$6,670</u> | <u>\$ 296</u> | <u>\$ 6,966</u> |

The Company determines the adequacy of its allowance for credit loss by assessing the risks and losses inherent in its financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by the Company to its customers: lease receivables, loan receivables, and financed service contracts and other. Effective in the second quarter of fiscal 2012, the Company combined its financing receivables into a single class as the two prior classes, Established Markets and Growth Markets, now exhibit similar risk characteristics as reflected by the Company's historical losses. The Company has reclassified applicable financing receivables data for the prior periods presented to conform to the current year's presentation. In addition, effective in the second quarter of fiscal 2012, the Company also refined its methodology for calculating its allowance for financing receivables as discussed in Note 2.

The Company's internal credit risk ratings of 1 through 4 correspond to investment-grade ratings, while credit risk ratings of 5 and 6 correspond to non-investment grade ratings. Credit risk ratings of 7 and higher correspond to substandard ratings and constitute a relatively small portion of the Company's financing receivables.

In circumstances when collectability is not deemed reasonably assured, the associated revenue is deferred in accordance with the Company's revenue recognition policies, and the related allowance for credit loss, if any, is included in deferred revenue. The Company also records deferred revenue associated with financing receivables when there are remaining performance obligations, as it does for financed service contracts. Total allowances for credit loss and deferred revenue as of July 28, 2012 and July 30, 2011 were \$2,387 million and \$2,793 million, respectively, and they were associated with financing receivables (net of unearned income) of \$7,626 million and \$6,966 million as of their respective period ends. The losses that the Company has incurred historically, including in the periods presented with respect to its financing receivables, have been immaterial and consistent with the performance of an investment-grade portfolio. The Company did not modify any financing receivables during the periods presented.

The following tables present the aging analysis of financing receivables as of July 28, 2012 and July 30, 2011 (in millions):

| | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | | Gross | | | |
|---|---|--------------|--------------|--------------|-------------------|------------------------------------|------------------------------|-----------------------|-------------|
| | | | | | | Receivables, Net of Unearned | Non- Accrual Financing | Impaired Financing | |
| | July 28, 2012 | 31-60 | 61-90 | 91+ | Total Past Due | Current | Income | Receivables | Receivables |
| Lease receivables | \$151 | \$69 | \$173 | \$393 | \$2,786 | \$3,179 | \$23 | \$14 | |
| Loan receivables | 10 | 8 | 11 | 29 | 1,767 | 1,796 | 4 | 4 | |
| Financed service contracts and other | 89 | 68 | 392 | 549 | 2,102 | 2,651 | 18 | 10 | |
| Total | \$250 | \$145 | \$576 | \$971 | \$6,655 | \$7,626 | \$45 | \$28 | |

| | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | | Gross | | | |
|---|---|-------------|--------------|--------------|-------------------|------------------------------------|------------------------------|-----------------------|-------------|
| | | | | | | Receivables, Net of Unearned | Non- Accrual Financing | Impaired Financing | |
| | July 30, 2011 | 31-60 | 61-90 | 91+ | Total Past Due | Current | Income | Receivables | Receivables |
| Lease receivables | \$89 | \$35 | \$152 | \$276 | \$2,585 | \$2,861 | \$34 | \$24 | |
| Loan receivables | 8 | 7 | 21 | 36 | 1,432 | 1,468 | 4 | 4 | |
| Financed service contracts and other | 68 | 33 | 265 | 366 | 2,271 | 2,637 | 17 | 6 | |
| Total | \$165 | \$75 | \$438 | \$678 | \$6,288 | \$6,966 | \$55 | \$34 | |

Past due financing receivables are those that are 31 days or more past due according to their contractual payment terms. The data in the preceding tables is presented by contract and the aging classification of each contract is based on the oldest outstanding receivable, and therefore past due amounts also include unbilled and current receivables within the same contract. The preceding aging tables exclude pending adjustments on billed tax assessment in certain international markets. The balances of either unbilled or current financing receivables included in the category of 91 days plus past due for lease receivables, loan receivables, and financed service contracts and other were, respectively, \$139 million, \$3 million, and \$313 million as of July 28, 2012; and were, respectively, \$116 million, \$15 million, and \$230 million as of July 30, 2011.

As of July 28, 2012, the Company had financing receivables of \$109 million, net of unbilled or current receivables from the same contract, that were in the category for 91 days plus past due but remained on accrual status. Such balance was \$50 million as of July 30, 2011. A financing receivable may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain.

(c) Allowance for Credit Loss Rollforward

The allowances for credit loss and the related financing receivables are summarized as follows (in millions):

| | CREDIT LOSS ALLOWANCES | | | |
|--|------------------------|----------------|------------------------|----------------|
| | Lease | Loan | Financed Service | Total |
| | Receivables | Receivables | Contracts and Other | |
| Allowance for credit loss as of July 30, 2011 | \$237 | \$103 | \$27 | \$367 |
| Provisions | 22 | 22 | (13) | 31 |
| Write-offs net of recoveries | (2) | — | (1) | (3) |
| Foreign exchange and other | (10) | (3) | (2) | (15) |
| Allowance for credit loss as of July 28, 2012 | \$247 | \$122 | \$11 | \$380 |
| Gross receivables as of July 28, 2012, net of unearned income | \$3,179 | \$1,796 | \$2,651 | \$7,626 |

| | CREDIT LOSS ALLOWANCES | | | | | |
|---|------------------------|----------|------------------|-------------|---------------|-------|
| | Lease | Loan | Financed Service | | | |
| | | | Receivables | Receivables | Contracts and | Total |
| | | | | | Other | |
| Allowance for credit loss as of July 31, 2010 | \$ 207 | \$ 73 | \$ 21 | \$301 | | |
| Provisions | 31 | 43 | 8 | 82 | | |
| Write-offs net of recoveries | (13) | (18) | (2) | (33) | | |
| Foreign exchange and other | 12 | 5 | — | 17 | | |
| Allowance for credit loss as of July 30, 2011 | \$ 237 | \$ 103 | \$ 27 | \$367 | | |
| Gross receivables as of July 30, 2011, net of unearned income | \$ 2,861 | \$ 1,468 | \$ 2,637 | \$6,966 | | |

Financing receivables that were individually evaluated for impairment during the fiscal years presented were not material and therefore are not presented separately in the preceding table.

(d) Financing Guarantees

In the ordinary course of business, the Company provides financing guarantees for various third-party financing arrangements extended to channel partners and end-user customers. Payments under these financing guarantee arrangements were not material for the periods presented.

Channel Partner Financing Guarantees The Company facilitates arrangements for third-party financing extended to channel partners, consisting of revolving short-term financing, generally with payment terms ranging from 60 to 90 days. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, the Company guarantees a portion of these arrangements. The volume of channel partner financing was \$21.3 billion, \$18.2 billion and \$17.2 billion for fiscal 2012, 2011, and 2010, respectively. The balance of the channel partner financing subject to guarantees was \$1.2 billion and \$1.4 billion as of July 28, 2012 and July 30, 2011, respectively.

End-User Financing Guarantees The Company also provides financing guarantees for third-party financing arrangements extended to end-user customers related to leases and loans, which typically have terms of up to three years. The volume of financing provided by third parties for leases and loans for which the Company had provided guarantees was \$227 million for fiscal 2012, \$247 million for fiscal 2011 and \$180 million for fiscal 2010.

Financing Guarantee Summary The aggregate amounts of financing guarantees outstanding at July 28, 2012 and July 30, 2011, representing the total maximum potential future payments under financing arrangements with third parties along with the related deferred revenue, are summarized in the following table (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|---------------|---------------|
| Maximum potential future payments relating to financing guarantees: | | |
| Channel partner | \$ 277 | \$ 336 |
| End user | 232 | 277 |
| Total | \$ 509 | \$ 613 |
| Deferred revenue associated with financing guarantees: | | |
| Channel partner | \$ (193) | \$ (248) |
| End user | (200) | (248) |
| Total | \$ (393) | \$ (496) |
| Maximum potential future payments relating to financing guarantees, net of associated deferred revenue | \$ 116 | \$ 117 |

Balance Sheet Details
(Parenthetical) (Detail) (USD
§)
In Millions, unless otherwise
specified

Jul. 28, 2012 Jul. 30, 2011

Accumulated depreciation related to operating lease assets \$ 181 \$ 169

**Income Taxes - Additional
Information (Detail) (USD \$)**

**12 Months Ended
Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010**

Income Tax [Line Items]

| | | | |
|--|----------------|---------------|---------------|
| <u>Income tax benefit related to research and development tax credit</u> | | \$ 65,000,000 | |
| <u>Combined tax benefits</u> | | 724,000,000 | |
| <u>Reduction to the provision for income tax</u> | | 158,000,000 | |
| <u>Increase in additional paid-in capital</u> | | 566,000,000 | |
| <u>Undistributed earnings of certain foreign subsidiaries on which tax is not provided</u> | 41,300,000,000 | | |
| <u>Gross income tax benefits attributable to tax incentives</u> | 1,300,000,000 | 1,300,000,000 | 1,700,000,000 |
| <u>Gross income tax benefits attributable to tax incentives per diluted share</u> | \$ 0.24 | \$ 0.24 | \$ 0.30 |
| <u>Unrecognized tax benefits that would impact tax rate</u> | 2,400,000,000 | | |
| <u>Net interest expense recognized</u> | 146,000,000 | 38,000,000 | |
| <u>Unrecognized tax benefit, penalties</u> | 21,000,000 | 9,000,000 | |
| <u>Unrecognized tax benefit accrual for interest and penalties</u> | 381,000,000 | 214,000,000 | |
| <u>Reduction in unrecognized tax benefits</u> | 220,000,000 | | |
| <u>Unrecognized tax benefit decrease in accrued interest</u> | 218,000,000 | | |
| <u>Unrecognized tax benefit that could be reduced in next 12 months</u> | 1,100,000,000 | | |
| <u>Deferred tax assets valuation allowances</u> | 60,000,000 | 82,000,000 | |
| <u>Deferred tax assets, tax credit carry forwards, federal</u> | 6,000,000 | | |
| <u>Deferred tax assets, tax credit carryforwards, state</u> | 562,000,000 | | |
| <u>Deferred tax assets, tax credit carryforwards, foreign</u> | 4,000,000 | | |
| Expiring at the end of fiscal 2015 | | | |
| <u>Income Tax [Line Items]</u> | | | |
| <u>Gross income tax benefits attributable to tax incentives</u> | 500,000,000 | | |
| <u>Gross income tax benefits attributable to tax incentives per diluted share</u> | \$ 0.09 | | |
| Federal Net Operating Loss Carryforwards | | | |
| <u>Income Tax [Line Items]</u> | | | |
| <u>Deferred Tax Assets, Operating Loss Carryforwards</u> | 321,000,000 | | |
| State Net Operating Loss Carryforwards | | | |
| <u>Income Tax [Line Items]</u> | | | |
| <u>Deferred Tax Assets, Operating Loss Carryforwards</u> | 1,500,000,000 | | |
| Foreign Net Operating Loss Carryforwards | | | |
| <u>Income Tax [Line Items]</u> | | | |
| <u>Deferred Tax Assets, Operating Loss Carryforwards</u> | 240,000,000 | | |
| <u>Deferred tax assets valuation allowances</u> | \$ 55,000,000 | | |
| Federal | | | |
| <u>Income Tax [Line Items]</u> | | | |
| <u>Operating loss carry forwards, expiration</u> | 2019 | | |
| <u>Tax credit carryforward, expiration</u> | 2019 | | |
| Foreign and State | | | |
| <u>Income Tax [Line Items]</u> | | | |

| | |
|--|------|
| <u>Operating loss carry forwards, expiration</u> | 2013 |
| Foreign | |
| <u>Income Tax [Line Items]</u> | |
| <u>Tax credit carryforward, expiration</u> | 2027 |

Restructuring and Other Charges

12 Months Ended
Jul. 28, 2012

[Restructuring and Other Charges](#)

5. Restructuring and Other Charges

In fiscal 2011, the Company initiated a number of key targeted actions to address several areas in its business model. These actions were intended to simplify and focus the Company's organization and operating model, align the Company's cost structure given transitions in the marketplace, divest or exit underperforming operations, and deliver value to the Company's shareholders. The Company is taking these actions to align its business based on its five foundational priorities: leadership in its core business (routing, switching, and associated services), which includes comprehensive security and mobility solutions; collaboration; data center virtualization and cloud; video; and architectures for business transformation.

Pursuant to the restructuring that the Company announced in July 2011, the Company has incurred cumulative charges of approximately \$1.0 billion (included as part of the charges discussed below). The Company expects that the total pretax charges pursuant to these restructuring actions will be approximately \$1.1 billion, and it expects the remaining charges to be incurred primarily in the first quarter of fiscal 2013. The following table summarizes the activities related to the restructuring and other charges pursuant to the Company's July 2011 announcement related to the realignment and restructuring of the Company's business as well as certain consumer product lines as announced during April 2011 (in millions):

| | Voluntary Early Retirement Program | Employee Severance | Goodwill and Intangible Assets | Other | Total |
|--|------------------------------------|--------------------|--------------------------------|-------------|--------------|
| Gross charges in fiscal 2011 | \$ 453 | \$ 247 | \$ 71 | \$28 | \$799 |
| Cash payments | (436) | (13) | — | — | (449) |
| Non-cash items | — | — | (71) | (17) | (88) |
| Balance as of July 30, 2011 | 17 | 234 | — | 11 | 262 |
| Gross charges in fiscal 2012 | — | 299 | — | 54 | 353 |
| Change in estimate related to fiscal 2011 charges | — | (49) | — | — | (49) |
| Cash payments | (17) | (401) | — | (18) | (436) |
| Non-cash items | — | — | — | (20) | (20) |
| Balance as of July 28, 2012 | \$ — | \$ 83 | \$ — | \$27 | \$110 |

During fiscal 2012, the Company incurred net restructuring charges within operating expenses of \$304 million, consisting of \$250 million of employee severance charges and \$54 million of other restructuring charges. Other charges incurred during fiscal 2012 were primarily for the consolidation of excess facilities, as well as an incremental charge related to the sale of the Company's Juarez, Mexico manufacturing operations, which sale was completed in the first quarter of fiscal 2012.

During fiscal 2011, the Company incurred a charge of approximately \$63 million related to a reduction to goodwill as a result of the sale of its Juarez manufacturing operations and also recorded an intangible asset impairment of \$8 million in connection with the restructuring of the

Company's consumer business related to the exit of the Flip Video camera product line. See Note 4. Other charges incurred during fiscal 2011 were primarily related to the consolidation of excess facilities and other charges associated with the realignment and restructuring of the Company's consumer business.

During fiscal 2011, the Company also recorded charges of approximately \$124 million, primarily related to inventory and supply chain charges in connection with restructuring related to the Company's consumer product lines, most notably exiting the Flip Video camera product line, which were recorded in cost of sales and not included in the preceding table.

Balance Sheet Details

**12 Months Ended
Jul. 28, 2012**

[Balance Sheet Details](#)

6. Balance Sheet Details

The following tables provide details of selected balance sheet items (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|----------------------|----------------------|
| Inventories: | | |
| Raw materials | \$ 127 | \$ 219 |
| Work in process | 35 | 52 |
| Finished goods: | | |
| Distributor inventory and deferred cost of sales | 630 | 631 |
| Manufactured finished goods | 597 | 331 |
| Total finished goods | <u>1,227</u> | <u>962</u> |
| Service-related spares | 213 | 182 |
| Demonstration systems | 61 | 71 |
| Total | <u>\$ 1,663</u> | <u>\$ 1,486</u> |
| Property and equipment, net: | | |
| Land, buildings, and building and leasehold improvements | \$ 4,363 | \$ 4,760 |
| Computer equipment and related software | 1,469 | 1,429 |
| Production, engineering, and other equipment | 5,364 | 5,093 |
| Operating lease assets ⁽¹⁾ | 300 | 293 |
| Furniture and fixtures | 487 | 491 |
| | <u>11,983</u> | <u>12,066</u> |
| Less accumulated depreciation and amortization ⁽¹⁾ | <u>(8,581)</u> | <u>(8,150)</u> |
| Total | <u>\$ 3,402</u> | <u>\$ 3,916</u> |
| ⁽¹⁾ Accumulated depreciation related to operating lease assets was \$181 and \$169 as of July 28, 2012 and July 30, 2011, respectively. | | |
| Other assets: | | |
| Deferred tax assets | \$ 2,270 | \$ 1,864 |
| Investments in privately held companies | 858 | 796 |
| Other | 754 | 441 |
| Total | <u>\$ 3,882</u> | <u>\$ 3,101</u> |
| Deferred revenue: | | |
| Service | \$ 9,173 | \$ 8,521 |
| Product: | | |
| Unrecognized revenue on product shipments and other deferred revenue | 2,975 | 3,003 |
| Cash receipts related to unrecognized revenue from two-tier distributors | 732 | 683 |
| Total product deferred revenue | <u>3,707</u> | <u>3,686</u> |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> |

Reported as:

| | | |
|------------|-------------------------|-------------------------|
| Current | \$ 8,852 | \$ 8,025 |
| Noncurrent | 4,028 | 4,182 |
| Total | <u>\$ 12,880</u> | <u>\$ 12,207</u> |

Investments

12 Months Ended

Jul. 28, 2012

[Investments](#)

8. Investments

(a) Summary of Available-for-Sale Investments

The following tables summarize the Company's available-for-sale investments (in millions):

| July 28, 2012 | Amortized | Gross | Gross | Fair |
|---|-----------------|---------------|-----------------|-----------------|
| | Cost | Unrealized | Unrealized | |
| | | Gains | Losses | Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$24,201 | \$ 41 | \$ (1) | \$24,241 |
| U.S. government agency securities | 5,367 | 21 | — | 5,388 |
| Non-U.S. government and agency securities | 1,629 | 9 | — | 1,638 |
| Corporate debt securities | 5,959 | 74 | (3) | 6,030 |
| Total fixed income securities | 37,156 | 145 | (4) | 37,297 |
| Publicly traded equity securities | 1,107 | 524 | (11) | 1,620 |
| Total | \$38,263 | \$ 669 | \$ (15) | \$38,917 |

| July 30, 2011 | Amortized | Gross | Gross | Fair |
|---|-----------------|---------------|-----------------|-----------------|
| | Cost | Unrealized | Unrealized | |
| | | Gains | Losses | Value |
| Fixed income securities: | | | | |
| U.S. government securities | \$19,087 | \$ 52 | \$ — | \$19,139 |
| U.S. government agency securities | 8,742 | 35 | (1) | 8,776 |
| Non-U.S. government and agency securities | 3,119 | 14 | (1) | 3,132 |
| Corporate debt securities | 4,333 | 65 | (4) | 4,394 |
| Asset-backed securities | 120 | 5 | (4) | 121 |
| Total fixed income securities | 35,401 | 171 | (10) | 35,562 |
| Publicly traded equity securities | 734 | 639 | (12) | 1,361 |
| Total | \$36,135 | \$ 810 | \$ (22) | \$36,923 |

U.S. government agency securities include corporate debt securities that are guaranteed by the Federal Deposit Insurance Corporation ("FDIC"), while non-U.S. government and agency securities include agency and corporate debt securities that are guaranteed by non-U.S. governments.

(b) Gains and Losses on Available-for-Sale Investments

The following table presents the gross realized gains and gross realized losses related to the Company's available-for-sale investments (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|-----------------------|---------------|---------------|---------------|
| Gross realized gains | \$ 641 | \$ 348 | \$ 279 |
| Gross realized losses | (540) | (169) | (110) |
| Total | \$ 101 | \$ 179 | \$ 169 |

The following table presents the realized net gains (losses) related to the Company's available-for-sale investments (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|---------------|---------------|
| Net gains on investments in publicly traded equity securities | \$ 43 | \$ 88 | \$ 66 |
| Net gains on investments in fixed income securities | 58 | 91 | 103 |
| Total | \$ 101 | \$ 179 | \$ 169 |

Impairment charges on available-for-sale investments were not material for the periods presented.

The following table summarizes the activity related to credit losses for fixed income securities (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|---------------|-----------------|
| Balance at beginning of fiscal year | \$ (23) | \$ (95) |
| Sales of other-than-temporarily impaired fixed income securities | 23 | 72 |
| Balance at end of fiscal year | <u>\$ —</u> | <u>\$ (23)</u> |

The following tables present the breakdown of the available-for-sale investments with gross unrealized losses and the duration that those losses had been unrealized at July 28, 2012 and July 30, 2011 (in millions):

| | UNREALIZED LOSSES LESS THAN 12 MONTHS | | UNREALIZED LOSSES 12 MONTHS OR GREATER | | TOTAL | |
|--|--|------------------------|---|-----------------------|------------------------|------------------------|
| | Gross Unrealized | | Gross Unrealized | | Gross Unrealized | |
| | Fair Value | Losses | Fair Value | Losses | Fair Value | Losses |
| <u>July 28, 2012</u> | | | | | | |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 5,357 | \$ (1) | \$ — | \$ — | \$ 5,357 | \$ (1) |
| Corporate debt securities | 603 | (3) | 14 | — | 617 | (3) |
| Total fixed income securities | 5,960 | (4) | 14 | — | 5,974 | (4) |
| Publicly traded equity securities | 167 | (8) | 20 | (3) | 187 | (11) |
| Total | <u>\$ 6,127</u> | <u>\$ (12)</u> | <u>\$ 34</u> | <u>\$ (3)</u> | <u>\$ 6,161</u> | <u>\$ (15)</u> |

| | UNREALIZED LOSSES LESS THAN 12 MONTHS | | UNREALIZED LOSSES 12 MONTHS OR GREATER | | TOTAL | |
|---|--|------------------------|---|-----------------------|------------------------|------------------------|
| | Gross Unrealized | | Gross Unrealized | | Gross Unrealized | |
| | Fair Value | Losses | Fair Value | Losses | Fair Value | Losses |
| <u>July 30, 2011</u> | | | | | | |
| Fixed income securities: | | | | | | |
| U.S. government agency securities | \$ 2,310 | \$ (1) | \$ — | \$ — | \$ 2,310 | \$ (1) |
| Non-U.S. government and agency securities | 875 | (1) | — | — | 875 | (1) |
| Corporate debt securities | 548 | (2) | 56 | (2) | 604 | (4) |
| Asset-backed securities | — | — | 105 | (4) | 105 | (4) |
| Total fixed income securities | 3,733 | (4) | 161 | (6) | 3,894 | (10) |
| Publicly traded equity securities | 112 | (12) | — | — | 112 | (12) |
| Total | <u>\$ 3,845</u> | <u>\$ (16)</u> | <u>\$ 161</u> | <u>\$ (6)</u> | <u>\$ 4,006</u> | <u>\$ (22)</u> |

As of July 28, 2012, for fixed income securities that were in unrealized loss positions, the Company has determined that (i) it does not have the intent to sell any of these investments and (ii) it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. In addition, as of July 28, 2012, the Company anticipates that it will recover the entire amortized cost basis of such fixed income securities and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the year ended July 28, 2012.

The Company has evaluated its publicly traded equity securities as of July 28, 2012 and has determined that there was no indication of other-than-temporary impairments in the respective categories of unrealized losses. This determination was based on several factors, which include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the publicly traded equity securities for a period of time sufficient to allow for any anticipated recovery in market value.

(c) Maturities of Fixed Income Securities

The following table summarizes the maturities of the Company's fixed income securities at July 28, 2012 (in millions):

| | Amortized | |
|---------------------|-----------------|-----------------|
| | Cost | Fair Value |
| Less than 1 year | \$16,257 | \$16,274 |
| Due in 1 to 2 years | 12,277 | 12,323 |
| Due in 2 to 5 years | 8,549 | 8,623 |
| Due after 5 years | 73 | 77 |
| Total | <u>\$37,156</u> | <u>\$37,297</u> |

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

(d) Securities Lending

The Company periodically engages in securities lending activities with certain of its available-for-sale investments. These transactions are accounted for as a secured lending of the securities, and the securities are typically loaned only on an overnight basis. The average daily balance of securities lending for fiscal 2012 and 2011 was \$0.5 billion and \$1.6 billion, respectively. The Company requires collateral equal to at least 102% of the fair market value of the loaned security in the form of cash or liquid, high-quality assets. The Company engages in these secured lending transactions only with highly creditworthy counterparties, and the associated portfolio custodian has agreed to indemnify the Company against collateral losses. The Company did not experience any losses in connection with the secured lending of securities during the periods presented. As of July 28, 2012 and July 30, 2011, the Company had no outstanding securities lending transactions.

**Financing Receivables and
Guarantees (Schedule Of
Financing Receivables
Categorized By Internal
Credit Risk Rating) (Detail)
(USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011

| | | |
|---|----------|----------|
| Lease Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross Receivables, Net of Unearned Income | \$ 3,179 | \$ 2,861 |
| Loan Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross Receivables, Net of Unearned Income | 1,796 | 1,468 |
| Financed Service Contracts & Other | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross Receivables, Net of Unearned Income | 2,651 | 2,637 |
| Internal Credit Risk Rating 1 To 4 | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 3,915 | 3,534 |
| Internal Credit Risk Rating 1 To 4 Lease Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 1,532 | 1,249 |
| Internal Credit Risk Rating 1 To 4 Loan Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 831 | 662 |
| Internal Credit Risk Rating 1 To 4 Financed Service Contracts & Other | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 1,552 | 1,623 |
| Internal Credit Risk Rating 5 To 6 | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 3,293 | 3,000 |
| Internal Credit Risk Rating 5 To 6 Lease Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 1,342 | 1,275 |
| Internal Credit Risk Rating 5 To 6 Loan Receivables | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 921 | 767 |
| Internal Credit Risk Rating 5 To 6 Financed Service Contracts & Other | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 1,030 | 958 |
| Internal Credit Risk Rating 7 And Higher | | |
| Financing Receivable, Recorded Investment [Line Items] | | |
| Gross receivables net of unearned income | 144 | 136 |

| | | |
|--|----------|----------|
| Internal Credit Risk Rating 7 And Higher Lease Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 31 | 41 |
| Internal Credit Risk Rating 7 And Higher Loan Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 44 | 39 |
| Internal Credit Risk Rating 7 And Higher Financed Service Contracts & Other <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 69 | 56 |
| Total Internal Credit Risk Rating <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 7,352 | 6,670 |
| Total Internal Credit Risk Rating Lease Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 2,905 | 2,565 |
| Total Internal Credit Risk Rating Loan Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 1,796 | 1,468 |
| Total Internal Credit Risk Rating Financed Service Contracts & Other <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross receivables net of unearned income</u> | 2,651 | 2,637 |
| Residual Value <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Residual Value</u> | 274 | 296 |
| Residual Value Lease Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Residual Value</u> | 274 | 296 |
| Gross Receivables, Net Of Unearned Income <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross Receivables, Net of Unearned Income</u> | 7,626 | 6,966 |
| Gross Receivables, Net Of Unearned Income Lease Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross Receivables, Net of Unearned Income</u> | 3,179 | 2,861 |
| Gross Receivables, Net Of Unearned Income Loan Receivables <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross Receivables, Net of Unearned Income</u> | 1,796 | 1,468 |
| Gross Receivables, Net Of Unearned Income Financed Service Contracts & Other <u>Financing Receivable, Recorded Investment [Line Items]</u> | | |
| <u>Gross Receivables, Net of Unearned Income</u> | \$ 2,651 | \$ 2,637 |

**Derivative Instruments
(Effect Of Derivative
Instruments Designated As
Cash Flow Hedges On Other
Comprehensive Income And
Consolidated Statements Of
Operations Summary)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 |
|--|--------------------------|--------------------------|--------------------------|
| Cash Flow Hedging | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) recognized in OCI on derivatives (effective portion)</u> | \$ (131) | \$ 87 | \$ 56 |
| <u>Gains (losses) reclassified from AOCI into income (effective portion)</u> | (72) | 108 | (1) |
| Cash Flow Hedging Foreign Currency Derivatives | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) recognized in OCI on derivatives (effective portion)</u> | (131) | 87 | 33 |
| Cash Flow Hedging Interest Rate Derivatives | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) recognized in OCI on derivatives (effective portion)</u> | | | 23 |
| Cash Flow Hedging Operating Expenses Foreign Currency Derivatives | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) reclassified from AOCI into income (effective portion)</u> | (59) | 89 | (1) |
| Cash Flow Hedging Cost Of Sales-Service | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) reclassified from AOCI into income (effective portion)</u> | (14) | 17 | |
| Cash Flow Hedging Interest Expense Interest Rate Derivatives | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) reclassified from AOCI into income (effective portion)</u> | 1 | 2 | |
| Net Investment Hedging Foreign Currency Derivatives | | | |
| <u>Derivative [Line Items]</u> | | | |
| <u>Gains (losses) recognized in OCI on derivatives (effective portion)</u> | \$ 23 | \$ (10) | \$ (2) |

**Financing Receivables and
Guarantees (Summary Of
Allowances For Credit Loss
And Related Financing
Receivables) (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. 28,
2012 Jul. 30,
2011**

Lease Receivables

Summary Of Allowances For Credit Loss And The Related Financing Receivables

[Line Items]

| | | |
|--|--------|--------|
| <u>Beginning balance allowance for credit loss</u> | \$ 237 | \$ 207 |
| <u>Provisions</u> | 22 | 31 |
| <u>Write-offs net of recoveries</u> | (2) | (13) |
| <u>Foreign exchange and other</u> | (10) | 12 |
| <u>Ending balance allowance for credit loss</u> | 247 | 237 |
| <u>Gross receivables net of unearned income</u> | 3,179 | 2,861 |

Loan Receivables

Summary Of Allowances For Credit Loss And The Related Financing Receivables

[Line Items]

| | | |
|--|-------|-------|
| <u>Beginning balance allowance for credit loss</u> | 103 | 73 |
| <u>Provisions</u> | 22 | 43 |
| <u>Write-offs net of recoveries</u> | | (18) |
| <u>Foreign exchange and other</u> | (3) | 5 |
| <u>Ending balance allowance for credit loss</u> | 122 | 103 |
| <u>Gross receivables net of unearned income</u> | 1,796 | 1,468 |

Financed Service Contracts & Other

Summary Of Allowances For Credit Loss And The Related Financing Receivables

[Line Items]

| | | |
|--|-------|-------|
| <u>Beginning balance allowance for credit loss</u> | 27 | 21 |
| <u>Provisions</u> | (13) | 8 |
| <u>Write-offs net of recoveries</u> | (1) | (2) |
| <u>Foreign exchange and other</u> | (2) | |
| <u>Ending balance allowance for credit loss</u> | 11 | 27 |
| <u>Gross receivables net of unearned income</u> | 2,651 | 2,637 |

Total Allowance

Summary Of Allowances For Credit Loss And The Related Financing Receivables

[Line Items]

| | | |
|--|----------|----------|
| <u>Beginning balance allowance for credit loss</u> | 367 | 301 |
| <u>Provisions</u> | 31 | 82 |
| <u>Write-offs net of recoveries</u> | (3) | (33) |
| <u>Foreign exchange and other</u> | (15) | 17 |
| <u>Ending balance allowance for credit loss</u> | 380 | 367 |
| <u>Gross receivables net of unearned income</u> | \$ 7,626 | \$ 6,966 |

**Employee Benefit Plans
(Summary Of Stock Option
Activity) (Detail) (USD \$)
In Millions, except Per Share
data, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Employee Stock Benefit Plans [Abstract]

| | | | |
|--|----------|----------|----------|
| <u>Beginning balance, Number Outstanding</u> | 621 | 732 | 1,004 |
| <u>Assumed from acquisitions, Number Outstanding</u> | 1 | | |
| <u>Granted and assumed, Number Outstanding</u> | | | 15 |
| <u>Exercised, Number Outstanding</u> | (66) | (80) | (158) |
| <u>Canceled/forfeited/expired, Number Outstanding</u> | (36) | (31) | (129) |
| <u>Ending balance, Number Outstanding</u> | 520 | 621 | 732 |
| <u>Assumed from acquisitions, Weighted-Average Exercise Price per Share</u> | \$ 2.08 | | |
| <u>Weighted-Average Exercise Price per Share, Beginning Balance</u> | \$ 21.79 | \$ 21.39 | \$ 24.29 |
| <u>Granted and assumed, Weighted-Average Exercise Price per Share</u> | | | \$ 13.23 |
| <u>Exercised, Weighted-Average Exercise Price per Share</u> | \$ 13.51 | \$ 16.55 | \$ 17.88 |
| <u>Canceled/forfeited/expired, Weighted-Average Exercise Price per Share</u> | \$ 23.40 | \$ 25.91 | \$ 47.31 |
| <u>Weighted-Average Exercise Price per Share, Ending Balance</u> | \$ 22.68 | \$ 21.79 | \$ 21.39 |

**Financing Receivables and
Guarantees (Schedule Of
Contractual Maturities Of
Gross Lease Receivables)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012

Financing Receivables And Guarantees [Abstract]

| | |
|-------------------|----------|
| <u>2013</u> | \$ 1,401 |
| <u>2014</u> | 1,055 |
| <u>2015</u> | 619 |
| <u>2016</u> | 276 |
| <u>2017</u> | 77 |
| <u>Thereafter</u> | 1 |
| <u>Total</u> | \$ 3,429 |

**Commitments and
Contingencies (Schedule Of
Product Warranty Liability)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011

[Commitments and Contingencies \[Abstract\]](#)

| | | |
|--|--------|--------|
| <u>Balance at beginning of fiscal year</u> | \$ 342 | \$ 360 |
| <u>Provision for warranties issued</u> | 661 | 456 |
| <u>Payments</u> | (588) | (474) |
| <u>Balance at end of fiscal year</u> | \$ 415 | \$ 342 |

**Financing Receivables and
Guarantees (Tables)**

**12 Months Ended
Jul. 28, 2012**

[Schedule Of Financing
Receivables](#)

A summary of the Company's financing receivables is presented as follows (in millions):

| July 28, 2012 | Lease | Loan | Financed Service | Total Financing |
|---------------------------|-----------------|-----------------|------------------------|-----------------|
| | Receivables | Receivables | Contracts and Other | Receivables |
| Gross | \$ 3,429 | \$ 1,796 | \$ 2,651 | \$ 7,876 |
| Unearned income | (250) | — | — | (250) |
| Allowance for credit loss | (247) | (122) | (11) | (380) |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |
| Reported as: | | | | |
| Current | \$ 1,200 | \$ 968 | \$ 1,493 | \$ 3,661 |
| Noncurrent | 1,732 | 706 | 1,147 | 3,585 |
| Total, net | \$ 2,932 | \$ 1,674 | \$ 2,640 | \$ 7,246 |

| July 30, 2011 | Lease | Loan | Financed Service | Total Financing |
|---------------------------|-----------------|-----------------|------------------------|-----------------|
| | Receivables | Receivables | Contracts and Other | Receivables |
| Gross | \$ 3,111 | \$ 1,468 | \$ 2,637 | \$ 7,216 |
| Unearned income | (250) | — | — | (250) |
| Allowance for credit loss | (237) | (103) | (27) | (367) |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |
| Reported as: | | | | |
| Current | \$ 1,087 | \$ 673 | \$ 1,351 | \$ 3,111 |
| Noncurrent | 1,537 | 692 | 1,259 | 3,488 |
| Total, net | \$ 2,624 | \$ 1,365 | \$ 2,610 | \$ 6,599 |

[Schedule Of Contractual
Maturities Of Gross Lease
Receivables](#)

Contractual maturities of the gross lease receivables at July 28, 2012 are summarized as follows (in millions):

| Fiscal Year | Amount |
|--------------|----------------|
| 2013 | \$1,401 |
| 2014 | 1,055 |
| 2015 | 619 |
| 2016 | 276 |
| 2017 | 77 |
| Thereafter | 1 |
| Total | \$3,429 |

[Schedule Of Financing
Receivables Categorized By
Internal Credit Risk Rating](#)

Financing receivables categorized by the Company's internal credit risk rating as of July 28, 2012 and July 30, 2011 are summarized as follows (in millions):

| July 28, 2012 | INTERNAL CREDIT RISK RATING | | | | Residual Value | Gross Receivables, Net of Unearned Income |
|---|--------------------------------|----------------|---------------|----------------|-------------------|---|
| | 1 to 4 | 5 to 6 | 7 and Higher | Total | | |
| Lease receivables | \$1,532 | \$1,342 | \$ 31 | \$2,905 | \$ 274 | \$ 3,179 |
| Loan receivables | 831 | 921 | 44 | 1,796 | — | 1,796 |
| Financed service contracts and other | 1,552 | 1,030 | 69 | 2,651 | — | 2,651 |
| Total | \$3,915 | \$3,293 | \$ 144 | \$7,352 | \$ 274 | \$ 7,626 |

INTERNAL CREDIT RISK

RATING

| July 30, 2011 | RATING | | | Total | Residual Value | Gross Receivables, Net of Unearned Income |
|--------------------------------------|---------|---------|--------------|---------|-------------------|---|
| | 1 to 4 | 5 to 6 | 7 and Higher | | | |
| Lease receivables | \$1,249 | \$1,275 | \$ 41 | \$2,565 | \$ 296 | \$ 2,861 |
| Loan receivables | 662 | 767 | 39 | 1,468 | — | 1,468 |
| Financed service contracts and other | 1,623 | 958 | 56 | 2,637 | — | 2,637 |
| Total | \$3,534 | \$3,000 | \$ 136 | \$6,670 | \$ 296 | \$ 6,966 |

[Schedule Of Aging Analysis
Of Financing Receivables](#)

The following tables present the aging analysis of financing receivables as of July 28, 2012 and July 30, 2011 (in millions):

DAYS PAST DUE (INCLUDES
BILLED AND UNBILLED)

| July 28, 2012 | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | Total Current | Gross Receivables, Non- Net of Accrual Impaired Unearned Financing Financing | | |
|--------------------------------------|---|-------|-------|----------|------------------|---|-------------|-------------|
| | 31-60 | 61-90 | 91+ | Past Due | | Income | Receivables | Receivables |
| Lease receivables | \$151 | \$69 | \$173 | \$ 393 | \$2,786 | \$ 3,179 | \$ 23 | \$ 14 |
| Loan receivables | 10 | 8 | 11 | 29 | 1,767 | 1,796 | 4 | 4 |
| Financed service contracts and other | 89 | 68 | 392 | 549 | 2,102 | 2,651 | 18 | 10 |
| Total | \$250 | \$145 | \$576 | \$ 971 | \$6,655 | \$ 7,626 | \$ 45 | \$ 28 |

DAYS PAST DUE (INCLUDES
BILLED AND UNBILLED)

| July 30, 2011 | DAYS PAST DUE (INCLUDES BILLED AND UNBILLED) | | | | Total Current | Gross Receivables, Non- Net of Accrual Impaired Unearned Financing Financing | | |
|--------------------------------------|---|-------|-------|----------|------------------|---|-------------|-------------|
| | 31-60 | 61-90 | 91+ | Past Due | | Income | Receivables | Receivables |
| Lease receivables | \$89 | \$35 | \$152 | \$ 276 | \$2,585 | \$ 2,861 | \$ 34 | \$ 24 |
| Loan receivables | 8 | 7 | 21 | 36 | 1,432 | 1,468 | 4 | 4 |
| Financed service contracts and other | 68 | 33 | 265 | 366 | 2,271 | 2,637 | 17 | 6 |
| Total | \$165 | \$75 | \$438 | \$ 678 | \$6,288 | \$ 6,966 | \$ 55 | \$ 34 |

[Summary Of Allowances For
Credit Loss And Related
Financing Receivables](#)

The allowances for credit loss and the related financing receivables are summarized as follows (in millions):

CREDIT LOSS ALLOWANCES

| | CREDIT LOSS ALLOWANCES | | | |
|---|------------------------|---------------------|--|---------|
| | Lease Receivables | Loan Receivables | Financed Service Contracts and Other | Total |
| Allowance for credit loss as of July 30, 2011 | \$ 237 | \$ 103 | \$ 27 | \$367 |
| Provisions | 22 | 22 | (13) | 31 |
| Write-offs net of recoveries | (2) | — | (1) | (3) |
| Foreign exchange and other | (10) | (3) | (2) | (15) |
| Allowance for credit loss as of July 28, 2012 | \$ 247 | \$ 122 | \$ 11 | \$380 |
| Gross receivables as of July 28, 2012, net of unearned income | \$ 3,179 | \$ 1,796 | \$ 2,651 | \$7,626 |

CREDIT LOSS ALLOWANCES

| | CREDIT LOSS ALLOWANCES | | | |
|---|------------------------|---------------------|--|-------|
| | Lease Receivables | Loan Receivables | Financed Service Contracts and Other | Total |
| Allowance for credit loss as of July 31, 2010 | \$ 207 | \$ 73 | \$ 21 | \$301 |
| Provisions | 31 | 43 | 8 | 82 |
| Write-offs net of recoveries | (13) | (18) | (2) | (33) |

| | | | | |
|---|---------------|---------------|--------------|--------------|
| Foreign exchange and other | 12 | 5 | — | 17 |
| Allowance for credit loss as of July 30, 2011 | <u>\$ 237</u> | <u>\$ 103</u> | <u>\$ 27</u> | <u>\$367</u> |
| Gross receivables as of July 30, 2011, net of unearned income | \$ 2,861 | \$ 1,468 | \$ 2,637 | \$6,966 |

[Schedule Of Financing Guarantees Outstanding](#)

The aggregate amounts of financing guarantees outstanding at July 28, 2012 and July 30, 2011, representing the total maximum potential future payments under financing arrangements with third parties along with the related deferred revenue, are summarized in the following table (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|--|----------------------|----------------------|
| Maximum potential future payments relating to financing guarantees: | | |
| Channel partner | \$ 277 | \$ 336 |
| End user | <u>232</u> | <u>277</u> |
| Total | <u>\$ 509</u> | <u>\$ 613</u> |
| Deferred revenue associated with financing guarantees: | | |
| Channel partner | \$ (193) | \$ (248) |
| End user | <u>(200)</u> | <u>(248)</u> |
| Total | <u>\$ (393)</u> | <u>\$ (496)</u> |
| Maximum potential future payments relating to financing guarantees, net of associated deferred revenue | <u>\$ 116</u> | <u>\$ 117</u> |

Goodwill and Purchased Intangible Assets (Schedule Of Goodwill By Reportable Segments) (Detail) (USD \$) **12 Months Ended**
Jul. 28, 2012 Jul. 30, 2011
In Millions, unless otherwise specified

Goodwill [Line Items]

| | | |
|---------------------------|-----------|-----------|
| <u>Balance, Beginning</u> | \$ 16,818 | \$ 16,674 |
| <u>Acquisitions</u> | 237 | 184 |
| <u>Other</u> | (57) | (40) |
| <u>Balance, ending</u> | 16,998 | 16,818 |

Americas

Goodwill [Line Items]

| | | |
|---------------------------|--------|--------|
| <u>Balance, Beginning</u> | 11,627 | 11,571 |
| <u>Acquisitions</u> | 136 | 122 |
| <u>Other</u> | (8) | (66) |
| <u>Balance, ending</u> | 11,755 | 11,627 |

EMEA

Goodwill [Line Items]

| | | |
|---------------------------|-------|-------|
| <u>Balance, Beginning</u> | 3,272 | 3,209 |
| <u>Acquisitions</u> | 64 | 38 |
| <u>Other</u> | (49) | 25 |
| <u>Balance, ending</u> | 3,287 | 3,272 |

APJC

Goodwill [Line Items]

| | | |
|---------------------------|----------|----------|
| <u>Balance, Beginning</u> | 1,919 | 1,894 |
| <u>Acquisitions</u> | 37 | 24 |
| <u>Other</u> | | 1 |
| <u>Balance, ending</u> | \$ 1,956 | \$ 1,919 |

Shareholders' Equity

**12 Months Ended
Jul. 28, 2012**

[Shareholders' Equity](#)

13. Shareholders' Equity

(a) Stock Repurchase Program

In September 2001, the Company's Board of Directors authorized a stock repurchase program. As of July 28, 2012, the Company's Board of Directors had authorized an aggregate repurchase of up to \$82 billion of common stock under this program, and the remaining authorized repurchase amount was \$5.9 billion with no termination date. A summary of the stock repurchase activity under the stock repurchase program, reported based on the trade date, is summarized as follows (in millions, except per-share amounts):

| | Shares Repurchased | Weighted- Average Price per Share | Amount Repurchased |
|--|-----------------------|---|-----------------------|
| Cumulative balance at July 31, 2010 | 3,127 | \$ 20.78 | \$ 64,982 |
| Repurchase of common stock under the stock repurchase program | 351 | 19.36 | 6,791 |
| Cumulative balance at July 30, 2011 | 3,478 | \$ 20.64 | \$ 71,773 |
| Repurchase of common stock under the stock repurchase program | 262 | 16.64 | 4,360 |
| Cumulative balance at July 28, 2012 | 3,740 | \$ 20.36 | \$ 76,133 |

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity. The Company is required to allocate the purchase price of the repurchased shares as (i) a reduction to retained earnings and (ii) a reduction of common stock and additional paid-in capital. Issuance of common stock and the tax benefit related to employee stock incentive plans are recorded as an increase to common stock and additional paid-in capital.

(b) Cash Dividends on Shares of Common Stock

During fiscal 2012, the Company paid cash dividends of \$0.28 per common share, or \$1.5 billion, on the Company's outstanding common stock. During fiscal 2011, the Company paid cash dividends of \$0.12 per common share, or \$658 million, on the Company's outstanding common stock.

On August 14, 2012, the Company's Board of Directors declared a quarterly dividend of \$0.14 per common share to be paid on October 24, 2012 to all shareholders of record as of the close of business on October 4, 2012.

Any future dividends will be subject to the approval of the Company's Board of Directors.

(c) Other Repurchases of Common Stock

For the years ended July 28, 2012 and July 30, 2011, the Company repurchased approximately 12 million and 10 million shares, or \$200 million and \$183 million, of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock or stock units.

(d) Preferred Stock

Under the terms of the Company's Articles of Incorporation, the Board of Directors may determine the rights, preferences, and terms of the Company's authorized but unissued shares of preferred stock.

(e) Comprehensive Income

The components of comprehensive income, net of tax, are as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|------------------|------------------|------------------|
| Net income | \$8,041 | \$6,490 | \$7,767 |
| Net change in unrealized gains/losses on available-for-sale investments: | | | |
| Change in net unrealized (losses) gains, net of tax benefit (expense) of \$6, \$(151), and \$(199) for fiscal 2012, 2011, and 2010, respectively | (31) | 281 | 334 |
| Net (gains) losses reclassified into earnings, net of tax effects of \$36, \$68, and \$17 for fiscal 2012, 2011, and 2010, respectively | (65) | (112) | (151) |
| | (96) | 169 | 183 |
| Net change in unrealized gains/losses on derivative instruments: | | | |
| Change in derivative instruments, net of tax benefit (expense) of \$0, \$0 and \$(9) for fiscal 2012, 2011, and 2010, respectively | (131) | 87 | 46 |
| Net losses (gains) reclassified into earnings | 72 | (108) | 2 |
| | (59) | (21) | 48 |
| Net change in cumulative translation adjustment and other, net of tax benefit (expense) of \$36, \$(34), and \$(9) for fiscal 2012, 2011, and 2010, respectively | (496) | 538 | (55) |
| Comprehensive income | 7,390 | 7,176 | 7,943 |
| Comprehensive loss (income) attributable to noncontrolling interests | 18 | (15) | 12 |
| Comprehensive income attributable to Cisco Systems, Inc. | \$7,408 | \$7,161 | \$7,955 |

The components of AOCI, net of tax, are summarized as follows (in millions):

| | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|---------------|---------------|
| Net unrealized gains on investments | \$ 409 | \$ 487 | \$ 333 |
| Net unrealized (losses) gains on derivative instruments | (53) | 6 | 27 |
| Cumulative translation adjustment and other | 305 | 801 | 263 |
| Total | \$ 661 | \$ 1,294 | \$ 623 |

**Segment Information and
Major Customers (Summary
Of Reportable Segments)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 |
|--|--------------------------|--------------------------|--------------------------|
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Net sales</u> | \$ 46,061 | \$ 43,218 | \$ 40,040 |
| <u>Gross margin</u> | 28,209 | 26,536 | 25,643 |
| Segment Reporting Information Net Sales Americas | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Net sales</u> | 26,501 | 25,015 | 23,334 |
| Segment Reporting Information Net Sales EMEA | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Net sales</u> | 12,075 | 11,604 | 10,825 |
| Segment Reporting Information Net Sales APJC | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Net sales</u> | 7,485 | 6,599 | 5,881 |
| Segment Reporting Information Gross Margin | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Gross margin</u> | 28,763 | 27,361 | 26,119 |
| Segment Reporting Information Gross Margin Unallocated corporate items | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Gross margin</u> | (554) | (825) | (476) |
| Segment Reporting Information Gross Margin Americas | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Gross margin</u> | 16,639 | 15,766 | 15,042 |
| Segment Reporting Information Gross Margin EMEA | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Gross margin</u> | 7,605 | 7,452 | 7,235 |
| Segment Reporting Information Gross Margin APJC | | | |
| <u>Segment Reporting Information [Line Items]</u> | | | |
| <u>Gross margin</u> | \$ 4,519 | \$ 4,143 | \$ 3,842 |

**Schedule Of Valuation
Allowance And Qualifying
Accounts**

[Schedule Of Valuation Allowance And
Qualifying Accounts](#)

12 Months Ended

Jul. 28, 2012

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(in millions)

| | Allowances For | | |
|----------------------------------|----------------------|---------------------|------------------------|
| | Lease Receivables | Loan Receivables | Accounts Receivable |
| Year ended July 31, 2010: | | | |
| Balance at beginning | | | |
| of fiscal year | \$ 213 | \$ 88 | \$ 216 |
| Provisions | 25 | 43 | 44 |
| Write-offs net of | | | |
| recoveries | (1) | (69) | (25) |
| Foreign exchange and | | | |
| other | (30) | 11 | — |
| Balance at end of fiscal year | <u>\$ 207</u> | <u>\$ 73</u> | <u>\$ 235</u> |
| Year ended July 30, 2011: | | | |
| Balance at beginning | | | |
| of fiscal year | \$ 207 | \$ 73 | \$ 235 |
| Provisions | 31 | 43 | 7 |
| Write-offs net of | | | |
| recoveries | (13) | (18) | (38) |
| Foreign exchange and | | | |
| other | 12 | 5 | — |
| Balance at end of fiscal year | <u>\$ 237</u> | <u>\$ 103</u> | <u>\$ 204</u> |
| Year ended July 28, 2012: | | | |
| Balance at beginning | | | |
| of fiscal year | \$ 237 | \$ 103 | \$ 204 |
| Provisions | 22 | 22 | 19 |
| Write-offs net of | | | |
| recoveries | (2) | — | (16) |
| Foreign exchange and | | | |
| other | (10) | (3) | — |
| Balance at end of fiscal | | | |
| year | <u>\$ 247</u> | <u>\$ 122</u> | <u>\$ 207</u> |

Foreign exchange and other includes the impact of foreign exchange and certain immaterial reclassifications.

**Shareholders' Equity
(Comprehensive Income)
(Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. Jul. Jul.
28, 30, 31,
2012 2011 2010**

Comprehensive Income (Loss) [Line Items]

| | | | |
|--|----------|----------|----------|
| <u>Net income</u> | \$ 8,041 | \$ 6,490 | \$ 7,767 |
| <u>Change in net unrealized (losses) gains, net of tax benefit (expense) of \$6, \$(151), and \$(199) for fiscal 2012, 2011 and 2010, respectively</u> | (31) | 281 | 334 |
| <u>Net (gains) losses reclassified into earnings, net of tax effects of \$36, \$68, and \$17 for fiscal 2012, 2011 and 2010, respectively</u> | (65) | (112) | (151) |
| <u>Net change in unrealized gains/losses on available-for-sale investments, Total</u> | (96) | 169 | 183 |
| <u>Change in derivative instruments, net of tax benefit (expense) of \$0, \$0 and \$(9) for fiscal 2012, 2011 and 2010, respectively</u> | (131) | 87 | 46 |
| <u>Net losses (gains) reclassified into earnings</u> | 72 | (108) | 2 |
| <u>Net change in unrealized gains/losses on derivative instruments, Total</u> | (59) | (21) | 48 |
| <u>Net change in cumulative translation adjustment and other, net of tax benefit (expense) of \$36, \$(34), and \$(9) for fiscal 2012, 2011 and 2010, respectively</u> | (496) | 538 | (55) |
| <u>Comprehensive income</u> | 7,390 | 7,176 | 7,943 |
| <u>Comprehensive loss (income) attributable to noncontrolling interests</u> | 18 | (15) | 12 |
| <u>Comprehensive income attributable to Cisco Systems, Inc.</u> | \$ 7,408 | \$ 7,161 | \$ 7,955 |

**Business Combination -
Additional Information
(Detail) (USD \$)**

**12 Months Ended
Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010**

Business Acquisition [Line Items]

| | | | |
|---|------------------|---------------|---------------|
| <u>Number of business combinations</u> | 7 | | |
| <u>Total transaction costs related to business combination activities</u> | \$ 15,000,000 | \$ 10,000,000 | \$ 32,000,000 |
| <u>Cash payment includes assumption of debt</u> | 5,000,000,000 | | |
| <u>Repayments of Debt</u> | \$ 1,000,000,000 | | |

**Employee Benefit Plans
(Summary Assumptions
Related To And Valuation Of
Employee Share-Based
Awards (Employee Stock
Purchase Rights)) (Detail)
(USD \$)**

| 0 Months Ended | 12 Months Ended | | |
|-------------------------------|--|--|--|
| | Jul. 28, 2012 Employee Stock Purchase Rights Year | Jul. 30, 2011 Employee Stock Purchase Rights Year | Jul. 31, 2010 Employee Stock Purchase Rights Year |

**Share-based Compensation Arrangement by
Share-based Payment Award [Line Items]**

| | | | |
|---|---------|---------|---------|
| <u>Expected volatility</u> | 27.20% | 35.10% | 34.80% |
| <u>Risk-free interest rate</u> | 0.20% | 0.90% | 0.40% |
| <u>Expected dividend</u> | 0.00% | 1.50% | 0.00% |
| <u>Expected life (in years)</u> | 0.8 | 1.8 | 0.8 |
| <u>Weighted-average estimated grant date fair value per share</u> | \$ 3.81 | \$ 6.31 | \$ 5.03 |

**Employee Benefit Plans
(Tables)**

**12 Months Ended
Jul. 28, 2012**

[Summary Of Share-Based
Compensation Expense](#)

The following table summarizes share-based compensation expense (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|--|---------------|---------------|---------------|
| Cost of sales—product | \$ 53 | \$ 61 | \$ 57 |
| Cost of sales—service | 156 | 177 | 164 |
| Share-based compensation expense in cost of sales | 209 | 238 | 221 |
| Research and development | 401 | 481 | 450 |
| Sales and marketing | 588 | 651 | 602 |
| General and administrative | 203 | 250 | 244 |
| Share-based compensation expense in operating expenses | 1,192 | 1,382 | 1,296 |
| Total share-based compensation expense | \$ 1,401 | \$ 1,620 | \$ 1,517 |

[Summary Of Share-Based
Awards Available For Grant](#)

A summary of share-based awards available for grant is as follows (in millions):

| Years Ended | July 28, 2012 | July 30, 2011 | July 31, 2010 |
|---|---------------|---------------|---------------|
| Balance at beginning of fiscal year | 255 | 295 | 253 |
| Options granted | — | — | (4) |
| Restricted stock, stock units, and other share-based awards granted | (95) | (82) | (81) |
| Share-based awards canceled/forfeited/expired | 64 | 42 | 123 |
| Other | (6) | — | 4 |
| Balance at end of fiscal year | 218 | 255 | 295 |

[Summary Of Restricted Stock
And Stock Unit Activity](#)

A summary of the restricted stock and stock unit activity, which includes time-based and performance-based or market-based restricted stock, is as follows (in millions, except per-share amounts):

| | Restricted Stock/ Stock Units | Weighted-Average Grant Date Fair Value per Share | Aggregated Fair Market Value |
|---------------------|----------------------------------|--|---------------------------------|
| BALANCE AT | | | |
| JULY 25, 2009 | 62 | \$ 21.25 | |
| Granted and assumed | 54 | 23.40 | |
| Vested | (16) | 21.56 | \$ 378 |
| Canceled/forfeited | (3) | 22.40 | |
| BALANCE AT | | | |
| JULY 31, 2010 | 97 | 22.35 | |
| Granted and assumed | 56 | 20.62 | |
| Vested | (27) | 22.54 | \$ 529 |
| Canceled/forfeited | (10) | 22.04 | |
| BALANCE AT | | | |
| JULY 30, 2011 | 116 | 21.50 | |
| Granted and assumed | 65 | 17.45 | |

| | | | |
|---------------------------|--------------|-----------------|---------------|
| Vested | (35) | 21.94 | \$ 580 |
| Canceled/forfeited | (18) | 20.38 | |
| BALANCE AT | | | |
| JULY 28, 2012 | 128 | \$ 19.46 | |

[Summary Of Stock Option Activity](#)

A summary of the stock option activity is as follows (in millions, except per-share amounts):

| | STOCK OPTIONS OUTSTANDING | |
|-----------------------------------|---------------------------|---|
| | Number Outstanding | Weighted-Average Exercise Price per Share |
| BALANCE AT JULY 25, 2009 | 1,004 | \$ 24.29 |
| Granted and assumed | 15 | 13.23 |
| Exercised | (158) | 17.88 |
| Canceled/forfeited/expired | (129) | 47.31 |
| BALANCE AT JULY 31, 2010 | 732 | 21.39 |
| Exercised | (80) | 16.55 |
| Canceled/forfeited/expired | (31) | 25.91 |
| BALANCE AT JULY 30, 2011 | 621 | 21.79 |
| Assumed from acquisitions | 1 | 2.08 |
| Exercised | (66) | 13.51 |
| Canceled/forfeited/expired | (36) | 23.40 |
| BALANCE AT JULY 28, 2012 | 520 | \$ 22.68 |

[Summary Of Significant Ranges Of Outstanding And Exercisable Stock Options](#)

The following table summarizes significant ranges of outstanding and exercisable stock options as of July 28, 2012 (in millions, except years and share prices):

| Range of Exercise Prices | STOCK OPTIONS OUTSTANDING | | | | STOCK OPTIONS EXERCISABLE | | |
|--------------------------|---------------------------|--|---|---------------------------|---------------------------|---|---------------------------|
| | Number Outstanding | Weighted-Average Remaining Contractual Life (in Years) | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value | Number Exercisable | Weighted-Average Exercise Price per Share | Aggregate Intrinsic Value |
| \$ 0.01 – 15.00 | 10 | 4.10 | \$ 6.95 | \$ 92 | 9 | \$ 7.18 | \$ 82 |
| 15.01 – 18.00 | 83 | 2.12 | 17.79 | — | 83 | 17.79 | — |
| 18.01 – 20.00 | 150 | 0.93 | 19.31 | — | 150 | 19.31 | — |
| 20.01 – 25.00 | 143 | 2.87 | 22.75 | — | 141 | 22.76 | — |
| 25.01 – 35.00 | 134 | 4.08 | 30.64 | — | 129 | 30.67 | — |
| Total | 520 | 2.53 | \$ 22.68 | \$ 92 | 512 | \$ 22.65 | \$ 82 |

[Summary Of Valuation Assumptions Of Time-Based Restricted Stock Units](#)

The valuation of time-based RSU's and the underlying assumptions being used are summarized as follows:

| Years Ended | RESTRICTED STOCK UNITS | |
|--|------------------------|---------------|
| | July 28, 2012 | July 30, 2011 |
| Number of shares granted (in millions) | 62 | 54 |
| Weighted-average assumptions/inputs: | | |
| Grant date fair value per share | \$ 17.26 | \$ 20.59 |
| Expected dividend | 1.5 % | 0.3 % |

Employee Stock Purchase Rights

[Summary Assumptions
Related To And Valuation Of
Employee Share-Based
Awards](#)

The valuation of employee stock purchase rights and the underlying assumptions being used are summarized as follows:

| Years Ended | EMPLOYEE STOCK PURCHASE RIGHTS | | |
|---|--------------------------------|------------------|------------------|
| | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Weighted-average assumptions: | | | |
| Expected volatility | 27.2 % | 35.1 % | 34.8 % |
| Risk-free interest rate | 0.2 % | 0.9 % | 0.4 % |
| Expected dividend | 1.5 % | 0.0 % | 0.0 % |
| Expected life (in years) | 0.8 | 1.8 | 0.8 |
| Weighted-average estimated grant date fair value per share | \$ 3.81 | \$ 6.31 | \$ 5.03 |

Employee Stock Option

[Summary Assumptions
Related To And Valuation Of
Employee Share-Based
Awards](#)

The valuation of employee stock options and the underlying assumptions being used are summarized as follows:

| Year Ended | July 31, 2010 |
|---|---------------|
| Weighted-average assumptions: | |
| Expected volatility | 30.5 % |
| Risk-free interest rate | 2.3 % |
| Expected dividend | 0.0 % |
| Kurtosis | 4.1 |
| Skewness | 0.20 |
| Weighted-average expected life (in years) | 5.1 |
| Weighted-average estimated grant date fair value per option | \$ 6.50 |

**Income Taxes (Provision For
Income Taxes) (Detail) (USD**

12 Months Ended

)

**In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Income Taxes

| | | | |
|--|----------|----------|----------|
| <u>Federal, Current</u> | \$ 1,836 | \$ 914 | \$ 1,469 |
| <u>Federal, Deferred</u> | (270) | (168) | (435) |
| <u>Federal, Total</u> | 1,566 | 746 | 1,034 |
| <u>State, Current</u> | 119 | 49 | 186 |
| <u>State, Deferred</u> | (53) | 83 | |
| <u>State, Total</u> | 66 | 132 | 186 |
| <u>Foreign, Current</u> | 477 | 529 | 470 |
| <u>Foreign, Deferred</u> | 9 | (72) | (42) |
| <u>Foreign, Total</u> | 486 | 457 | 428 |
| <u>Provision for income taxes, total</u> | \$ 2,118 | \$ 1,335 | \$ 1,648 |

**Consolidated Statements Of
Cash Flows (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

**Jul. 28,
2012 Jul. 30,
2011 Jul. 31,
2010**

Cash flows from operating activities:

Net income \$ 8,041 \$ 6,490 \$ 7,767

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation, amortization, and other 2,602 2,486 2,030

Share-based compensation expense 1,401 1,620 1,517

Provision for receivables 50 89 112

Deferred income taxes (314) (157) (477)

Excess tax benefits from share-based compensation (60) (71) (211)

Net gains on investments (31) (213) (223)

Change in operating assets and liabilities, net of effects of acquisitions and divestitures:

Accounts receivable 272 298 (1,528)

Inventories (287) (147) (158)

Financing receivables (846) (1,616) (996)

Other assets (674) 275 (98)

Accounts payable (7) (28) 139

Income taxes, net 418 (156) 55

Accrued compensation (101) (64) 565

Deferred revenue 727 1,028 1,531

Other liabilities 300 245 148

Net cash provided by operating activities 11,491 10,079 10,173

Cash flows from investing activities:

Purchases of investments (41,810) (37,130) (48,690)

Proceeds from sales of investments 27,365 17,538 19,300

Proceeds from maturities of investments 12,103 18,117 23,697

Acquisition of property and equipment (1,126) (1,174) (1,008)

Acquisition of businesses, net of cash and cash equivalents acquired (375) (266) (5,279)

Purchases of investments in privately held companies (380) (204) (137)

Return of investments in privately held companies 242 163 58

Other 166 22 128

Net cash used in investing activities (3,815) (2,934) (11,931)

Cash flows from financing activities:

Issuances of common stock 1,372 1,831 3,278

Repurchases of common stock (4,760) (6,896) (7,864)

Short-term borrowings, maturities less than 90 days, net (557) 512 41

Issuances of debt, maturities greater than 90 days 4,109 4,944

Repayments of debt, maturities greater than 90 days (3,113)

Excess tax benefits from share-based compensation 60 71 211

Dividends paid (1,501) (658)

| | | | |
|---|----------|----------|----------|
| <u>Other</u> | (153) | 80 | 11 |
| <u>Net cash (used in) provided by financing activities</u> | (5,539) | (4,064) | 621 |
| <u>Net increase (decrease) in cash and cash equivalents</u> | 2,137 | 3,081 | (1,137) |
| <u>Cash and cash equivalents, beginning of fiscal year</u> | 7,662 | 4,581 | 5,718 |
| <u>Cash and cash equivalents, end of fiscal year</u> | 9,799 | 7,662 | 4,581 |
| <u>Cash paid for:</u> | | | |
| <u>Interest</u> | 681 | 777 | 692 |
| <u>Income taxes</u> | \$ 2,014 | \$ 1,649 | \$ 2,068 |

**Derivative Instruments
(Effect Of Derivative
Instruments Not Designated
As Hedges On Consolidated
Statement Of Operations
Summary) (Detail)
(Derivatives Not Designated
As Hedging Instruments,
USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Derivative Instruments, Gain (Loss) [Line Items]

Gains (losses) recognized in income \$ (193) \$ 322 \$ (70)

Foreign Currency Derivatives | Other income, net

Derivative Instruments, Gain (Loss) [Line Items]

Gains (losses) recognized in income (206) 264 (100)

Total return swaps-deferred compensation | Cost Of Sales-Product

Derivative Instruments, Gain (Loss) [Line Items]

Gains (losses) recognized in income 4

Total return swaps-deferred compensation | Operating Expenses

Derivative Instruments, Gain (Loss) [Line Items]

Gains (losses) recognized in income 3 33 18

Equity Derivatives | Other income, net

Derivative Instruments, Gain (Loss) [Line Items]

Gains (losses) recognized in income \$ 6 \$ 25 \$ 12

Summary of Significant Accounting Policies

12 Months Ended
Jul. 28, 2012

[Summary of Significant Accounting Policies](#)

2. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with various financial institutions.

(b) Available-for-Sale Investments The Company classifies its investments in both fixed income securities and publicly traded equity securities as available-for-sale investments. Fixed income securities primarily consist of U.S. government securities, U.S. government agency securities, non-U.S. government and agency securities, corporate debt securities, and asset-backed securities. These available-for-sale investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of fixed income and public equity securities sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments, to the extent the investments are unhedged, are included as a separate component of accumulated other comprehensive income ("AOCI"), net of tax. The Company classifies its investments as current based on the nature of the investments and their availability for use in current operations.

(c) Other-than-Temporary Impairments on Investments When the fair value of a debt security is less than its amortized cost, it is deemed impaired, and the Company will assess whether the impairment is other than temporary. An impairment is considered other than temporary if (i) the Company has the intent to sell the security, (ii) it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis, or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If impairment is considered other than temporary based on condition (i) or (ii) described earlier, the entire difference between the amortized cost and the fair value of the debt security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii), the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) will be recognized in earnings, and the amount relating to all other factors will be recognized in other comprehensive income ("OCI").

The Company recognizes an impairment charge on publicly traded equity securities when a decline in the fair value of a security below the respective cost basis is judged to be other than temporary. The Company considers various factors in determining whether a decline in the fair value of these investments is other than temporary, including the length of time and extent to which the fair value of the security has been less than the Company's cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Investments in privately held companies are included in other assets in the Consolidated Balance Sheets and are primarily accounted for using either the cost or equity method. The Company monitors these investments for impairments and makes appropriate reductions in carrying values if the Company determines that an impairment charge is required based primarily on the financial condition and near-term prospects of these companies.

(d) Inventories Inventories are stated at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. In addition, the Company records a liability for firm, noncancelable, and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of the Company's future demand forecasts consistent with its valuation of excess and obsolete inventory.

(e) Allowance for Doubtful Accounts The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, economic conditions that may affect a customer's ability to pay, and expected default frequency rates. Trade receivables are written off at the point when they are considered uncollectible.

(f) Financing Receivables The Company provides financing arrangements, including leases, financed service contracts, and loans, for certain qualified end-user customers to build, maintain, and upgrade their networks. Lease receivables primarily represent sales-type and direct-financing leases. Leases have on average a four-year term and are usually collateralized by a security interest in the underlying assets, while loan receivables generally have terms of up to three years. Financed service contracts typically have terms of one to three years and primarily relate to technical support services.

The Company determines the adequacy of its allowance for credit loss by assessing the risks and losses inherent in its financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by the Company to its customers: lease receivables, loan receivables, and financed service contracts and other. Effective in the second quarter of fiscal 2012, the Company combined its financing receivables into a single class as the two prior classes, Established Markets and Growth Markets, now exhibit similar risk characteristics as reflected by the Company's historical losses. See Note 7.

The Company assesses the allowance for credit loss related to financing receivables on either an individual or a collective basis. The Company considers various factors in evaluating lease and loan receivables and the earned portion of financed service contracts for possible impairment on an individual basis. These factors include the Company's historical experience, credit quality and age of the receivable balances, and economic conditions that may affect a customer's ability to pay. When the evaluation indicates that it is probable that all amounts due pursuant to the contractual terms of the financing agreement, including scheduled interest payments, are unable to be collected, the financing receivable is considered impaired. All such outstanding amounts, including any accrued interest, will be assessed and fully reserved at the customer level. Typically, the Company also considers receivables with a risk rating of 8 or higher to be impaired and will include them in the individual assessment for allowance. The Company evaluates the remainder of its financing receivables portfolio for impairment on a collective basis and records an allowance for credit loss at the portfolio segment level. Effective at the beginning of the

second quarter of fiscal 2012, the Company refined its methodology for determining the portion of its allowance for credit loss that is evaluated on a collective basis. The refinement consists of more systematically giving effect to economic conditions, concentration of risk, and correlation. The Company also began to use expected default frequency rates published by a major third-party credit-rating agency as well as its own historical loss rate in the event of default. Previously the Company used only historical loss rates published by the same third-party credit-rating agency. These refinements are intended to better identify changes in macroeconomic conditions and credit risk. There was not a material change to the Company's total allowance for credit loss related to financing receivables as a result of these methodology refinements.

Expected default frequency rates are published quarterly by a major third-party credit-rating agency, and the internal credit risk rating is derived by taking into consideration various customer-specific factors and macroeconomic conditions. These factors, which include the strength of the customer's business and financial performance, the quality of the customer's banking relationships, the Company's specific historical experience with the customer, the performance and outlook of the customer's industry, the customer's legal and regulatory environment, the potential sovereign risk of the geographic locations in which the customer is operating, and independent third-party evaluations, are updated regularly or when facts and circumstances indicate that an update is deemed necessary. The Company's internal credit risk ratings are categorized as 1 through 10, with the lowest credit risk rating representing the highest quality financing receivables.

Financing receivables are written off at the point when they are considered uncollectible and all outstanding balances, including any previously earned but uncollected interest income, will be reversed and charged against earnings. The Company does not typically have any partially written-off financing receivables.

Outstanding financing receivables that are aged 31 days or more from the contractual payment date are considered past due. The Company does not accrue interest on financing receivables that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured. Financing receivables may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain. After a financing receivable has been categorized as nonaccrual, interest will be recognized when cash is received. A financing receivable may be returned to accrual status after all of the customer's delinquent balances of principal and interest have been settled and the customer remains current for an appropriate period.

The Company facilitates third-party financing arrangements for channel partners, consisting of revolving short-term financing, generally with payment terms ranging from 60 to 90 days. In certain instances, these financing arrangements result in a transfer of the Company's receivables to the third party. The receivables are derecognized upon transfer, as these transfers qualify as true sales, and the Company receives a payment for the receivables from the third party based on the Company's standard payment terms. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, the Company guarantees a portion of these arrangements. The Company also provides financing guarantees for third-party financing arrangements extended to end-user customers related to leases and loans, which typically have terms of up to three years. The Company could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners or end-user customers. Deferred revenue relating to these financing arrangements is recorded in accordance with revenue recognition policies or for the fair value of the financing guarantees.

(g) Depreciation and Amortization Property and equipment are stated at cost, less accumulated depreciation or amortization, whenever applicable. Depreciation and amortization expenses for property and equipment were approximately \$1.1 billion, \$1.1 billion, and \$1.0 billion for fiscal 2012, 2011 and 2010, respectively. Depreciation and amortization are computed using the straight-line method, generally over the following periods:

| <u>Asset category</u> | <u>Period</u> |
|--|---|
| Buildings | 25 years |
| Building improvements | 10 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of remaining lease term or 5 years |
| Computer equipment and related software | 30 to 36 months |
| Production, engineering, and other equipment | Up to 5 years |
| Operating lease assets | Based on lease term generally up to 3 years |

(h) Business Combinations The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities, and intangible assets acquired, including in-process research and development (“IPR&D”), based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over the asset’s estimated useful life. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

(i) Goodwill and Purchased Intangible Assets Goodwill is tested for impairment on an annual basis in the fourth fiscal quarter and, when specific circumstances dictate, between annual tests. When impaired, the carrying value of goodwill is written down to fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss. Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally two to seven years. See “Long-Lived Assets,” following, for the Company’s policy regarding impairment testing of purchased intangible assets with finite lives. Purchased intangible assets with indefinite lives are assessed for potential impairment annually or when events or circumstances indicate that their carrying amounts might be impaired.

(j) Long-Lived Assets Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the difference between the fair value of the asset and its

carrying value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(k) Derivative Instruments The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative instrument designated as a net investment hedge of the Company's foreign operations, the gain or loss is recorded in the cumulative translation adjustment within AOCI together with the offsetting loss or gain of the hedged exposure of the underlying foreign operations. Any ineffective portion of the net investment hedges is reported in earnings during the period of change. For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change. The Company records derivative instruments in the statements of cash flows to operating, investing, or financing activities consistent with the cash flows of the hedged item.

(l) Foreign Currency Translation Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of AOCI. Income and expense accounts are translated at average exchange rates during the year. Remeasurement adjustments are recorded in other income, net. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

(m) Concentrations of Risk Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company performs ongoing credit evaluations of its customers and, with the exception of certain financing transactions, does not require collateral from its customers. The Company receives certain of its components from sole suppliers. Additionally, the Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

(n) Revenue Recognition The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met. For hosting arrangements, the Company recognizes subscription revenue ratably over the subscription period, while usage revenue is recognized based on utilization. Technical support services revenue is deferred and recognized ratably over the period during which the services are to be

performed, which is typically from one to three years. Advanced services transactional revenue is recognized upon delivery or completion of performance.

The Company uses distributors that stock inventory and typically sell to systems integrators, service providers, and other resellers. In addition, certain products are sold through retail partners. The Company refers to this as its two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. Distributors and retail partners participate in various cooperative marketing and other programs, and the Company maintains estimated accruals and allowances for these programs. The Company accrues for warranty costs, sales returns, and other allowances based on its historical experience. Shipping and handling fees billed to customers are included in net sales, with the associated costs included in cost of sales.

Many of the Company's products have both software and nonsoftware components that function together to deliver the products' essential functionality. The Company's product offerings fall into the following categories: Switching, Next-Generation Network ("NGN") Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other Products. The Company also provides technical support and advanced services. The Company has a broad customer base that encompasses virtually all types of public and private entities, including enterprise businesses, service providers, commercial customers, and consumers. The Company and its salesforce are not organized by product divisions, and the Company's products and services can be sold standalone or together in various combinations across the Company's geographic segments or customer markets. For example, service provider arrangements are typically larger in scale with longer deployment schedules and involve the delivery of a variety of product technologies, including high-end routing, video and network management software, and other product technologies along with technical support and advanced services. The Company's enterprise and commercial arrangements are unique for each customer and smaller in scale and may include network infrastructure products such as routers and switches or collaboration technologies such as unified communications and Cisco TelePresence systems products along with technical support services.

The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings due to the needs of its customers. For example, a customer may purchase routing products along with a contract for technical support services. This arrangement would consist of multiple elements, with the products delivered in one reporting period and the technical support services delivered across multiple reporting periods. Another customer may purchase networking products along with advanced service offerings, in which all the elements are delivered within the same reporting period. In addition, distributors and retail partners purchase products or technical support services on a standalone basis for resale to an end user or for purposes of stocking certain products, and these transactions would not result in a multiple-element arrangement.

In many instances, products are sold separately in standalone arrangements as customers may support the products themselves or purchase support on a time-and-materials basis. Advanced services are sometimes sold in standalone engagements such as general consulting, network management, or security advisory projects, and technical support services are sold separately through renewals of annual contracts. The Company determines its Vendor-Specific Objective Evidence ("VSOE") based on its normal pricing and discounting practices for the specific product or service when sold separately. VSOE determination requires that a substantial majority of the historical standalone transactions have the selling prices for a product or service that fall within a reasonably narrow pricing range, generally evidenced by approximately 80% of such historical

standalone transactions falling within plus or minus 15% of the median rates. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups and customer classifications, and other environmental or marketing variables in determining VSOE.

When the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, which may be due to the Company infrequently selling each element separately, not pricing products within a narrow range, or only having a limited sales history, such as in the case of certain newly introduced product categories, the Company attempts to determine the selling price of each element based on third-party evidence of selling price (“TPE”). TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company’s go-to-market strategy differs from that of its peers, and its offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products’ selling prices are on a standalone basis. Therefore, the Company is typically not able to determine TPE.

When the Company is unable to establish fair value using VSOE or TPE, the Company uses estimated selling prices (“ESP”) in its allocation of arrangement consideration. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were regularly sold on a standalone basis. ESP is generally used for new or highly proprietary offerings and solutions, or for offerings not priced within a reasonably narrow range. The Company determines ESP for a product or service by considering multiple factors, including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. The determination of ESP is made through consultation with and formal approval by the Company’s management, taking into consideration the go-to-market strategy.

The Company regularly reviews VSOE, TPE, and ESP and maintains internal controls over the establishment and updates of these estimates. There were no material impacts during the fiscal year, nor does the Company currently expect a material impact in the near term from changes in VSOE, TPE, or ESP.

The Company’s arrangements with multiple deliverables may have a standalone software deliverable that is subject to the software revenue recognition guidance. In these cases, revenue for the software is generally recognized upon shipment or electronic delivery and granting of the license. The revenue for these multiple-element arrangements is allocated to the software deliverable and the nonsoftware deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the applicable accounting guidance. In the limited circumstances where the Company cannot determine VSOE or TPE of the selling price for all of the deliverables in the arrangement, including the software deliverable, ESP is used for the purposes of performing this allocation.

(o) Advertising Costs The Company expenses all advertising costs as incurred. Advertising costs included within sales and marketing expenses were approximately \$218 million, \$325 million, and \$290 million for fiscal 2012, 2011, and 2010, respectively.

(p) Share-Based Compensation Expense The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors, including employee stock options, stock grants, stock units, and employee stock purchases related to the

Employee Stock Purchase Plan (“Employee Stock Purchase Rights”) based on estimated fair values. The fair value of employee stock options is estimated on the date of grant using a lattice-binomial option-pricing model (“Lattice-Binomial Model”), and for employee stock purchase rights the Company estimates the fair value using the Black-Scholes model. The fair value for time-based stock awards and stock awards that are contingent upon the achievement of financial performance metrics is based on the grant date share price reduced by the present value of the expected dividend yield prior to vesting. The fair value of market-based stock awards is estimated using an option-pricing model on the date of grant. Because share-based compensation expense is based on awards ultimately expected to vest, it has been reduced for forfeitures.

(q) Software Development Costs Software development costs required to be capitalized for software sold, leased, or otherwise marketed have not been material to date. Software development costs required to be capitalized for internal use software have also not been material to date.

(r) Income Taxes Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

(s) Computation of Net Income per Share Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

(t) Consolidation of Variable Interest Entities The Company uses a qualitative approach in assessing the consolidation requirement for variable interest entities. The approach focuses on identifying which enterprise has the power to direct the activities that most significantly impact the variable interest entity’s economic performance and which enterprise has the obligation to absorb losses or the right to receive benefits from the variable interest entity. In the event that the Company is the primary beneficiary of a variable interest entity, the assets, liabilities, and results

of operations of the variable interest entity will be included in the Company's Consolidated Financial Statements.

(u) Use of Estimates The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are used for the following, among others:

- Revenue recognition
- Allowances for accounts receivable, sales returns, and financing receivables
- Inventory valuation and liability for purchase commitments with contract manufacturers and suppliers
- Warranty costs
- Share-based compensation expense
- Fair value measurements and other-than-temporary impairments
- Goodwill and purchased intangible asset impairments
- Income taxes
- Loss contingencies

The actual results experienced by the Company may differ materially from management's estimates.

(v) New Accounting Update Recently Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standard update to provide guidance on achieving a consistent definition of and common requirements for measurement of and disclosure concerning fair value as between U.S. GAAP and International Financial Reporting Standards ("IFRS"). This accounting standard update became effective for the Company beginning in the third quarter of fiscal 2012. As a result of the application of this accounting standard update, the Company has provided additional disclosures in Note 9.

(w) Recent Accounting Standards or Updates Not Yet Effective

In June 2011, the FASB issued an accounting standard update to provide guidance on increasing the prominence of items reported in other comprehensive income. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of equity and requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements.

This accounting standard update is effective for the Company beginning in the first quarter of fiscal 2013, and it will result in changes in the Company's financial statement presentation.

In August 2011, the FASB approved a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2013, and the adoption is not expected to have any impact on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued an accounting standard update requiring enhanced disclosures about certain financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to enforceable master netting arrangements or similar agreements. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, at which time the Company will include the required disclosures.

In July 2012, the FASB issued an accounting standard update intended to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update in its Consolidated Financial Statements.

**Restructuring and Other
Charges (Schedule Of
Activities Related To
Restructuring And Other
Charges) (Detail) (USD \$)
In Millions, unless otherwise
specified**

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011

Restructuring Cost and Reserve [Line Items]

| | | |
|---------------------------|--------|--------|
| <u>Charges</u> | \$ 353 | \$ 799 |
| <u>Change in estimate</u> | (49) | |
| <u>Cash payments</u> | (436) | (449) |
| <u>Non-cash items</u> | (20) | (88) |
| <u>Ending balance</u> | 110 | 262 |

Voluntary Early Retirement Program

Restructuring Cost and Reserve [Line Items]

| | | |
|-----------------------|------|-------|
| <u>Charges</u> | | 453 |
| <u>Cash payments</u> | (17) | (436) |
| <u>Ending balance</u> | | 17 |

Employee Severance

Restructuring Cost and Reserve [Line Items]

| | | |
|---------------------------|-------|------|
| <u>Charges</u> | 299 | 247 |
| <u>Change in estimate</u> | (49) | |
| <u>Cash payments</u> | (401) | (13) |
| <u>Ending balance</u> | 83 | 234 |

Goodwill And Intangible Assets

Restructuring Cost and Reserve [Line Items]

| | | |
|-----------------------|--|------|
| <u>Charges</u> | | 71 |
| <u>Non-cash items</u> | | (71) |

All Others

Restructuring Cost and Reserve [Line Items]

| | | |
|-----------------------|-------|-------|
| <u>Charges</u> | 54 | 28 |
| <u>Cash payments</u> | (18) | |
| <u>Non-cash items</u> | (20) | (17) |
| <u>Ending balance</u> | \$ 27 | \$ 11 |

**Borrowings (Schedule Of
Long-Term Debt)
(Parenthetical) (Detail)**

**12 Months Ended
Jul. 28, 2012**

Floating-Rate Notes, Due 2014

[Debt Instrument \[Line Items\]](#)

[Debt instrument maturity](#) 2014

1.625% Fixed-Rate Notes, Due 2014

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 1.625%

[Debt instrument maturity](#) 2014

2.90% Fixed-Rate Notes, Due 2014

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 2.90%

[Debt instrument maturity](#) 2014

5.50% Fixed-Rate Notes, Due 2016

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 5.50%

[Debt instrument maturity](#) 2016

3.15% Fixed-Rate Notes, Due 2017

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 3.15%

[Debt instrument maturity](#) 2017

4.95% Fixed-Rate Notes, Due 2019

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 4.95%

[Debt instrument maturity](#) 2019

4.45% Fixed-Rate Notes, Due 2020

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 4.45%

[Debt instrument maturity](#) 2020

5.90% Fixed-Rate Notes, Due 2039

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 5.90%

[Debt instrument maturity](#) 2039

5.50% Fixed-Rate Notes, Due 2040

[Debt Instrument \[Line Items\]](#)

[Fixed interest rate](#) 5.50%

[Debt instrument maturity](#) 2040

**Employee Benefit Plans
(Summary Assumptions
Related To And Valuation Of
Employee Share-Based
Awards (Employee Stock
Options)) (Detail) (USD \$)**

| | |
|---------------------------|---|
| 0 Months Ended | 12 Months Ended |
| Mar. 17, 2011 | Jul. 31, 2010 |
| | Employee Stock Option Year |

Share-based Compensation Arrangement by Share-based Payment

Award [Line Items]

| | | |
|--|-------|---------|
| <u>Expected volatility</u> | | 30.50% |
| <u>Risk-free interest rate</u> | | 2.30% |
| <u>Expected dividend</u> | 0.00% | 0.00% |
| <u>Kurtosis</u> | | 4.1 |
| <u>Skewness</u> | | 0.20 |
| <u>Weighted-average expected life (in years)</u> | | 5.1 |
| <u>Weighted-average estimated grant date fair value per option</u> | | \$ 6.50 |

Investments (Gross Realized Gains And Gross Realized Losses Related To Available-For-Sale Investment) (Detail)

12 Months Ended

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

(USD \$)

In Millions, unless otherwise specified

Investments [Abstract]

| | | | |
|------------------------------|--------|--------|--------|
| <u>Gross realized gains</u> | \$ 641 | \$ 348 | \$ 279 |
| <u>Gross realized losses</u> | (540) | (169) | (110) |
| <u>Total</u> | \$ 101 | \$ 179 | \$ 169 |

Summary of Significant Accounting Policies (Policies)

12 Months Ended
Jul. 28, 2012

Cash and Cash Equivalents

(a) Cash and Cash Equivalents The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with various financial institutions.

Available-For-Sale Investments

(b) Available-for-Sale Investments The Company classifies its investments in both fixed income securities and publicly traded equity securities as available-for-sale investments. Fixed income securities primarily consist of U.S. government securities, U.S. government agency securities, non-U.S. government and agency securities, corporate debt securities, and asset-backed securities. These available-for-sale investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of fixed income and public equity securities sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments, to the extent the investments are unhedged, are included as a separate component of accumulated other comprehensive income ("AOCI"), net of tax. The Company classifies its investments as current based on the nature of the investments and their availability for use in current operations.

Other-Than-Temporary Impairments On Investments

(c) Other-than-Temporary Impairments on Investments When the fair value of a debt security is less than its amortized cost, it is deemed impaired, and the Company will assess whether the impairment is other than temporary. An impairment is considered other than temporary if (i) the Company has the intent to sell the security, (ii) it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis, or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If impairment is considered other than temporary based on condition (i) or (ii) described earlier, the entire difference between the amortized cost and the fair value of the debt security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii), the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) will be recognized in earnings, and the amount relating to all other factors will be recognized in other comprehensive income ("OCI").

The Company recognizes an impairment charge on publicly traded equity securities when a decline in the fair value of a security below the respective cost basis is judged to be other than temporary. The Company considers various factors in determining whether a decline in the fair value of these investments is other than temporary, including the length of time and extent to which the fair value of the security has been less than the Company's cost basis, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Investments in privately held companies are included in other assets in the Consolidated Balance Sheets and are primarily accounted for using either the cost or equity method. The Company monitors these investments for impairments and makes appropriate reductions in carrying values if the Company determines that an impairment charge is required based primarily on the financial condition and near-term prospects of these companies.

Inventories

(d) Inventories Inventories are stated at the lower of cost or market. Cost is computed using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the

inventory and market based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. In addition, the Company records a liability for firm, noncancelable, and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of the Company's future demand forecasts consistent with its valuation of excess and obsolete inventory.

Allowance For Doubtful Accounts

(e) Allowance for Doubtful Accounts The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, economic conditions that may affect a customer's ability to pay, and expected default frequency rates. Trade receivables are written off at the point when they are considered uncollectible.

Financing Receivables

(f) Financing Receivables The Company provides financing arrangements, including leases, financed service contracts, and loans, for certain qualified end-user customers to build, maintain, and upgrade their networks. Lease receivables primarily represent sales-type and direct-financing leases. Leases have on average a four-year term and are usually collateralized by a security interest in the underlying assets, while loan receivables generally have terms of up to three years. Financed service contracts typically have terms of one to three years and primarily relate to technical support services.

The Company determines the adequacy of its allowance for credit loss by assessing the risks and losses inherent in its financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by the Company to its customers: lease receivables, loan receivables, and financed service contracts and other. Effective in the second quarter of fiscal 2012, the Company combined its financing receivables into a single class as the two prior classes, Established Markets and Growth Markets, now exhibit similar risk characteristics as reflected by the Company's historical losses. See Note 7.

The Company assesses the allowance for credit loss related to financing receivables on either an individual or a collective basis. The Company considers various factors in evaluating lease and loan receivables and the earned portion of financed service contracts for possible impairment on an individual basis. These factors include the Company's historical experience, credit quality and age of the receivable balances, and economic conditions that may affect a customer's ability to pay. When the evaluation indicates that it is probable that all amounts due pursuant to the contractual terms of the financing agreement, including scheduled interest payments, are unable to be collected, the financing receivable is considered impaired. All such outstanding amounts, including any accrued interest, will be assessed and fully reserved at the customer level. Typically, the Company also considers receivables with a risk rating of 8 or higher to be impaired and will include them in the individual assessment for allowance. The Company evaluates the remainder of its financing receivables portfolio for impairment on a collective basis and records an allowance for credit loss at the portfolio segment level. Effective at the beginning of the second quarter of fiscal 2012, the Company refined its methodology for determining the portion of its allowance for credit loss that is evaluated on a collective basis. The refinement consists of more systematically giving effect to economic conditions, concentration of risk, and correlation. The Company also began to use expected default frequency rates published by a major third-party credit-rating agency as well as its own historical loss rate in the event of default. Previously the

Company used only historical loss rates published by the same third-party credit-rating agency. These refinements are intended to better identify changes in macroeconomic conditions and credit risk. There was not a material change to the Company's total allowance for credit loss related to financing receivables as a result of these methodology refinements.

Expected default frequency rates are published quarterly by a major third-party credit-rating agency, and the internal credit risk rating is derived by taking into consideration various customer-specific factors and macroeconomic conditions. These factors, which include the strength of the customer's business and financial performance, the quality of the customer's banking relationships, the Company's specific historical experience with the customer, the performance and outlook of the customer's industry, the customer's legal and regulatory environment, the potential sovereign risk of the geographic locations in which the customer is operating, and independent third-party evaluations, are updated regularly or when facts and circumstances indicate that an update is deemed necessary. The Company's internal credit risk ratings are categorized as 1 through 10, with the lowest credit risk rating representing the highest quality financing receivables.

Financing receivables are written off at the point when they are considered uncollectible and all outstanding balances, including any previously earned but uncollected interest income, will be reversed and charged against earnings. The Company does not typically have any partially written-off financing receivables.

Outstanding financing receivables that are aged 31 days or more from the contractual payment date are considered past due. The Company does not accrue interest on financing receivables that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured. Financing receivables may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain. After a financing receivable has been categorized as nonaccrual, interest will be recognized when cash is received. A financing receivable may be returned to accrual status after all of the customer's delinquent balances of principal and interest have been settled and the customer remains current for an appropriate period.

The Company facilitates third-party financing arrangements for channel partners, consisting of revolving short-term financing, generally with payment terms ranging from 60 to 90 days. In certain instances, these financing arrangements result in a transfer of the Company's receivables to the third party. The receivables are derecognized upon transfer, as these transfers qualify as true sales, and the Company receives a payment for the receivables from the third party based on the Company's standard payment terms. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, the Company guarantees a portion of these arrangements. The Company also provides financing guarantees for third-party financing arrangements extended to end-user customers related to leases and loans, which typically have terms of up to three years. The Company could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners or end-user customers. Deferred revenue relating to these financing arrangements is recorded in accordance with revenue recognition policies or for the fair value of the financing guarantees.

Depreciation And Amortization

(g) Depreciation and Amortization Property and equipment are stated at cost, less accumulated depreciation or amortization, whenever applicable. Depreciation and amortization expenses for property and equipment were approximately \$1.1 billion, \$1.1 billion, and \$1.0 billion for fiscal 2012, 2011 and 2010, respectively. Depreciation and amortization are computed using the straight-line method, generally over the following periods:

| <u>Asset category</u> | <u>Period</u> |
|--|---|
| Buildings | 25 years |
| Building improvements | 10 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of remaining lease term or 5 years |
| Computer equipment and related software | 30 to 36 months |
| Production, engineering, and other equipment | Up to 5 years |
| Operating lease assets | Based on lease term generally up to 3 years |

Business Combinations

(h) Business Combinations The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities, and intangible assets acquired, including in-process research and development (“IPR&D”), based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over the asset’s estimated useful life. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill And Purchased Intangible Assets

(i) Goodwill and Purchased Intangible Assets Goodwill is tested for impairment on an annual basis in the fourth fiscal quarter and, when specific circumstances dictate, between annual tests. When impaired, the carrying value of goodwill is written down to fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss. Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally two to seven years. See “Long-Lived Assets,” following, for the Company’s policy regarding impairment testing of purchased intangible assets with finite lives. Purchased intangible assets with indefinite lives are assessed for potential impairment annually or when events or circumstances indicate that their carrying amounts might be impaired.

Long-Lived Assets

(j) Long-Lived Assets Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the difference between the fair value of the asset and its carrying value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Derivative Instruments

(k) Derivative Instruments The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in

earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative instrument designated as a net investment hedge of the Company's foreign operations, the gain or loss is recorded in the cumulative translation adjustment within AOCI together with the offsetting loss or gain of the hedged exposure of the underlying foreign operations. Any ineffective portion of the net investment hedges is reported in earnings during the period of change. For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in earnings in the period of change. The Company records derivative instruments in the statements of cash flows to operating, investing, or financing activities consistent with the cash flows of the hedged item.

Foreign Currency Translation

(l) Foreign Currency Translation Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of AOCI. Income and expense accounts are translated at average exchange rates during the year. Remeasurement adjustments are recorded in other income, net. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

Concentrations Of Risk

(m) Concentrations of Risk Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company performs ongoing credit evaluations of its customers and, with the exception of certain financing transactions, does not require collateral from its customers. The Company receives certain of its components from sole suppliers. Additionally, the Company relies on a limited number of contract manufacturers and suppliers to provide manufacturing services for its products. The inability of a contract manufacturer or supplier to fulfill supply requirements of the Company could materially impact future operating results.

Revenue Recognition

(n) Revenue Recognition The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met. For hosting arrangements, the Company recognizes subscription revenue ratably over the subscription period, while usage revenue is recognized based on utilization. Technical support services revenue is deferred and recognized ratably over the period during which the services are to be performed, which is typically from one to three years. Advanced services transactional revenue is recognized upon delivery or completion of performance.

The Company uses distributors that stock inventory and typically sell to systems integrators, service providers, and other resellers. In addition, certain products are sold through retail partners. The Company refers to this as its two-tier system of sales to the end customer. Revenue from distributors and retail partners is recognized based on a sell-through method using information provided by them. Distributors and retail partners participate in various cooperative marketing

and other programs, and the Company maintains estimated accruals and allowances for these programs. The Company accrues for warranty costs, sales returns, and other allowances based on its historical experience. Shipping and handling fees billed to customers are included in net sales, with the associated costs included in cost of sales.

Many of the Company's products have both software and nonsoftware components that function together to deliver the products' essential functionality. The Company's product offerings fall into the following categories: Switching, Next-Generation Network ("NGN") Routing, Collaboration, Service Provider Video, Wireless, Security, Data Center, and Other products. The Company also provides technical support and advanced services. The Company has a broad customer base that encompasses virtually all types of public and private entities, including enterprise businesses, service providers, commercial customers, and consumers. The Company and its salesforce are not organized by product divisions, and the Company's products and services can be sold standalone or together in various combinations across the Company's geographic segments or customer markets. For example, service provider arrangements are typically larger in scale with longer deployment schedules and involve the delivery of a variety of product technologies, including high-end routing, video and network management software, and other product technologies along with technical support and advanced services. The Company's enterprise and commercial arrangements are unique for each customer and smaller in scale and may include network infrastructure products such as routers and switches or collaboration technologies such as unified communications and Cisco TelePresence systems products along with technical support services.

The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings due to the needs of its customers. For example, a customer may purchase routing products along with a contract for technical support services. This arrangement would consist of multiple elements, with the products delivered in one reporting period and the technical support services delivered across multiple reporting periods. Another customer may purchase networking products along with advanced service offerings, in which all the elements are delivered within the same reporting period. In addition, distributors and retail partners purchase products or technical support services on a standalone basis for resale to an end user or for purposes of stocking certain products, and these transactions would not result in a multiple-element arrangement.

In many instances, products are sold separately in standalone arrangements as customers may support the products themselves or purchase support on a time-and-materials basis. Advanced services are sometimes sold in standalone engagements such as general consulting, network management, or security advisory projects, and technical support services are sold separately through renewals of annual contracts. The Company determines its Vendor-Specific Objective Evidence ("VSOE") based on its normal pricing and discounting practices for the specific product or service when sold separately. VSOE determination requires that a substantial majority of the historical standalone transactions have the selling prices for a product or service that fall within a reasonably narrow pricing range, generally evidenced by approximately 80% of such historical standalone transactions falling within plus or minus 15% of the median rates. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups and customer classifications, and other environmental or marketing variables in determining VSOE.

When the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, which may be due to the Company infrequently selling each element separately, not pricing products within a narrow range, or only having a limited sales history, such as in the case of certain newly introduced product categories, the Company attempts to determine

the selling price of each element based on third-party evidence of selling price (“TPE”). TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company’s go-to-market strategy differs from that of its peers, and its offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products’ selling prices are on a standalone basis. Therefore, the Company is typically not able to determine TPE.

When the Company is unable to establish fair value using VSOE or TPE, the Company uses estimated selling prices (“ESP”) in its allocation of arrangement consideration. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were regularly sold on a standalone basis. ESP is generally used for new or highly proprietary offerings and solutions, or for offerings not priced within a reasonably narrow range. The Company determines ESP for a product or service by considering multiple factors, including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. The determination of ESP is made through consultation with and formal approval by the Company’s management, taking into consideration the go-to-market strategy.

The Company regularly reviews VSOE, TPE, and ESP and maintains internal controls over the establishment and updates of these estimates. There were no material impacts during the fiscal year, nor does the Company currently expect a material impact in the near term from changes in VSOE, TPE, or ESP.

The Company’s arrangements with multiple deliverables may have a standalone software deliverable that is subject to the software revenue recognition guidance. In these cases, revenue for the software is generally recognized upon shipment or electronic delivery and granting of the license. The revenue for these multiple-element arrangements is allocated to the software deliverable and the nonsoftware deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the applicable accounting guidance. In the limited circumstances where the Company cannot determine VSOE or TPE of the selling price for all of the deliverables in the arrangement, including the software deliverable, ESP is used for the purposes of performing this allocation.

Advertising Costs

(o) Advertising Costs The Company expenses all advertising costs as incurred. Advertising costs included within sales and marketing expenses were approximately \$218 million, \$325 million, and \$290 million for fiscal 2012, 2011, and 2010, respectively.

Share-Based Compensation Expense

(p) Share-Based Compensation Expense The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors, including employee stock options, stock grants, stock units, and employee stock purchases related to the Employee Stock Purchase Plan (“Employee Stock Purchase Rights”) based on estimated fair values. The fair value of employee stock options is estimated on the date of grant using a lattice-binomial option-pricing model (“Lattice-Binomial Model”), and for employee stock purchase rights the Company estimates the fair value using the Black-Scholes model. The fair value for time-based stock awards and stock awards that are contingent upon the achievement of financial performance metrics is based on the grant date share price reduced by the present value of the expected dividend yield prior to vesting. The fair value of market-based stock awards is estimated using an option-pricing model on the date of grant. Because share-based compensation expense is based on awards ultimately expected to vest, it has been reduced for forfeitures.

Software Development Costs

(q) Software Development Costs Software development costs required to be capitalized for software sold, leased, or otherwise marketed have not been material to date. Software development costs required to be capitalized for internal use software have also not been material to date.

Income Taxes

(r) Income Taxes Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

Computation Of Net Income per Share

(s) Computation of Net Income per Share Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

Consolidation Of Variable Interest Entities

(t) Consolidation of Variable Interest Entities The Company uses a qualitative approach in assessing the consolidation requirement for variable interest entities. The approach focuses on identifying which enterprise has the power to direct the activities that most significantly impact the variable interest entity's economic performance and which enterprise has the obligation to absorb losses or the right to receive benefits from the variable interest entity. In the event that the Company is the primary beneficiary of a variable interest entity, the assets, liabilities, and results of operations of the variable interest entity will be included in the Company's Consolidated Financial Statements.

Use Of Estimates

(u) Use of Estimates The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are used for the following, among others:

- Revenue recognition
- Allowances for accounts receivable, sales returns, and financing receivables
- Inventory valuation and liability for purchase commitments with contract manufacturers and suppliers

- Warranty costs
- Share-based compensation expense
- Fair value measurements and other-than-temporary impairments
- Goodwill and purchased intangible asset impairments
- Income taxes
- Loss contingencies

The actual results experienced by the Company may differ materially from management's estimates.

[New Accounting Update Recently Adopted](#)

(v) New Accounting Update Recently Adopted

In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standard update to provide guidance on achieving a consistent definition of and common requirements for measurement of and disclosure concerning fair value as between U.S. GAAP and International Financial Reporting Standards ("IFRS"). This accounting standard update became effective for the Company beginning in the third quarter of fiscal 2012. As a result of the application of this accounting standard update, the Company has provided additional disclosures in Note 9.

[Recent Accounting Standards or Updates Not Yet Effective](#)

(w) Recent Accounting Standards or Updates Not Yet Effective

In June 2011, the FASB issued an accounting standard update to provide guidance on increasing the prominence of items reported in other comprehensive income. This accounting standard update eliminates the option to present components of other comprehensive income as part of the statement of equity and requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This accounting standard update is effective for the Company beginning in the first quarter of fiscal 2013, and it will result in changes in the Company's financial statement presentation.

In August 2011, the FASB approved a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2013, and the adoption is not expected to have any impact on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued an accounting standard update requiring enhanced disclosures about certain financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to enforceable master netting arrangements or similar agreements. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2014, at which time the Company will include the required disclosures.

In July 2012, the FASB issued an accounting standard update intended to simplify how an entity tests indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. This accounting standard update will be effective for the Company beginning

in the first quarter of fiscal 2014, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update in its Consolidated Financial Statements.

**Property and Equipment
Information for Geographic
Areas (Detail) (USD \$)
In Millions, unless otherwise
specified**

Jul. 28, 2012 Jul. 30, 2011 Jul. 31, 2010

Segment Reporting, Asset Reconciling Item [Line Items]

| | | | |
|------------------------------------|----------|----------|----------|
| <u>Property and equipment, net</u> | \$ 3,402 | \$ 3,916 | \$ 3,941 |
|------------------------------------|----------|----------|----------|

UNITED STATES

Segment Reporting, Asset Reconciling Item [Line Items]

| | | | |
|------------------------------------|-------|-------|-------|
| <u>Property and equipment, net</u> | 2,842 | 3,284 | 3,283 |
|------------------------------------|-------|-------|-------|

International

Segment Reporting, Asset Reconciling Item [Line Items]

| | | | |
|------------------------------------|--------|--------|--------|
| <u>Property and equipment, net</u> | \$ 560 | \$ 632 | \$ 658 |
|------------------------------------|--------|--------|--------|

**Investments (Maturities Of
Fixed Income Securities)
(Detail) (USD \$) Jul. 28, 2012
In Millions, unless otherwise
specified**

Less Than 1 Year

Schedule of Investments [Line Items]

Amortized Cost \$ 16,257

Fair Value 16,274

Due In 1 To 2 Years

Schedule of Investments [Line Items]

Amortized Cost 12,277

Fair Value 12,323

Due In 2 To 5 Years

Schedule of Investments [Line Items]

Amortized Cost 8,549

Fair Value 8,623

Due After 5 Years

Schedule of Investments [Line Items]

Amortized Cost 73

Fair Value 77

Fixed Income Securities

Schedule of Investments [Line Items]

Amortized Cost 37,156

Fair Value \$ 37,297

**Derivative Instruments
(Tables)**

**12 Months Ended
Jul. 28, 2012**

[Derivatives Recorded At Fair Value](#)

The fair values of the Company's derivative instruments and the line items on the Consolidated Balance Sheets to which they were recorded are summarized as follows (in millions):

| | DERIVATIVE ASSETS | | | DERIVATIVE LIABILITIES | | |
|--|-------------------------|---------------|---------------|-----------------------------|--------------|--------------|
| | Balance Sheet Line Item | July 28, | July 30, | Balance Sheet Line Item | July 28, | July 30, |
| | | 2012 | 2011 | | 2012 | 2011 |
| Derivatives designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | \$ 24 | \$ 67 | Other current liabilities | \$ 26 | \$ 12 |
| Interest rate derivatives | Other assets | 223 | 146 | Other long-term liabilities | — | — |
| Equity derivatives | Other current assets | — | — | Other current liabilities | 4 | — |
| Total | | 247 | 213 | | 30 | 12 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Foreign currency derivatives | Other current assets | 16 | 7 | Other current liabilities | 12 | 12 |
| Equity derivatives | Other assets | 1 | 2 | Other long-term liabilities | — | — |
| Total | | 17 | 9 | | 12 | 12 |
| Total | | \$ 264 | \$ 222 | | \$ 42 | \$ 24 |

[Effect Of Derivative Instruments Designated As Cash Flow Hedges On Other Comprehensive Income And Consolidated Statements Of Operations Summary](#)

The effects of the Company's cash flow and net investment hedging instruments on OCI and the Consolidated Statements of Operations are summarized as follows (in millions):

| | GAINS (LOSSES) RECOGNIZED IN OCI ON DERIVATIVES FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | GAINS (LOSSES) RECLASSIFIED FROM AOCI INTO INCOME FOR THE YEARS ENDED (EFFECTIVE PORTION) | | | |
|---|---|--------------|--------------|---|----------------|---------------|---------------|
| | July 28, | July 30, | July 31, | Line Item in Statements of | July 28, | July 30, | July 31, |
| | 2012 | 2011 | 2010 | Operations | 2012 | 2011 | 2010 |
| Derivatives designated as cash flow hedging instruments: | | | | | | | |
| Foreign currency derivatives | \$(131) | \$ 87 | \$ 33 | Operating expenses | \$(59) | \$ 89 | \$(1) |
| | | | | Cost of sales - service | (14) | 17 | — |
| Interest rate derivatives | — | — | 23 | Interest expense | 1 | 2 | — |
| Total | \$(131) | \$ 87 | \$ 56 | | \$(72) | \$ 108 | \$(1) |
| Derivatives designated as net investment hedging instruments: | | | | | | | |
| Foreign currency derivatives | \$ 23 | \$(10) | \$(2) | Other income, net | \$— | \$— | \$— |

[Effect Of Derivative Instruments Designated As Fair Value Hedges And Underlying Hedged Items On Consolidated Statements Of Operations](#)

The effect on the Consolidated Statements of Operations of derivative instruments designated as fair value hedges and the underlying hedged items is summarized as follows (in millions):

| | Line Item in Statements of Operations | GAINS (LOSSES) ON DERIVATIVES INSTRUMENTS FOR THE YEARS ENDED | | | GAINS (LOSSES) RELATED TO HEDGED ITEMS FOR THE YEARS ENDED | | |
|---------------------------|---------------------------------------|--|--------------|--------------|---|----------------|----------------|
| | | July 28, | July 30, | July 31, | July 28, | July 30, | July 31, |
| | | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Equity derivatives | Other income, net | \$(4) | \$— | \$ 3 | \$ 4 | \$— | \$(3) |
| Interest rate derivatives | Interest expense | 78 | 74 | 72 | (80) | (77) | (77) |
| Total | | \$ 74 | \$ 74 | \$ 75 | \$(76) | \$(77) | \$(80) |

[Effect Of Derivative Instruments Not Designated As Hedges On Consolidated Statements Of Operations Summary](#)

The effect on the Consolidated Statements of Operations of derivative instruments not designated as hedges is summarized as follows (in millions):

| Derivatives Not Designated as Hedging Instruments | Line Item in Statements of Operations | GAINS (LOSSES) FOR THE YEARS ENDED | | |
|---|---------------------------------------|------------------------------------|----------------------|-----------------------|
| | | July 28, 2012 | July 30, 2011 | July 31, 2010 |
| Foreign currency derivatives | Other income, net | \$(206) | \$ 264 | \$(100) |
| Total return swaps - deferred compensation | Cost of sales - product | 4 | — | — |
| Total return swaps - deferred compensation | Operating expenses | 3 | 33 | 18 |
| Equity derivatives | Other income, net | 6 | 25 | 12 |
| Total | | <u>\$(193)</u> | <u>\$ 322</u> | <u>\$(70)</u> |

[Schedule Of Notional Amounts Of Derivatives Outstanding](#)

The notional amounts of the Company's outstanding derivatives are summarized as follows (in millions):

| | July 28, 2012 | July 30, 2011 |
|--|-------------------------|-------------------------|
| Derivatives designated as hedging instruments: | | |
| Foreign currency derivatives - cash flow hedges | \$ 2,910 | \$ 3,433 |
| Interest rate derivatives | 4,250 | 4,250 |
| Net investment hedging instruments | 468 | 73 |
| Equity derivatives | 272 | — |
| Derivatives not designated as hedging instruments: | | |
| Foreign currency derivatives | 6,241 | 4,565 |
| Total return swaps-deferred compensation | 269 | 262 |
| Total | <u>\$ 14,410</u> | <u>\$ 12,583</u> |

Commitments and Contingencies

12 Months Ended
Jul. 28, 2012

[Commitments and Contingencies](#)

12. Commitments and Contingencies

(a) Operating Leases

The Company leases office space in many U.S. locations. Outside the United States, larger leased sites include sites in Australia, Belgium, China, Germany, India, Israel, Italy, Japan, Norway, and the United Kingdom. Rent expense for office space and equipment totaled \$404 million, \$428 million, and \$364 million in fiscal 2012, 2011, and 2010, respectively. The Company also leases equipment and vehicles. Future minimum lease payments under all noncancelable operating leases with an initial term in excess of one year as of July 28, 2012 are as follows (in millions):

| | Fiscal Year | Amount |
|------------|-------------|----------------|
| 2013 | | \$328 |
| 2014 | | 243 |
| 2015 | | 199 |
| 2016 | | 97 |
| 2017 | | 70 |
| Thereafter | | <u>202</u> |
| Total | | <u>\$1,139</u> |

(b) Purchase Commitments with Contract Manufacturers and Suppliers

The Company purchases components from a variety of suppliers and uses several contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by the Company or establish the parameters defining the Company's requirements. A significant portion of the Company's reported purchase commitments arising from these agreements consists of firm, noncancelable, and unconditional commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule, and adjust the Company's requirements based on its business needs prior to firm orders being placed. As of July 28, 2012 and July 30, 2011, the Company had total purchase commitments for inventory of \$3,869 million and \$4,313 million, respectively.

The Company records a liability for firm, noncancelable, and unconditional purchase commitments for quantities in excess of its future demand forecasts consistent with the valuation of the Company's excess and obsolete inventory. As of July 28, 2012 and July 30, 2011, the liability for these purchase commitments was \$193 million and \$168 million, respectively, and was included in other current liabilities.

(c) Other Commitments

In connection with the Company's business combinations and asset purchases, the Company has agreed to pay certain additional amounts contingent upon the achievement of certain agreed-upon technology, development, product, or other milestones or the continued employment with the Company of certain employees of the acquired entities. The Company recognized such compensation expense of \$50 million, \$127 million, and \$120 million during fiscal 2012, 2011, and 2010, respectively. As of July 28, 2012, the Company estimated that future compensation

expense and contingent consideration of up to \$789 million may be required to be recognized pursuant to the applicable business combination and asset purchase agreements, which included the \$750 million milestone payments related to Insieme as discussed later.

The Company also has certain funding commitments, primarily related to its investments in privately held companies and venture funds, some of which are based on the achievement of certain agreed-upon milestones, and some of which are required to be funded on demand. The funding commitments were \$120 million and \$192 million as of July 28, 2012 and July 30, 2011, respectively.

(d) Variable Interest Entities

VCE Joint Venture VCE is a joint venture that the Company formed in fiscal 2010 with EMC Corporation (“EMC”), with investments from VMware, Inc. (“VMware”) and Intel Corporation. VCE helps organizations leverage best-in-class technologies and disciplines from Cisco, EMC, and VMware to enable the transformation to cloud computing.

As of July 28, 2012, the Company’s cumulative gross investment in VCE was approximately \$392 million, inclusive of accrued interest, and its ownership percentage was approximately 35%. The Company invested approximately \$276 million in VCE during fiscal 2012 and \$90 million during fiscal 2011.

The Company accounts for its investment in VCE under the equity method, and its portion of VCE’s net loss is recognized in other income, net. The Company’s consolidated share of VCE’s losses, based upon its portion of the overall funding, was approximately 36.8%, 36.8%, and 35.0% for the fiscal years ended July 28, 2012, July 30, 2011, and July 31, 2010, respectively. As of July 28, 2012, the Company has recorded cumulative losses from VCE of \$239 million since inception, of which \$160 million, \$76 million, and \$3 million were recorded for the fiscal years ended July 28, 2012, July 30, 2011, and July 31, 2010, respectively. The Company’s carrying value in VCE as of July 28, 2012 was \$153 million and the balance was recorded in other assets.

Over the next 12 months, as VCE scales its operations, the Company expects that it will make additional investments in VCE and may incur additional losses proportionate with the Company’s share ownership.

From time to time, EMC and Cisco may enter into guarantee agreements on behalf of VCE to indemnify third parties, such as customers, for monetary damages. Such guarantees were not material as of July 28, 2012.

Insieme Networks, Inc. In the third quarter of fiscal 2012, the Company made an investment in Insieme Networks, Inc. (“Insieme”), an early stage company focused on research and development in the data center market. This investment includes \$100 million of funding and a license to certain of the Company’s technology. As a result of this investment, the Company owns approximately 86% of Insieme and has consolidated the results of Insieme in its Consolidated Financial Statements beginning in the third quarter of fiscal 2012. The net loss attributable to the noncontrolling interests was not presented separately in the Consolidated Statements of Operations due to the amount being immaterial.

In connection with this investment, the Company and Insieme have entered into a put/call option agreement that provides the Company with the right to purchase the remaining interests in Insieme. In addition, the noncontrolling interest holders can require the Company to purchase their shares upon the occurrence of certain events. If the Company acquires the remaining interests of Insieme, the noncontrolling interest holders are eligible to receive two milestone

payments, which will be determined using agreed-upon formulas based on revenue for certain of Insieme's products. The Company will begin recognizing the amounts due under the milestone payments when it is determined that such payments are probable of being earned, which which the Company expects may be in fiscal 2014. When such a determination is made, the milestone payments will then be recorded as compensation expense by the Company based on an estimate of the fair value of the amounts probable of being earned, pursuant to a vesting schedule. Subsequent changes to the fair value of the amounts probable of being earned and the continued vesting will result in adjustments to the recorded compensation expense. The maximum amount that could be recorded as compensation expense by the Company is approximately \$750 million. The milestone payments, if earned, are expected to be paid primarily during fiscal 2016 and fiscal 2017.

Other Variable Interest Entities In the ordinary course of business, the Company has investments in other privately held companies and provides financing to certain customers. These other privately held companies and customers may be considered to be variable interest entities. The Company evaluates on an ongoing basis its investments in these other privately held companies and its customer financings and has determined that as of July 28, 2012 there were no other variable interest entities that require to be consolidated in the Company's Consolidated Financial Statements.

(e) Product Warranties and Guarantees

The following table summarizes the activity related to product warranty liability during fiscal 2012 and 2011 (in millions):

| | <u>July 28, 2012</u> | <u>July 30, 2011</u> |
|-------------------------------------|----------------------|----------------------|
| Balance at beginning of fiscal year | \$ 342 | \$ 360 |
| Provision for warranties issued | 661 | 456 |
| Payments | <u>(588)</u> | <u>(474)</u> |
| Balance at end of fiscal year | <u>\$ 415</u> | <u>\$ 342</u> |

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, labor costs for technical support staff, and associated overhead. The Company's products are generally covered by a warranty for periods ranging from 90 days to five years, and for some products the Company provides a limited lifetime warranty.

In the normal course of business, the Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other parties harmless against losses arising from a breach of representations or covenants or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors, and the Company's Amended and Restated Bylaws contain similar indemnification obligations to the Company's agents. It is not possible to determine the maximum potential amount under these indemnification agreements due to the Company's limited history with prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements have not had a material effect on the Company's operating results, financial position, or cash flows.

The Company also provides financing guarantees, which are generally for various third-party financing arrangements to channel partners and other end-user customers. See Note 7. The Company's other guarantee arrangements as of July 28, 2012 and July 30, 2011 that were subject to recognition and disclosure requirements were not material.

(f) Legal Proceedings

Brazilian authorities have investigated the Company's Brazilian subsidiary and certain of its current and former employees, as well as a Brazilian importer of the Company's products, and its affiliates and employees, relating to alleged evasion of import taxes and alleged improper transactions involving the subsidiary and the importer. Brazilian tax authorities have assessed claims against the Company's Brazilian subsidiary based on a theory of joint liability with the Brazilian importer for import taxes, interest, and penalties. In addition to claims asserted by the Brazilian federal tax authorities, tax authorities from the Brazilian state of Sao Paulo have asserted similar claims on the same legal basis. In the first quarter of fiscal 2013, the Brazilian federal tax authorities asserted an additional claim against the Company's Brazilian subsidiary based on a theory of joint liability with respect to an alleged underpayment of income taxes, social taxes, interest, and penalties by a Brazilian distributor.

The asserted claims by Brazilian federal tax authorities are for calendar years 2003 through 2008, and the asserted claims by the tax authorities from the state of Sao Paulo, are for calendar years 2005 through 2007. The total asserted claims by Brazilian state and federal tax authorities aggregate to approximately \$427 million for the alleged evasion of import and other taxes, approximately \$1.0 billion for interest, and approximately \$1.9 billion for various penalties, all determined using an exchange rate as of July 28, 2012. The Company has completed a thorough review of the matters and believes the asserted tax claims against it are without merit, and the Company is defending the claims vigorously. While the Company believes there is no legal basis for its alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserting joint liability with the importer, the Company is unable to determine the likelihood of an unfavorable outcome against it and is unable to reasonably estimate a range of loss, if any. The Company does not expect a final judicial determination for several years.

On March 31, 2011 and April 12, 2011, purported shareholder class action lawsuits were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and directors. The lawsuits have been consolidated, and an amended consolidated complaint was filed on December 2, 2011. The consolidated action is purportedly brought on behalf of purchasers of the Company's publicly traded securities between February 3, 2010 and May 11, 2011. Plaintiffs allege that defendants made false and misleading statements, purport to assert claims for violations of the federal securities laws, and seek unspecified compensatory damages and other relief. The Company believes the claims are without merit and intends to defend the actions vigorously. While the Company believes there is no legal basis for liability, due to the uncertainty surrounding the litigation process, the Company is unable to reasonably estimate a range of loss, if any, at this time.

Beginning on April 8, 2011, a number of purported shareholder derivative lawsuits were filed in both the United States District Court for the Northern District of California and the California Superior Court for the County of Santa Clara against the Company's Board of Directors and several of its officers. The federal lawsuits have been consolidated in the Northern District of California. Plaintiffs in both the federal and state derivative actions allege that the Board allowed certain officers to make allegedly false and misleading statements. The complaint includes claims

for violation of the federal securities laws, breach of fiduciary duties, waste of corporate assets, unjust enrichment, and violations of the California Corporations Code. The complaint seeks compensatory damages, disgorgement, and other relief.

In addition, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. While the outcome of these matters is currently not determinable, the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

**Employee Benefit Plans
(Summary Of Restricted
Stock And Stock Unit
Activity) (Detail) (Restricted
Stock/Stock Units, USD \$)
In Millions, except Per Share
data, unless otherwise
specified**

12 Months Ended

| | Jul. 28, 2012 | Jul. 30, 2011 | Jul. 31, 2010 |
|--|--------------------------|--------------------------|--------------------------|
| Restricted Stock/Stock Units | | | |
| <u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u> | | | |
| <u>Beginning balance, Restricted Stock/Stock Units</u> | 116 | 97 | 62 |
| <u>Granted and assumed, Restricted Stock/Stock Units</u> | 65 | 56 | 54 |
| <u>Vested, Restricted Stock/Stock Units</u> | (35) | (27) | (16) |
| <u>Canceled/forfeited, Restricted Stock/Stock Units</u> | (18) | (10) | (3) |
| <u>Ending balance, Restricted Stock/Stock Units</u> | 128 | 116 | 97 |
| <u>Beginning balance, Weighted-Average Grant-Date Fair Value per Share</u> | \$ 21.50 | \$ 22.35 | \$ 21.25 |
| <u>Granted and assumed, Weighted-Average Grant-Date Fair Value per Share</u> | \$ 17.45 | \$ 20.62 | \$ 23.40 |
| <u>Vested, Weighted-Average Grant-Date Fair Value per Share</u> | \$ 21.94 | \$ 22.54 | \$ 21.56 |
| <u>Canceled/forfeited, Weighted-Average Grant-Date Fair Value per Share</u> | \$ 20.38 | \$ 22.04 | \$ 22.40 |
| <u>Ending balance, Weighted-Average Grant-Date Fair Value per Share</u> | \$ 19.46 | \$ 21.50 | \$ 22.35 |
| <u>Vested, Vest-Date Fair Value in Aggregate</u> | \$ 580 | \$ 529 | \$ 378 |