

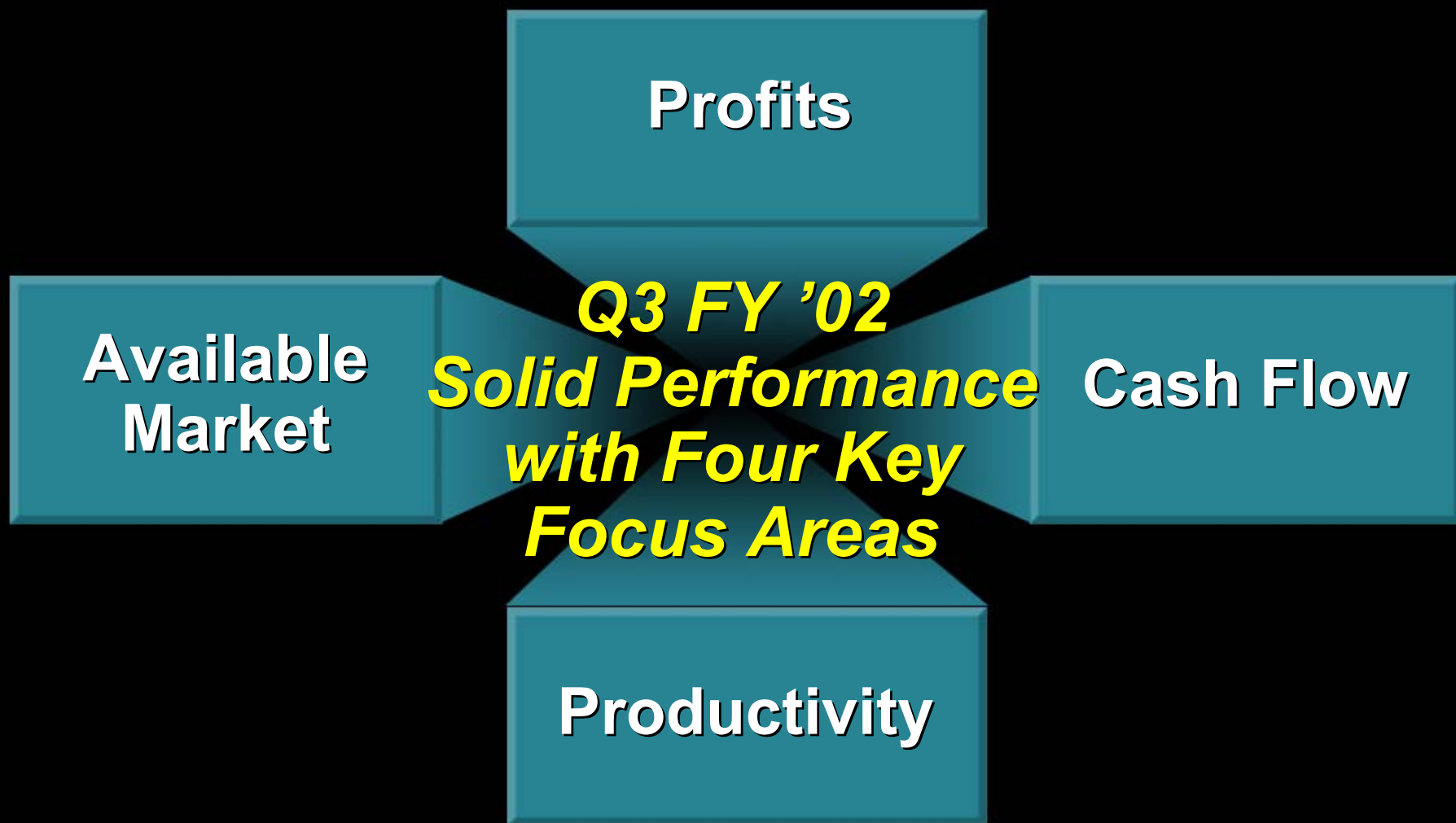
Cisco Systems Inc. Q3 FY '02 Conference Call

May 7, 2002

Cisco Safe Harbor

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This presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company. These projections or statements are only predictions. Actual events or results may differ materially from those in the projections or other forward-looking statements. Please see the Company's Annual Report to Shareholders and its filings with the SEC, including its recent filings on Forms 10-K and 10-Q, for a discussion of important risk factors that could cause actual events or results to differ materially from those in the projections or forward-looking statements.



Q3 FY 2002 Financial Highlights

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Cisco's Profit Improved to 17.4% of Revenue in Q3 '02, Due to Increased Gross Margins and Decreased Operating Expenses

- **Pro-forma Net Income—\$838M**
- **Pro-forma EPS—\$.11**
- **Cash flow from operations—\$1.6 billion**
- **Annualized Revenue per Employee—\$530**

Pro-forma Net Profit after Tax as a Percentage of Sales



Agenda

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- **Financial Overview**
- Quarterly Overview
- What Went Well and Areas of Concern
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Q3 FY '02 Net Sales

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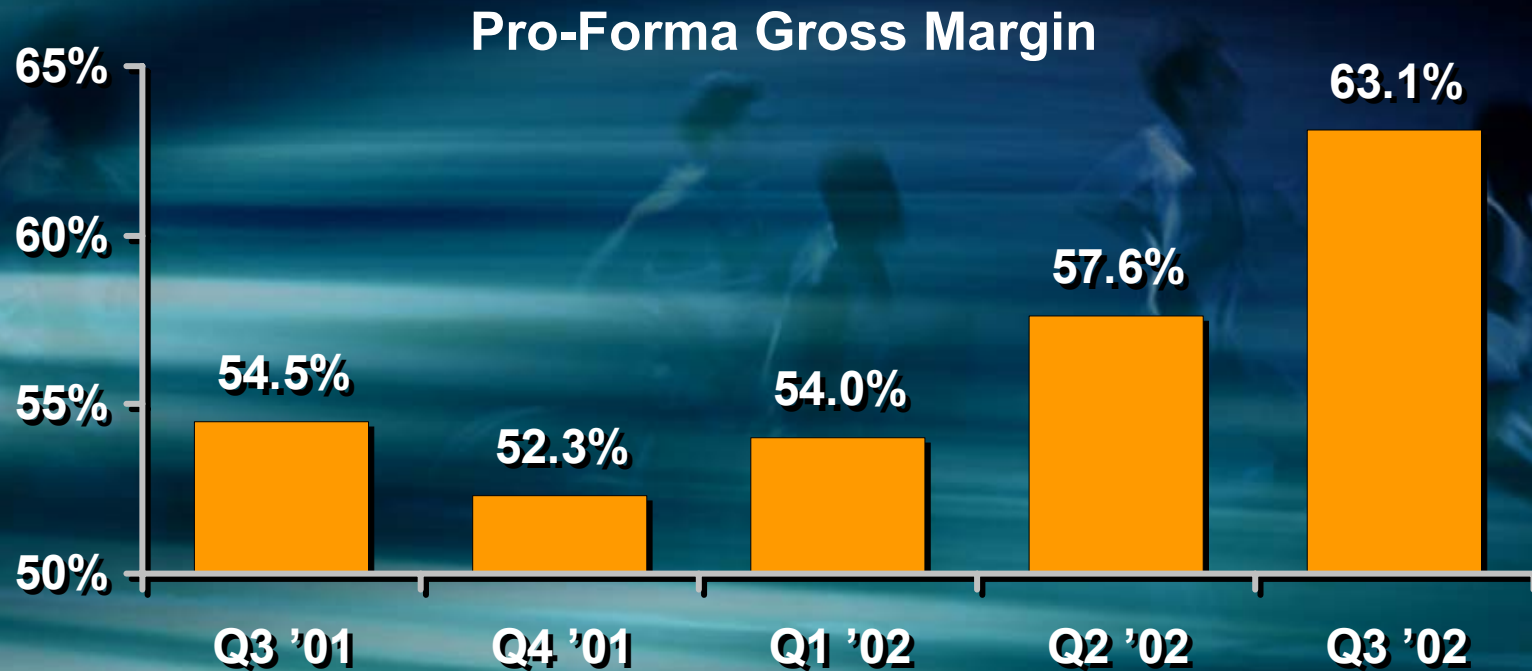
- **Net sales of \$4.8B**
 - Product sales approx. \$4.0B
 - Service sales approx. \$.8B
- **Revenue Categories:**

Category	Q3 FY '01	Q2 FY '02	Q3 FY '02
Routers	29%	31%	30%
Switches	44%	39%	40%
Access	8%	5%	5%
Other	4%	8%	8%
Services	15%	17%	17%

Q3 FY '02 Gross Margins

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***Cisco's Third Sequential Quarter
of Improvement in Gross Margins—
Increasing to 63.1% in Q3 from 57.6% in Q2***



Q3 FY '02 Pro-Forma Income Statement

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Cisco's Pro-Forma Net Income Continued to Improve as Margins Increased and Operating Expenses Decreased

\$M	Q3 '01	Q2 '02	Q3 '02
Net Sales	4,728	4,816	4,822
<i>Gross Margins</i>	54.5%	57.6%	63.1%
Operating Expenses	2,494	2,032	2,027
Operating Income	83	743	1,014
<i>Operating Margins</i>	1.8%	15.4%	21.0%
Net Income	230	664	838
Pro-Forma EPS (Diluted)	.03	.09	.11

Q3 FY '02 Cash Flow from Operations

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Cisco Has \$21.1B in Cash and Investments

- **Cash flow from operations of \$1.6B in Q3, \$5.0B year-to-date**
- **In addition to working capital, uses of cash may include:**
 - Stock Buyback**
 - Strategic minority investments**
 - Potential acquisitions**
 - Funding financing activity in Cisco Capital**

Note: Cash flow statement now available via press release and website

Q3 FY '02 Balance Sheet

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Cisco Continued to Strengthen its Balance Sheet, With Almost 60% of its Assets in Cash and Investments

\$M	Q3 '01	Q2 '02	Q3 '02
<u>Assets:</u>			
Cash and Investments	17,347	21,008	21,061
Accounts Receivable	1,983	1,150	990
Inventory	1,913	1,023	869
Property and Equipment	2,410	2,504	4,002
Other	10,137	11,019	10,204
Total Assets	33,790	36,704	37,126
<u>Liabilities and Equity:</u>			
Liabilities	7,675	8,543	8,691
Minority Interest	22	18	16
Shareholders' Equity	26,093	28,143	28,419
Total Liabilities and Equity	33,790	36,704	37,126

Q3 FY '02 Inventory

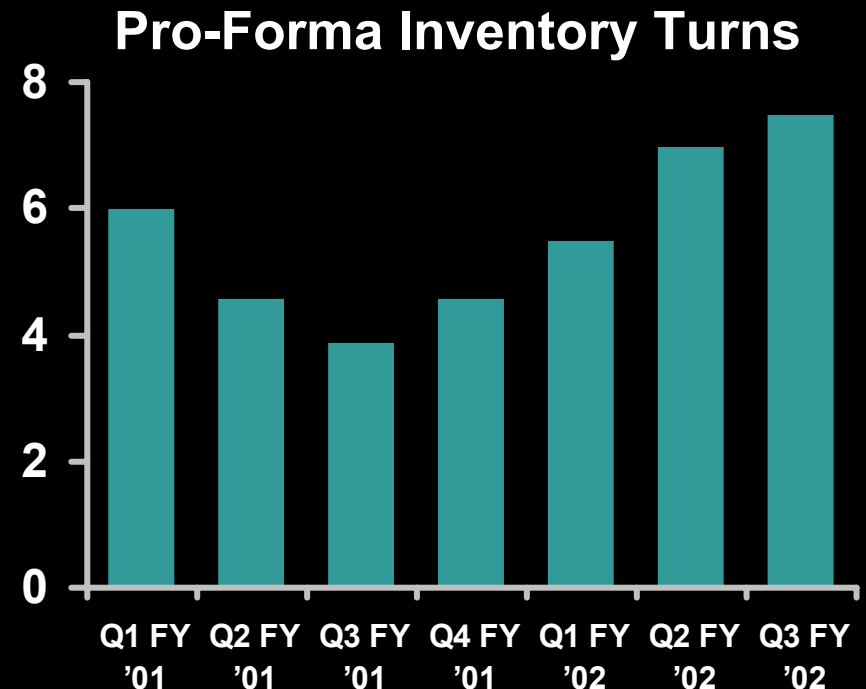
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Cisco's Pro-Forma Inventory Turns Improved to 7.5 in Q3 FY '02 from 7.0 in Q2 FY '02 and 3.9 in Q3 FY '01, Due to Efficient Inventory Levels

- **Q3 Net inventory decreased \$154M to \$869M**

Raw materials	\$45M
WIP	\$299M
Finished Goods	\$462M
Demo systems	\$63M

- **Inventory turns = Annualized COGS/Avg. inventory**



Q3 FY '02 Excess Inventory Provision

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Cisco Excludes the Benefit of Any Disposition of Excess Inventory from Its Pro-Forma Results

Balance at end of Q2 FY '02	\$139M
Disposition of \$66M:	
Scrapped	<\$45M>
Usage	<\$21M>
Ending balance	<u>\$73M</u>
<i>Benefit to GAAP P&L</i>	<i>\$27M</i>

Q3 FY '02 Key Ratios

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	FY '01		FY '02		
	Q3	Q4	Q1	Q2	Q3
Cash and Investments (\$M)	17,347	18,517	19,080	21,008	21,061
Accounts Receivable (\$M)	1,983	1,466	1,181	1,150	990
Days Sales Outstanding	38	31	24	22	19
Net Inventory (\$M)	1,913	1,684	1,301	1,023	869
Inventory Turns	3.9	4.6	5.5	7.0	7.5
Revenue (\$M)	4,728	4,298	4,448	4,816	4,822
Sequential Growth %	(30%)	(9%)	3%	8%	0%
Deferred Revenue	2,585	3,214	3,535	3,837	3,833
Headcount	39,660	38,099	37,546	36,786	35,935
Sequential Growth %	(8%)	(4%)	(1%)	(2%)	(2%)

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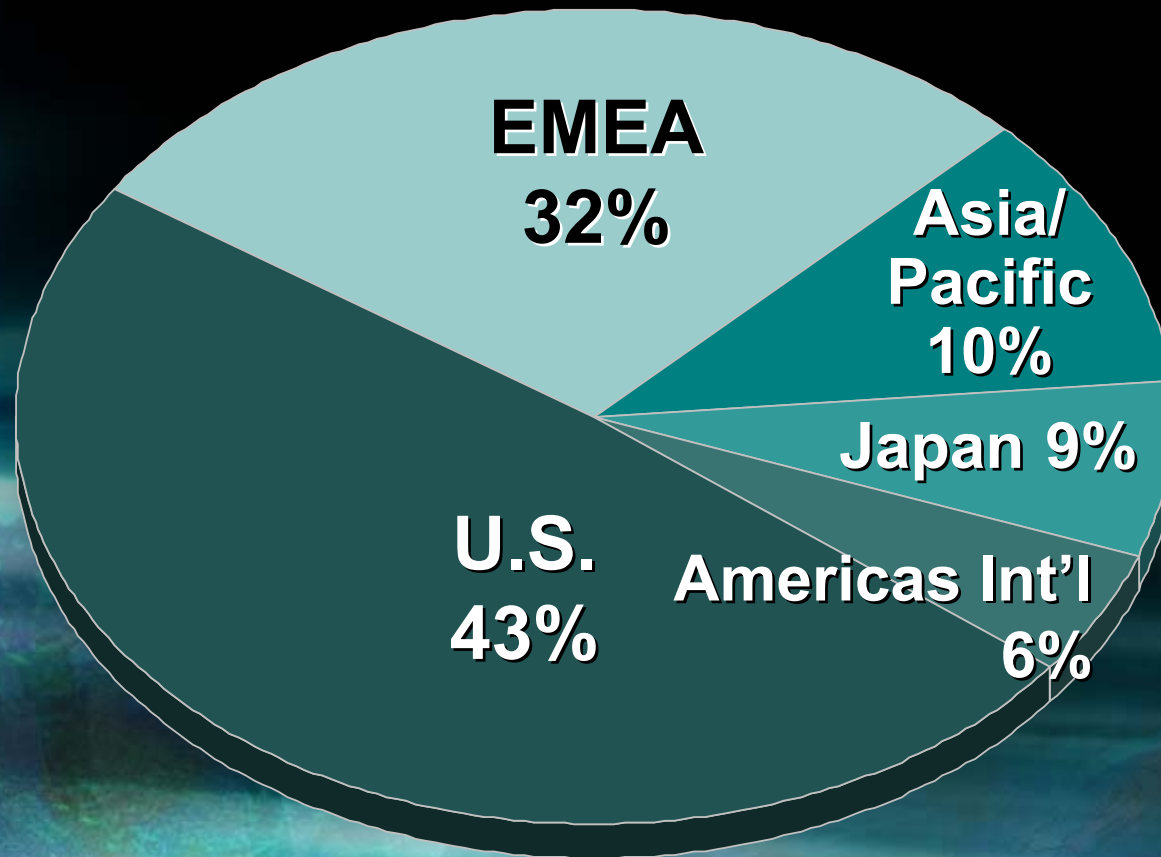
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Q3 FY '02 Geographic Bookings

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For More Information...

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...on the Berkeley and Brookings Study

www.netimpactstudy.com

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Q3 FY '02 Summary

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- **Solid quarter for Cisco, with significant increases in profitability, a strong cash position, decreased inventory and healthy DSO**
- **Cisco continues to move ahead of its competitors**
- **Cisco is well-positioned to benefit from a future turnaround, with superior strength in its core markets and the financial resources to invest today in new markets for the future**

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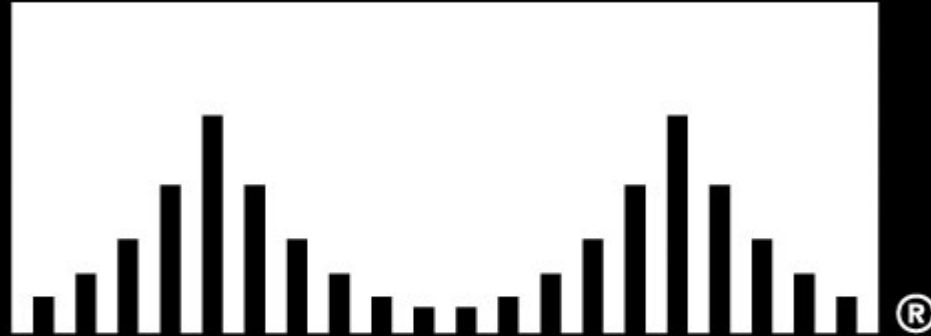
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Q&A

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EMPOWERING THE
INTERNET GENERATION