



CISCO SYSTEMS, INC. Q4 FY 2007 CONFERENCE CALL

August 7, 2007

GAAP Reconciliation and Forward-Looking Statements

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 Form 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 other forward-looking statements.

Q4 FY 2007 Highlights

Financial Summary – A Strong Quarter

- ❖ Record revenue of approx. \$9.4B; up 18% y/y
- ❖ Product book to bill was comfortably above 1
- ❖ Record non-GAAP Net Income of \$2.3B; up approx. 21% y/y
- ❖ Record GAAP Net Income of \$1.9B; up 25% y/y
- ❖ Record Non-GAAP EPS of \$0.36; up approx. 20% y/y
- ❖ Record GAAP EPS of \$0.31; up approx. 24% y/y

Other Financial Highlights

- ❖ Cash flow from operations of \$2.7B
- ❖ \$1.5B of common stock repurchased
- ❖ \$22.3B in cash, cash equivalents, and investments

Q4 FY 2007 Highlights

Product Revenue

- ❖ Routing revenue up 14% y/y
- ❖ Switching revenue up 18% y/y
- ❖ Total Advanced Technologies revenue up approx. 24% y/y

Services Revenue and Margins

- ❖ Services revenue grew approx. 19% y/y

Geographic Highlights*

- ❖ US business was strong, and balance was very good across all customer segments, with average growth rates in the upper teens
- ❖ Very strong growth in other large theaters led by Emerging Markets

*Excluding Scientific-Atlanta, WebEx, and IronPort

Q4 FY 2007 Highlights

Customer Segments

- ❖ Service Provider – orders up in low 20s y/y
 - Scientific-Atlanta – revenue growth above 30% y/y
- ❖ Global Enterprise incl. Public Sector – orders up in mid teens y/y
- ❖ Commercial – orders up in low 20s y/y

Q4 FY 2007 Commentary

Factors we believe are unique to Cisco's ability to grow:

- ❖ **Unique balance** across over two dozen product areas, four customer segments and across major developed and emerging countries
- ❖ Vision that the **network is becoming the platform** for all forms of communications and IT
- ❖ **Convergence** of all data, voice, video and mobility into **IP networks**
- ❖ Approach from a **business architecture and technology architecture** perspective

Q4 FY 2007 Commentary

Factors we believe are unique to Cisco's ability to grow (cont):

- ❖ An **end-to-end architecture** where the products are first loosely then tightly integrated together
- ❖ **Combine vision, strategy, and execution**
- ❖ **Global balance of business** with tremendous **cash generation** and **strong balance sheet**
- ❖ **Phase two of the Internet** we believe will result in dramatic innovation and productivity increases enabled by **collaboration** and **Web 2.0** technologies

Agenda

- **Financial Overview**
- **Business Overview & Strategy**
- **Guidance**
- **Summary Comments**

Cisco Shows Continued Revenue Strength

	Year / Year Growth
	Q4 FY07
Total \$9.4B Q4 FY07 revenue	18%
Scientific Atlanta \$791M Q4 FY07 revenue	Above 30%
WebEx & IronPort \$76M Q4 FY07 revenue	Acquired in Q4 FY07

Q4 FY 2007 Revenue

Q4 FY07 revenue increased 18% y/y

	Q4 FY07	Year/Year Growth
Routers	\$1.9B	14%
Switches	\$3.3B	18%
Advanced Technologies	\$2.2B	24%
Other	\$0.5B	8%
Services	\$1.5B	19%
Total	\$9.4B	18%

Q4 FY 2007 Non-GAAP Gross Margin

Q4 FY07 non-GAAP Total Gross Margin of 65.2%

	Q3 FY07	Q4 FY07
Total Gross Margin	64.5%	65.2%
Product Gross Margin	64.7%	65.2%
Service Gross Margin	63.2%	65.1%

- Q4 FY07 GAAP Total Gross Margin of 64.3%
- Q4 FY07 GAAP Product Gross Margin of 64.5%
- Q4 FY07 GAAP Service Gross Margin of 63.4%

Q4 FY 2007 Non-GAAP Income Statement Highlights

Q4 FY07 non-GAAP net income growth of 21% y/y

\$M (except per-share amounts and percentages)	Q4 FY06 ⁽¹⁾	Q3 FY07 ⁽²⁾	Q4 FY07 ⁽³⁾
Net Sales	7,984	8,866	9,433
Gross Margin	65.3%	64.5%	65.2%
Operating Expenses	2,772	3,125	3,352
Opex (% of Revenue)	34.7%	35.2%	35.5%
Operating Income (% of Revenue)	30.6%	29.2%	29.6%
Net Income	1,872	2,111	2,268
Net Income (% of Revenue)	23.4%	23.8%	24.0%
EPS (diluted)	\$0.30	\$0.34	\$0.36

- 1) Q4 FY06 includes Scientific-Atlanta revenue of \$582M
- 2) Q3 FY07 includes Scientific-Atlanta revenue of \$752M
- 3) Q4 FY07 includes Scientific-Atlanta revenue of \$791M

Q4 FY 2007 GAAP Income Statement Highlights

Q4 FY07 GAAP net income of \$1.9B and EPS of \$0.31

\$M (except per-share amounts and percentages)	Q4 FY06 ⁽¹⁾	Q3 FY07 ⁽²⁾	Q4 FY07 ⁽³⁾
Net Sales	7,984	8,866	9,433
Gross Margin	64.4%	63.7%	64.3%
Operating Expenses	3,155	3,450	3,765
Opex (% of Revenue)	39.5%	38.9%	39.9%
Operating Income (% of Revenue)	24.9%	24.8%	24.4%
Net Income	1,544	1,874	1,930
Net Income (% of Revenue)	19.3%	21.1%	20.5%
EPS (diluted)	\$0.25	\$0.30	\$0.31

- 1) Q4 FY06 includes Scientific-Atlanta revenue of \$582M
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FY 2007 Non-GAAP Income Statement Highlights

FY07 Record non-GAAP EPS of \$1.34

\$M (except per-share amounts and percentages)	FY 2005	FY 2006 ⁽¹⁾	FY 2007
Net Sales	24,801	28,484	34,922
Gross Margin	67.2%	66.7%	64.8%
Operating Expenses	8,825	10,241	12,310
Opex (% of Revenue)	35.6%	36.0%	35.2%
Operating Income	7,846	8,754	10,325
Net Income	6,057	6,886	8,374
Net Income (% of Revenue)	24.4%	24.2%	24.0%
EPS (diluted)	\$0.92	\$1.10	\$1.34

(1) FY06 financial statements include 5 months of Scientific-Atlanta's financial results, including revenue of \$989M.

FY 2007 GAAP Income Statement Highlights

FY07 Record GAAP EPS of \$1.17

\$M (except per-share amounts and percentages)	FY 2005 ⁽¹⁾	FY 2006 ⁽²⁾	FY 2007
Net Sales	24,801	28,484	34,922
Gross Margin	67.2%	65.8%	64.0%
Operating Expenses	9,255	11,751	13,715
Opex (% of Revenue)	37.3%	41.3%	39.3%
Operating Income	7,416	6,996	8,621
Net Income	5,741	5,580	7,333
Net Income (% of Revenue)	23.1%	19.6%	21.0%
EPS (diluted)	\$0.87	\$0.89	\$1.17

FY07 ending product backlog was \$3.9B

(1) FY05 results do not reflect the effect of FAS 123(R)

(2) FY06 financial statements include 5 months of Scientific-Atlanta's financial results, including revenue of \$989M.

Q4 FY 2007 Key Financial Measures

	Q4 FY06	Q1 FY07	Q2 FY07	Q3 FY07	Q4 FY07
Cash and Investments (\$M)	17,814	19,520	20,681	22,336	22,266
Accounts Receivable (\$M)	3,303	3,091	2,908	3,238	3,989
Days Sales Outstanding	38	34	31	33	38
Inventory (\$M)	1,371	1,477	1,642	1,289	1,322
Non-GAAP Inventory Turns	8.3	8.1	7.6	8.6	10.1
Purchase Commitments (\$M)	1,979	2,324	2,469	2,554	2,581
Deferred Revenue (\$M)	5,649	5,765	6,061	6,339	7,037
Headcount	49,926	51,840	54,563	56,790	61,535

Share Repurchase Program

	Amount Purchased (M)	Number of Shares (M)	Avg Price Per Share
Q1 FY07 Purchases	\$1,500	66	\$22.85
Repurchase Program Increased by \$7B			
Q2 FY07 Purchases	\$3,281	121	\$27.01
Q3 FY07 Purchases	\$1,500	56	\$26.85
Q4 FY07 Purchases	\$1,500	54	\$27.33
Repurchase Program Increased by \$5B			
FY 2007 Purchases	\$7,781	297	\$26.12
Cumulative Program Purchases	\$43,229	2,228	\$19.40

Remaining Authorization in Repurchase Program - \$8.8B

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Q4 FY 2007 Inventory

	Q3 FY07	Q4 FY07
Raw Materials	\$175M	\$173M
Work in Process	\$117M	\$45M
Finished Goods	\$752M	\$858M
Spares	\$210M	\$211M
Demos	\$ 35M	\$ 35M
Inventory	\$1,289M	\$1,322M
Purchase Commitments	\$2.6B	\$2.6B
Non-GAAP Inventory Turns	8.6	10.1

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Q4 FY 2007 Geographic Review

- ❖ **US – order growth in upper teens y/y**
 - US Service Provider y/y order growth approaching 30%
 - Commercial y/y order growth in high teens
 - Enterprise y/y order growth of approx 12%
 - Federal y/y order growth of approx 40%
- ❖ **Emerging Markets – y/y order growth approaching 50%**
- ❖ **Europe – y/y order growth in mid teens**
- ❖ **Asia Pacific – y/y order growth in low 20s**
- ❖ **Japan – flat in terms of y/y growth**

All figures exclude Scientific-Atlanta, WebEx, and IronPort

FY 2007 Product Segment Review

- ❖ Revenue balance very good across core product categories
- ❖ Routing and switching revenue growth in mid teens y/y
- ❖ Total Advanced Technologies revenue grew approx. 45% y/y
 - Unified Communications revenue growth in low 30s y/y
 - Storage revenue growth approx. 30% y/y
 - Wireless revenue growth in mid 20s y/y
 - Networked Home revenue growth in low 20s y/y
 - Security revenue growth of approx 20% y/y

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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GAAP Reconciliation Guidance for Q1 FY08

	Q1 FY08
Impact of SFAS 123(R)	\$0.02 - \$0.03
Impact of ongoing amortization of purchased intangible assets and compensation cost related to acquisitions/investments	\$0.02 - \$0.03
Total impact to GAAP EPS	\$0.04 - \$0.06

SFAS 123(R) expense is expected to be recorded to the various line items of the GAAP income statement in similar proportions as Q4 FY07

Ongoing amortization of purchased intangible assets and compensation cost arising from acquisitions/investments will be reported as GAAP operating expenses and cost of sales

Guidance assumes no additional acquisitions, asset impairments, restructuring or other events which may or may not be significant

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Summary Comments

- ❖ Momentum continues to be **even stronger** than it was a year ago in areas we can control or influence
- ❖ From a geographic perspective, we **continue to be optimistic** about the economies in our key markets based upon what our customers are telling us and our balanced strength
- ❖ The U.S. service provider and U.S. commercial market segments **continued to be very strong**
- ❖ **Strategic relevance to US service provider** customers with potential to evolve
- ❖ Phase two of the Internet **extends across all of our customer segments** with potentially major speeds and effectiveness
- ❖ We intend to **lead all companies** in our implementation, organizational evolution and associated productivity of these new collaboration technologies

Summary Comments

- ❖ Commercial market remains **very solid** and **very well balanced** on a global basis
- ❖ Our **architectural strategy** in the **emerging markets** is working extremely well
- ❖ Our **product pipeline** of potential new core routing and switching products looks to be **very good**
- ❖ **Balanced product momentum** across core and advanced technologies

Forward-Looking Statements

These presentation slides and the related conference call 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 the development of our markets, the future of networking, Cisco's strategy and positioning, and our ability to foresee market 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 and in 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 and other customer markets; 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; increased competition in the networking industry; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; manufacturing and sourcing risks, including risks related to our transition to a new manufacturing model; product defects and returns; litigation involving patents, intellectual property, antitrust, shareholder and other matters; natural catastrophic events; a pandemic or epidemic; achievement of the benefits anticipated from our investments in sales and engineering activities; our ability to recruit and retain key personnel; our ability to manage financial risk; currency fluctuations and other international factors; potential volatility in operating results and other factors listed in Cisco's most recent reports on Form 10-K and Form 10-Q. The financial information contained in these presentation slides and the related conference call should be read in conjunction with the consolidated financial statements and notes thereto included in Cisco's most recent reports on Form 10-K and Form 10-Q, each as it may be amended from time to time. Cisco's results of operations for the three and twelve months ended July 28, 2007, are not necessarily indicative of Cisco's operating results for any future periods. Any projections in these presentation slides and the related conference call 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 the presentation slides and the related conference call.

