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CISCO SYSTEMS, INC.

FORM 8-K
(Current report filing)

Filed 11/13/12 for the Period Ending 11/13/12

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 13, 2012

CISCO SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

California	
(State or other jurisdiction of incorporation)	
0-18225	**77-0059951**
(Commission File Number)	**(IRS Employer Identification No.)**
170 West Tasman Drive, San Jose, California	**95134-1706**
(Address of principal executive offices)	**(Zip Code)**

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 13, 2012, Cisco Systems, Inc. (the "Registrant") reported its results of operations for its fiscal first quarter 2013 ended October 27, 2012. A copy of the press release issued by the Registrant concerning the foregoing results is furnished herewith as Exhibit 99.1.

The information contained herein and in the accompanying exhibits shall not be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to such filing. The information in this report, including the exhibits hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

The attached exhibits include non-GAAP net income, non-GAAP net income per share data and non-GAAP inventory turns.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with generally accepted accounting principles, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. The Registrant believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Registrant's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Registrant's results of operations in conjunction with the corresponding GAAP measures.

The Registrant believes that the presentation of non-GAAP net income and non-GAAP net income per share data when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations. In addition, the Registrant believes that the presentation of non-GAAP inventory turns provides useful information to investors and management regarding financial and business trends relating to inventory management based on the operating activities of the periods presented.

For its internal budgeting process, the Registrant's management uses financial statements that do not include, when applicable, share-based compensation expense, amortization of acquisition-related intangible assets, impact to cost of sales from purchase accounting adjustments to inventory , other acquisition-related costs, significant asset impairments and restructurings, the income tax effects of the foregoing, and significant tax matters. The Registrant's management also uses the foregoing non-GAAP measures, in addition to the corresponding GAAP measures, in reviewing the financial results of the Registrant. In prior periods, the Registrant has excluded other items that it no longer excludes for purposes of its non-GAAP financial measures. From time to time in the future, there may be other items that the Registrant may exclude for purposes of its internal budgeting process and in reviewing the financial results of the Registrant.

As described above, the Registrant excludes the following items from one or more of its non-GAAP measures when applicable:

Share-based compensation expense. These expenses consist primarily of expenses for employee stock options, employee stock purchase rights, employee restricted stock and employee restricted stock units, including such expenses associated with acquisitions. The Registrant excludes share-based compensation expense from its non-GAAP measures primarily because they are non-cash expenses that the Registrant does not believe are reflective of ongoing operating results. Further, the Registrant believes that it is useful to investors to understand the impact of share-based compensation to its results of operations.

Amortization of acquisition-related intangible assets . The Registrant incurs amortization of intangible assets (which may include impairment charges from the write-downs of purchased intangible assets) in connection with acquisitions. The Registrant excludes these items because these expenses are not reflective of ongoing operating results in the period incurred. These amounts arise from the Registrant's prior acquisitions and have no direct correlation to the operation of the Registrant's business.

Impact to cost of sales from purchase accounting adjustments to inventory . This represents the amount of increase in inventory valuation resulting from the fair value adjustments required under purchase accounting for business combinations. These amounts arise from the Registrant's prior acquisitions and have no direct correlation to the operation of the Registrant's business.

Other acquisition-related costs . In connection with its business combinations, the Registrant incurs compensation expense, changes to the fair value of contingent consideration, as well as professional fees and other direct expenses such as restructuring activities related to the acquired company. In addition, from time to time the Registrant enters into foreign currency transactions related to pending acquisitions, and may incur gains or losses on such transactions. The Registrant excludes such compensation expense, changes to the fair value of contingent consideration, fees, other direct expenses, and gains and losses, as they are primarily related to acquisitions and have no direct correlation to the operation of the Registrant's business.

Significant asset impairments and restructurings . The Registrant from time to time incurs significant asset impairments, restructuring charges, and gains or losses on asset disposals. The Registrant excludes these items, when significant, because it does not believe they are reflective of ongoing business and operating results.

Income tax effects of the foregoing . This amount is used to present each of the amounts described above on an after-tax basis consistent with the presentation of non-GAAP net income.

Significant tax matters. The Registrant may be subject to changes in tax legislation, court decisions, or tax settlements, that affect one or more prior fiscal years. The Registrant excludes the tax charges or benefits of these items, when significant, because it does not believe they are reflective of ongoing business and operating results.

From time to time in the future, there may be other items, such as significant gains or losses from contingencies, that the Registrant may exclude if it believes that doing so is consistent with the goal of providing useful information to investors and management.

The Registrant will incur share-based compensation expense, amortization of acquisition-related intangible assets, impacts to cost of sales from purchase accounting adjustments to inventory, and other acquisition-related costs, in future periods. Significant asset impairments and restructurings could occur in future periods. The Registrant could also be impacted by significant tax matters in future periods.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CISCO SYSTEMS, INC.

Dated: November 13, 2012

By: /s/ Frank A. Calderoni
Name: Frank A. Calderoni
Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
99.1	Press Release of Registrant, dated November 13, 2012, reporting the results of operations for the Registrant's fiscal first quarter ended October 27, 2012.

Exhibit 99.1

Press Contact:
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Melissa Selcher
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CISCO REPORTS FIRST QUARTER EARNINGS

- **Q1 Net Sales:** $11.9 billion (increase of 6% year over year)
- **Q1 Net Income:** $2.1 billion GAAP (increase of 18% year over year); $2.6 billion non-GAAP (increase of 11% year over year)
- **Q1 Earnings per Share:** $0.39 GAAP (increase of 18% year over year); $0.48 non-GAAP (increase of 12% year over year)

SAN JOSE, Calif. — November 13, 2012 — Cisco, the worldwide leader in networking that transforms how people connect, communicate and collaborate, today reported its first quarter results for the period ended October 27, 2012. Cisco reported first quarter net sales of $11.9 billion, net income on a generally accepted accounting principles (GAAP) basis of $2.1 billion or $0.39 per share, and non-GAAP net income of $2.6 billion or $0.48 per share.

“We delivered record results this quarter - with revenue growth of 6 percent and strong earnings per share growth - demonstrating our vision and strategy are working,” said John Chambers, chairman and chief executive officer, Cisco. “Our innovation engine, operational discipline and on-going evolution are enabling us to differentiate in the market.”

Chambers continued, “Cisco is at the center of the major market transitions – cloud, mobility, video – and yet we believe the largest market transition lies ahead of us, as the Internet of Everything becomes a reality. Cisco has the unique ability to turn information that will flow across networks into new capabilities and richer experiences. The Internet of Everything will create unprecedented possibilities for businesses, individuals and countries, and Cisco is poised to lead and fully maximize the opportunities of this evolution.”

GAAP Results

	Q1 2013	Q1 2012	Vs. Q1 2012
Net Sales	$11.9 billion	$11.3 billion	5.5%
Net Income	$ 2.1 billion	$ 1.8 billion	17.7%
Earnings per Share	$ 0.39	$ 0.33	18.2%

Non-GAAP Results

	Q1 2013	Q1 2012	Vs. Q1 2012
Net Income	$2.6 billion	$2.3 billion	10.6%
Earnings per Share	$ 0.48	$ 0.43	11.6%

A reconciliation between net income on a GAAP basis and non-GAAP net income is provided in the table on page 5.

Cisco will discuss first quarter results and business outlook on a conference call and webcast at 1:30 p.m. Pacific Time today. Call information and related charts are available at http://investor.cisco.com.

Cash and Cash Equivalents and Investments

- Cash flows from operations were $2.5 billion for the first quarter of fiscal 2013, compared with $2.3 billion for the first quarter of fiscal 2012, and compared with $3.1 billion for the fourth quarter of fiscal 2012.
- Cash and cash equivalents and investments were $45.0 billion at the end of the first quarter of fiscal 2013, compared with $48.7 billion at the end of the fourth quarter of fiscal 2012.

Dividends and Stock Repurchase Program

During the first quarter of fiscal 2013:

- The combination of cash used for dividends and common stock repurchases under the stock repurchase program totaled approximately $1.0 billion.
- Cisco paid a cash dividend of $0.14 per common share, or $744 million.
- Cisco repurchased 15 million shares of common stock under the stock repurchase program at an average price of $16.44 per share for an aggregate purchase price of $253 million. As of October 27, 2012, Cisco had repurchased and retired 3.8 billion shares of Cisco common stock at an average price of $20.34 per share for an aggregate purchase price of approximately $76.4 billion since the inception of the stock repurchase program. The remaining authorized amount for stock repurchases under this program is approximately $5.6 billion with no termination date.

“Once again, we delivered strong financial performance with continued execution on our long-term strategy of growing profits faster than revenue and driving long-term value to our shareholders,” stated Frank Calderoni, executive vice president and chief financial officer, Cisco. “We remain confident in our financial strategy and in our ability to consistently execute moving forward.”

Select Global Business Highlights

- Cisco announced the completion of its acquisition of NDS Group Ltd., a leading provider of video software and content security solutions that help service providers and media companies to securely deliver and monetize new video experiences.
- Cisco and NBC Olympics provided a personalized, interactive, multiscreen Olympics experience at the 2012 London Olympic Games to select users at event venues and accommodations using Cisco ® Videoscape™.
- Cisco and Citrix announced a significant expansion of their successful desktop virtualization partnership into three strategic areas: cloud networking, cloud orchestration, and mobile workstyles.
- Cisco and EMC announced further collaboration to help accelerate IT transformation by providing customers with choice and flexibility via "three paths to the cloud" — custom-design infrastructure, validated reference architectures, and pre-integrated converged infrastructure.

Cisco Innovation

- Cisco introduced an expanded and enhanced content delivery network portfolio, branded as the Cisco Videoscape Distribution Suite.
- Cisco introduced a new wave of security solutions designed to fortify data centers against the threats they face in moving toward more consolidated and virtualized environments, while also helping businesses to take advantage of new cloud-based models.
- Cisco announced new elastic core networking capabilities that help service providers to cost-effectively launch and scale revenue-generating services within minutes instead of months.
- Cisco introduced a new Unified Access solution, a highly secure network infrastructure based on one policy source and one management solution for the entire network, to help organizations quickly respond to new business opportunities while managing rapidly changing network demands.
- Cisco introduced a full suite of solutions for the SAP HANA platform built on the Cisco Unified Computing System™ allowing customers to experience benefits – realtime data analytics and data warehousing – in seconds instead of hours.
- Cisco unveiled enhancements to its collaboration portfolio, delivered via public, private or hybrid cloud models.

Select Customer Announcements

- Miami International Securities Exchange, LLC announced plans to offer a trading platform built on Cisco's ultra-low latency intelligent network infrastructure and designed from the ground up to address the highly secure, functional and high performance demands of the derivatives market.
- Cisco and Manila Electric Company (Meralco), the Philippines' largest distributor of electrical power, announced a collaboration to provide reliable computing and networking infrastructure as a foundation for operations on a smart grid.
- Cisco, Barcelona's City Council, and GDF SUEZ agreed to launch, and agreed on the criteria for the creation of, the City Protocol (the first certification system for smart cities) that can be put into practice by any city in the world.
- SBB-Telemach Group, the largest pay-TV platform in southeast Europe providing television, Internet, and telephony services, selected the Cisco Videoscape-capable Personal DVB Set-Tops (PDS) Series and Cisco Integration Services to deliver next-generation television services.
- Cisco and the United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA) reached an agreement that will allow any United Nations organization to access Cisco's networking technology solutions for emergency communications assistance during UN disaster relief missions.
- Barclays Center will feature Cisco's Connected Sports and Entertainment solutions – Connected Stadium Wi-Fi and StadiumVision™ to deliver a next-generation fan experience and make this venue one of the most technologically advanced arenas in the world.
- Cisco announced that it has been selected by NBN Co. to provide equipment for its national data connectivity network, which is part of the Australian National Broadband Network.
- Itaú BBA will invest $2 million in technology to expand its Latin American businesses and has selected Cisco solutions for its IT environment, including servers, networking, increased access security and IP telephony systems.

Editor's Note:

- Q1 2013 conference call to discuss Cisco's results along with its business outlook will be held at 1:30 p.m. Pacific Time, Tuesday, November 13, 2012. Conference call number is 888-848-6507 (United States) or 212-519-0847 (international).
- Conference call replay will be available from 4:30 p.m. Pacific Time, November 13, 2012 to 4:30 p.m. Pacific Time, November 20, 2012 at 1-800-224-1051 (United States) or 1-402-220-3762 (international). The replay also will be available via webcast from November 13, 2012 through January 18, 2013 on the Cisco Investor Relations website at http://investor.cisco.com.

- Additional information regarding Cisco's financials, as well as a webcast of the conference call with visuals designed to guide participants through the call, will be available at 1:30 p.m. Pacific Time, November 13, 2012. Text of the conference call's prepared remarks will be available within 24 hours of completion of the call. The webcast will include both the prepared remarks and the question-and-answer session. This information, along with GAAP reconciliation information, will be available on the Cisco Investor Relations website at http://investor.cisco.com.

About Cisco

Cisco (NASDAQ: CSCO) is the worldwide leader in networking that transforms how people connect, communicate and collaborate. Information about Cisco can be found at http://www.cisco.com . For ongoing news, please go to http://newsroom.cisco.com .

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This release may be deemed to contain forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events (such as statements regarding our innovation engine and operational strategies, operational discipline and execution, the evolution of our industry, major market transitions and our position with respect to such transitions) and the future financial performance of Cisco that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results due to a variety of factors, including: business and economic conditions and growth trends in the networking industry, our customer markets and various geographic regions; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; the growth and evolution of the Internet and levels of capital spending on Internet-based systems; variations in customer demand for products and services, including sales to the service provider market and other customer markets; the return on our investments in certain priorities, including our foundational priorities, and in certain geographical locations; the timing of orders and manufacturing and customer lead times; changes in customer order patterns or customer mix; insufficient, excess or obsolete inventory; variability of component costs; variations in sales channels, product costs or mix of products sold; our ability to successfully acquire businesses and technologies and to successfully integrate and operate these acquired businesses and technologies; our ability to achieve expected benefits of our partnerships; increased competition in our product and service markets, including the data center; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; manufacturing and sourcing risks; product defects and returns; litigation involving patents, intellectual property, antitrust, shareholder and other matters, and governmental investigations; natural catastrophic events; a pandemic or epidemic; our ability to achieve the benefits anticipated from our investments in sales, engineering, service, marketing and manufacturing activities; our ability to recruit and retain key personnel; our ability to manage financial risk, and to manage expenses during economic downturns; risks related to the global nature of our operations, including our operations in emerging markets; currency fluctuations and other international factors; changes in provision for income taxes, including changes in tax laws and regulations or adverse outcomes resulting from examinations of our income tax returns; potential volatility in operating results; and other factors listed in Cisco's most recent report on Form 10-K filed on September 12, 2012. The financial information contained in this release should be read in conjunction with the consolidated financial statements and notes thereto included in Cisco's most recent report on Form 10-K as it may be amended from time to time. Cisco's results of operations for the three months ended October 27, 2012 are not necessarily indicative of Cisco's operating results for any future periods. Any projections in this release are based on limited information currently available to Cisco, which is subject to change. Although any such projections and the factors influencing them will likely change, Cisco will not necessarily update the information, since Cisco will only provide guidance at certain points during the year. Such information speaks only as of the date of this release.

This release includes non-GAAP net income, non-GAAP net income per share data and non-GAAP inventory turns.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Cisco believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Cisco's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate Cisco's results of operations in conjunction with the corresponding GAAP measures.

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For additional information on the items excluded by Cisco from one or more of its non-GAAP financial measures, refer to the Form 8-K regarding this release furnished today to the Securities and Exchange Commission.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per-share amounts)
(Unaudited)

	Three Months Ended	
	October 27, 2012	October 29, 2011
NET SALES:		
Product	$ 9,297	$ 8,952
Service	2,579	2,304
Total net sales	11,876	11,256
COST OF SALES:		
Product	3,748	3,563
Service	889	803
Total cost of sales	4,637	4,366
GROSS MARGIN	7,239	6,890
OPERATING EXPENSES:		
Research and development	1,431	1,375
Sales and marketing	2,416	2,452
General and administrative	560	552
Amortization of purchased intangible assets	122	99
Restructuring and other charges	59	202
Total operating expenses	4,588	4,680
OPERATING INCOME	2,651	2,210
Interest income	161	164
Interest expense	(148)	(148)
Other income (loss), net	(33)	19
Interest and other income (loss), net	(20)	35
INCOME BEFORE PROVISION FOR INCOME TAXES	2,631	2,245
Provision for income taxes	539	468
NET INCOME	$ 2,092	$ 1,777
Net income per share:		
Basic	$ 0.39	$ 0.33
Diluted	$ 0.39	$ 0.33
Shares used in per-share calculation:		
Basic	5,301	5,394
Diluted	5,334	5,407
Cash dividends declared per common share	$ 0.14	$ 0.06

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME
(In millions, except per-share amounts)

	Three Months Ended	
	October 27, 2012	October 29, 2011
GAAP net income	$ 2,092	$ 1,777
Adjustments to cost of sales:		
Share-based compensation expense	45	50
Amortization of acquisition-related intangible assets	134	87
Impact to cost of sales from purchase accounting adjustments to inventory	24	—
Significant asset impairments and restructurings	—	(5)
Total adjustments to GAAP cost of sales	203	132
Adjustments to operating expenses:		
Share-based compensation expense	264	291
Amortization of acquisition-related intangible assets	122	99
Other acquisition-related costs	15	8
Significant asset impairments and restructurings	59	202
Total adjustments to GAAP operating expenses	460	600
Total adjustments to GAAP income before provision for income taxes	663	732
Income tax effect	(186)	(187)
Non-GAAP net income	$ 2,569	$ 2,322
Diluted net income per share:		
GAAP	$ 0.39	$ 0.33
Non-GAAP	$ 0.48	$ 0.43

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	October 27, 2012	July 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,773	$ 9,799
Investments	40,227	38,917
Accounts receivable, net of allowance for doubtful accounts of $224 at October 27, 2012 and $207 at July 28, 2012	3,942	4,369
Inventories	1,709	1,663
Financing receivables, net	3,726	3,661
Deferred tax assets	2,253	2,294
Other current assets	1,277	1,230
Total current assets	57,907	61,933
Property and equipment, net	3,409	3,402
Financing receivables, net	3,695	3,585
Goodwill	20,443	16,998
Purchased intangible assets, net	3,449	1,959
Other assets	3,740	3,882
TOTAL ASSETS	$ 92,643	$ 91,759
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 55	$ 31
Accounts payable	889	859
Income taxes payable	200	276
Accrued compensation	2,710	2,928
Deferred revenue	8,721	8,852
Other current liabilities	4,539	4,785
Total current liabilities	17,114	17,731
Long-term debt	16,272	16,297
Income taxes payable	1,577	1,844
Deferred revenue	3,902	4,028
Other long-term liabilities	1,077	558
Total liabilities	39,942	40,458
Total equity	52,701	51,301
TOTAL LIABILITIES AND EQUITY	$ 92,643	$ 91,759

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended	
	October 27, 2012	October 29, 2011
Cash flows from operating activities:		
Net income	$ 2,092	$ 1,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and other	612	621
Share-based compensation expense	306	341
Provision for receivables	29	(13)
Deferred income taxes	135	109
Excess tax benefits from share-based compensation	(15)	(21)
Net losses (gains) on investments	15	(13)
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable	615	399
Inventories	42	(168)
Financing receivables	(132)	(9)
Other assets	99	(374)
Accounts payable	(19)	36
Income taxes, net	(372)	(38)
Accrued compensation	(359)	(548)
Deferred revenue	(295)	232
Other liabilities	(288)	2
Net cash provided by operating activities	2,465	2,333
Cash flows from investing activities:		
Purchases of investments	(8,213)	(11,770)
Proceeds from sales of investments	2,447	7,721
Proceeds from maturities of investments	4,388	1,179
Acquisition of property and equipment	(265)	(265)
Acquisition of businesses, net of cash and cash equivalents acquired	(4,912)	(38)
Purchases of investments in privately held companies	(9)	(153)
Return of investments in privately held companies	12	58
Other	22	77
Net cash used in investing activities	(6,530)	(3,191)
Cash flows from financing activities:		
Issuances of common stock	117	203
Repurchases of stock – repurchase program	(183)	(1,744)
Shares repurchased for tax withholdings on vesting of restricted stock units	(203)	(137)
Short-term borrowings, maturities less than 90 days, net	23	—
Excess tax benefits from share-based compensation	15	21
Dividends paid	(744)	(322)
Other	14	(78)
Net cash used in financing activities	(961)	(2,057)
Net decrease in cash and cash equivalents	(5,026)	(2,915)
Cash and cash equivalents, beginning of period	9,799	7,662
Cash and cash equivalents, end of period	$ 4,773	$ 4,747
Cash paid for:		
Interest	$ 221	$ 220
Income taxes	$ 776	$ 398

Certain reclassifications have been made to prior period amounts to conform to the current period's presentation.

ADDITIONAL FINANCIAL INFORMATION
(In millions)
(Unaudited)

	October 27, 2012	July 28, 2012
CASH AND CASH EQUIVALENTS AND INVESTMENTS		
Cash and cash equivalents	$ 4,773	$ 9,799
Fixed income securities	38,464	37,297
Publicly traded equity securities	1,763	1,620
Total	$ 45,000	$ 48,716
INVENTORIES		
Raw materials	$ 101	$ 127
Work in process	36	35
Finished goods:		
Distributor inventory and deferred cost of sales	671	630
Manufactured finished goods	615	597
Total finished goods	1,286	1,227
Service-related spares	237	213
Demonstration systems	49	61
Total	$ 1,709	$ 1,663
PROPERTY AND EQUIPMENT, NET		
Land, buildings, and building & leasehold improvements	$ 4,458	$ 4,363
Computer equipment and related software	1,491	1,469
Production, engineering, and other equipment	5,495	5,364
Operating lease assets	312	300
Furniture and fixtures	494	487
	12,250	11,983
Less accumulated depreciation and amortization	(8,841)	(8,581)
Total	$ 3,409	$ 3,402
OTHER ASSETS		
Deferred tax assets	$ 2,061	$ 2,270
Investments in privately held companies	830	858
Other	849	754
Total	$ 3,740	$ 3,882
DEFERRED REVENUE		
Service	$ 8,753	$ 9,173
Product:		
Unrecognized revenue on product shipments and other deferred revenue	3,074	2,975
Cash receipts related to unrecognized revenue from two-tier distributors	796	732
Total product deferred revenue	3,870	3,707
Total	$ 12,623	$ 12,880
Reported as:		
Current	$ 8,721	$ 8,852
Noncurrent	3,902	4,028
Total	$ 12,623	$ 12,880

SUMMARY OF SHARE-BASED COMPENSATION EXPENSE
(In millions)

	Three Months Ended	
	October 27, 2012	October 29, 2011
Cost of sales—product	$ 10	$ 13
Cost of sales—service	35	37
Share-based compensation expense in cost of sales	45	50
Research and development	84	101
Sales and marketing	130	142
General and administrative	50	48
Restructuring and other charges	(3)	—
Share-based compensation expense in operating expenses	261	291
Total share-based compensation expense	$ 306	$ 341

The income tax benefit for share-based compensation expense was $79 million and $90 million for the three months ended October 27, 2012 and October 29, 2011, respectively.

ACCOUNTS RECEIVABLE AND DSO
(In millions, except DSO)

	October 27, 2012	July 28, 2012	October 29, 2011
Accounts receivable	$ 3,942	$ 4,369	$ 4,300
Days sales outstanding in accounts receivable (DSO)	30	34	35

INVENTORY TURNS AND RECONCILIATION OF GAAP TO NON-GAAP COST OF SALES USED IN INVENTORY TURNS
(In millions, except annualized inventory turns)

	Three Months Ended		
	October 27, 2012	July 28, 2012	October 29, 2011
Annualized inventory turns- GAAP	11.0	11.7	11.2
Cost of sales adjustments	(0.5)	(0.4)	(0.3)
Annualized inventory turns- non-GAAP	10.5	11.3	10.9
GAAP cost of sales	$ 4,637	$ 4,605	$ 4,366
Cost of sales adjustments:			
Share-based compensation expense	(45)	(54)	(50)
Amortization of acquisition-related intangible assets	(134)	(100)	(87)
Impact to cost of sales from purchase accounting adjustments to inventory	(24)	—	—
Significant asset impairments and restructurings	—	5	5
Non-GAAP cost of sales	$ 4,434	$ 4,456	$ 4,234

REPURCHASE OF COMMON STOCK AND DIVIDENDS PAID
(In millions)

Three Months Ended	October 27, 2012	July 28, 2012	April 28, 2012	January 28, 2012	October 29, 2011
Repurchase of common stock under the stock repurchase program	$ 253	$ 1,800	$ 550	$ 466	$ 1,544
Dividends paid	744	425	432	322	322
Total	$ 997	$ 2,225	$ 982	$ 788	$ 1,866