



Q1 Fiscal Year 2008 Conference Call

November 7, 2007



GAAP RECONCILIATION

During this presentation references to financial measures of Cisco will include references to non-GAAP financial measures. Cisco provides a reconciliation between GAAP and non-GAAP financial information on our website at www.cisco.com under “About Cisco” in the “Investor Relations” section.

www.cisco.com/go/gaap_recon

FORWARD-LOOKING STATEMENTS

This presentation contains projections and other forward-looking statements regarding future events or the future financial performance of Cisco, including future operating results. These projections and statements are only predictions. Actual events or results may differ materially from those in the projections or other forward-looking statements. Please see Cisco’s filings with the SEC, including its most recent filings on Form 10-K and for a discussion of important risk factors that could cause actual events or results to differ materially from those in the projections or other forward-looking statements.



Q1 FY'08 Highlights

Financial Summary – A Strong Quarter

- Record revenue of approx. \$9.6B; up 17% y/y
- Product book to bill was approx. 1
- Record non-GAAP Net Income of \$2.5B; up approx. 31% y/y
- Record GAAP Net Income of \$2.2B; up 37% y/y
- Record Non-GAAP EPS of \$0.40; up 29% y/y
- Record GAAP EPS of \$0.35; up 35% y/y

Other Financial Highlights

- Cash flow from operations of \$3.1B
- \$3B of common stock repurchased
- \$24.7B in cash, cash equivalents, and investments



Q1 FY'08 Highlights

Product Revenue

- Routing revenue up 18% y/y
- Switching revenue up 8% y/y
- Total Advanced Technologies revenue up approx. 27% y/y

Services Revenue

- Services revenue grew approx. 24% y/y

Geographic Highlights

- Europe continued to be very strong, orders up approx. 20% y/y
- Emerging Markets orders growth in mid 30s y/y
- Asia Pacific very solid, orders up in high teens y/y
- U.S. orders growth of approx. 13% y/y



Q1 FY'08 Highlights:

Customer Segments

- **Commercial** — orders up approx. 25% y/y
- **Service Provider** — orders up in high teens y/y
- **Global Enterprise including Public Sector** — orders up in low double digits y/y



Q1 FY'08 Commentary:

Cisco on Web 2.0

- Cisco has moved to a position of **thought leadership**
- We think we have become the example in business of what is possible when an organization adopts a **collaborative approach enabled by networked Web 2.0 technologies**
- Drive next wave of productivity and **new generation of business and government models**
- **Importance of leading in the market transition** from products to processes to internal adoption and utilization





Financial Overview

Business Overview
and Strategy

Guidance

Summary Comments

Cisco Shows Continued Revenue Strength

		Year / Year Growth
		Q1 FY'08
Total Revenue		
\$9.6B Q1 FY'08 Total Revenue		17%



Q1 FY'08 Revenue Increased 17% y/y

	Q1 FY'08	Year/Year Growth
Routers	\$1.9B	18%
Switches	\$3.3B	8%
Advanced Technologies	\$2.4B	27%
Other	\$0.5B	8%
Services	\$1.5B	24%
Total	\$9.6B	17%



Q1 FY'08 Non-GAAP Gross Margin of 65.6%

	Q4 FY'07	Q1 FY'08
Total Non-GAAP Gross Margin	65.2%	65.6%
Product Non-GAAP Gross Margin	65.2%	65.7%
Service Non-GAAP Gross Margin	65.1%	65.2%

- Q1 FY'08 GAAP Total Gross Margin of 64.6%
- Q1 FY'08 GAAP Product Gross Margin of 64.8%
- Q1 FY'08 GAAP Service Gross Margin of 63.7%



Q1 FY'08 Non-GAAP Income Statement Highlights

Q1 FY'08 non-GAAP Net Income growth of 31% y/y

\$M (except per-share amounts and percentages)	Q1 FY'07	Q4 FY'07	Q1 FY'08
Net Sales	8,184	9,433	9,554
Gross Margin	64.8%	65.2%	65.6%
Operating Expenses	2,916	3,352	3,441
Opex (% of Revenue)	35.6%	35.5%	36.0%
Operating Income (% of Revenue)	29.2%	29.6%	29.6%
Net Income	1,904	2,268	2,502
Net Income (% of Revenue)	23.3%	24.0%	26.2%
EPS (diluted)	\$0.31	\$0.36	\$0.40

**Q1FY'08 Non-GAAP EPS reflect \$162M income tax benefit
(\$0.026 per share) from IRS settlement**

Q1 FY'08 GAAP Income Statement Highlights

Q1 FY'08 GAAP Net Income of \$2.2B and EPS of \$0.35

\$M (except per-share amounts and percentages)	Q1 FY'07	Q4 FY'07	Q1 FY'08
Net Sales	8,184	9,433	9,554
Gross Margin	63.9%	64.3%	64.6%
Operating Expenses	3,242	3,765	3,805
Opex (% of Revenue)	39.6%	39.9%	39.8%
Operating Income (% of Revenue)	24.3%	24.4%	24.8%
Net Income	1,608	1,930	2,205
Net Income (% of Revenue)	19.6%	20.5%	23.1%
EPS (diluted)	\$0.26	\$0.31	\$0.35

**Q1FY'08 GAAP EPS reflect \$162M income tax benefit
(\$0.026 per share) from IRS settlement**

Q1 FY'08 Key Financial Measures

	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	Q1 FY'08
Cash and Investments (\$M)	19,520	20,681	22,336	22,266	24,679
Operating Cash Flow (\$M)	2,271	2,658	2,437	2,738	3,089
Accounts Receivable (\$M)	3,091	2,908	3,238	3,989	3,418
Days Sales Outstanding	34	31	33	38	33
Inventory (\$M)	1,477	1,642	1,289	1,322	1,315
Non-GAAP Inventory Turns	8.1	7.6	8.6	10.1	10.0
Purchase Commitments (\$M)	2,324	2,469	2,554	2,581	2,497
Deferred Revenue (\$M)	5,765	6,061	6,339	7,037	7,107
Headcount	51,840	54,563	56,790	61,535	63,050

Share Repurchase Program

	Amount Purchased (M)	Number of Shares (M)	Avg Price Per Share
Q1 FY'08 Purchases	\$3,000	96	\$31.28
Cumulative Program Purchases*	\$46,229	2,324	\$19.89

*Since program inception

Q1 FY'08 Inventory

	Q4 FY'07	Q1 FY'08
Raw Materials	\$173M	\$130M
Work in Process	\$45M	\$45M
Finished Goods	\$858M	\$894M
Spares	\$211M	\$211M
Demos	\$ 35M	\$ 35M
Inventory	\$1,322M	\$1,315M
Purchase Commitments	\$2.6B	\$2.5B
Non-GAAP Inventory Turns	10.1	10.0



FIN48 Accounting Impact

- Recorded increase to shareholders' equity of \$451M
 - \$202M increase to retained earnings
 - \$249M increase to additional paid-in capital
- Reclassification of \$682M of income taxes payable from short-term to long-term liabilities on the balance sheet



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Q1 FY'08 Geographic Review

- **Europe** – strong y/y order growth approx. 20%
- **Asia Pacific** – y/y order growth in high teens
- **Emerging Markets** – y/y order growth approx. 35%
- **U.S.** – order growth approx. 13% y/y
 - U.S. Service Provider y/y order growth in low 20s
 - Commercial y/y order growth approx. 20%
 - Enterprise incl. Public Sector and Federal y/y order growth in mid single digits
 - Federal y/y order growth of approx. 17%



Q1 FY'08 Product Segment Review

- Revenue balance very good across core Routing, Switching, and Advanced Technology product categories
- First wave of five Advanced Technologies had revenue growth of approximately 24% y/y

Unified Communications including WebEx y/y revenue growth above 70%

Storage revenue growth up over 20% y/y

Wireless and **Networked Home** revenue growth relatively flat y/y

Security revenue growth in mid teens y/y

- Second wave of Advanced Technologies revenue growth in mid 30s y/y

Includes **Video Systems** and **Application Networking Systems**



Vision, Strategy and Execution

- Our **vision** of how the industry is going to evolve appears to be playing out very much as we expected
- We believe our differentiated **strategy** is also achieving the benefits to both Cisco and our customers that we thought were possible
- Our **execution** is on target in terms of results as measured by a customer partnership perspective, market share, and share of our customers' total communications and IT expenditures as the network becomes the platform for delivering these capabilities





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- Momentum continues to be **even stronger** than it was a year ago in areas we can control or influence
- We believe our revenue, earnings growth rates, cash generation and market leadership **places us in a unique position** in the industry right now
- From a geographic perspective, we **continue to be very optimistic** about the majority of the global economies outside of the U.S.
- The U.S. service provider and U.S. commercial market segments **continued to be strong**
- **Strategic relevance is increasing to service provider** customers and has the potential to evolve
- **Commercial market remains very solid** and very well balanced on a global basis



Summary Comments

- In our opinion, the second phase of the Internet will evolve and develop **across all of our customer segments** with potential speed and effectiveness
- We intend to **lead all companies** in our implementation, organizational evolution and associated productivity of these new collaboration technologies
- Our **architectural strategy** in the **emerging markets** is working extremely well
- **Balanced product momentum** across core and advanced technologies
- Our **pipeline** of potential new core routing and switching products looks to be **very good**



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