CISCO SYSTEMS, INC.
Q3 FY 2005 CONFERENCE CALL

May 10, 2005

GAAP Reconciliation and Forward-Looking Statements

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GAAP RECONCILIATION

During this presentation references to financial measures of Cisco will include references to pro forma financial measures. Cisco provides a complete reconciliation between GAAP and pro forma 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 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 other forward-looking statements.

Q3 FY 2005 Operational Excellence

Q3 FY 2005 Summary

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- **Record GAAP and Pro Forma Net Income**
- **Continued execution on profitability**
  - Fiscal YTD revenue increased 13%; pro forma operating profit increased 18%
  - 12th consecutive quarter of pro forma profit, as a percentage of revenue, above 20%
- **Strong financial metrics**
  - Product revenue growth 10% year-over-year
  - 7th consecutive quarter of y/y product order growth in mid teens or better
  - Pro forma and GAAP product gross margin of 67.3%
  - Cash flow from operations of $1.9B
  - Over $16B in cash & investments
  - Book to bill greater than one
- **Solid productivity metrics**
  - Pro forma operating expenses at 35.7% of revenue

Q3 FY 2005 Net Income

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Q3 FY05 Pro Forma Net Income up 10% year-over-year

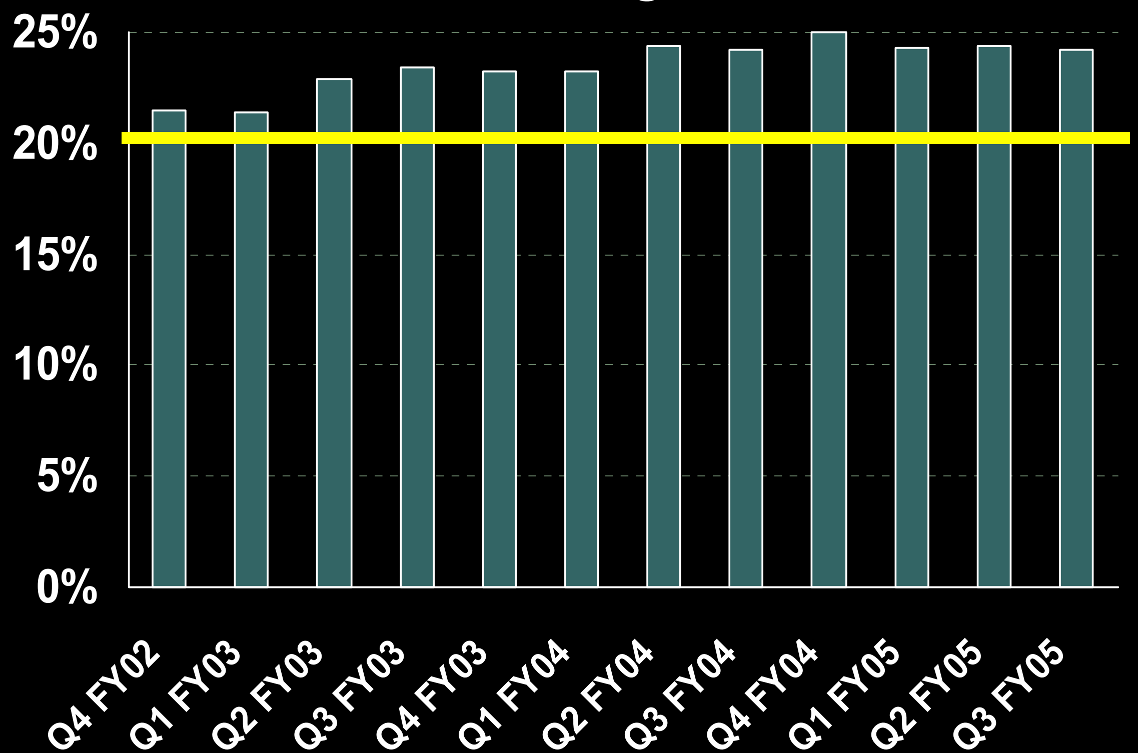
<u>Q3 FY05 EPS</u>

- GAAP: $0.21
- Pro Forma: $0.23

<u>Q3 FY05 Net Income</u>

- GAAP: $1.4B
- Pro Forma: $1.5B

Pro Forma Net Income
as a Percentage of Revenue



Agenda

- Financial Overview
- Quarterly Overview
- What Went Well & Areas of Concern
- Guidance

Q3 FY 2005 Net Sales of $6.2B

	Q3 FY05	Y/Y Growth
Routers	$1.44B	13%
Switches	$2.42B	2%
Advanced Technologies	$1.13B	29%
Other	$196M	(5%)
Services	$998M	12%

Q3 FY 2005 Net Sales

	Q3 FY04	Q2 FY05	Q3 FY05
Routers	23%	22%	23%
Switches	42%	40%	40%
Advanced Tech	15%	19%	18%
Other	4%	3%	3%
Services	16%	16%	16%

Q3 FY 2005 Pro Forma Gross Margin

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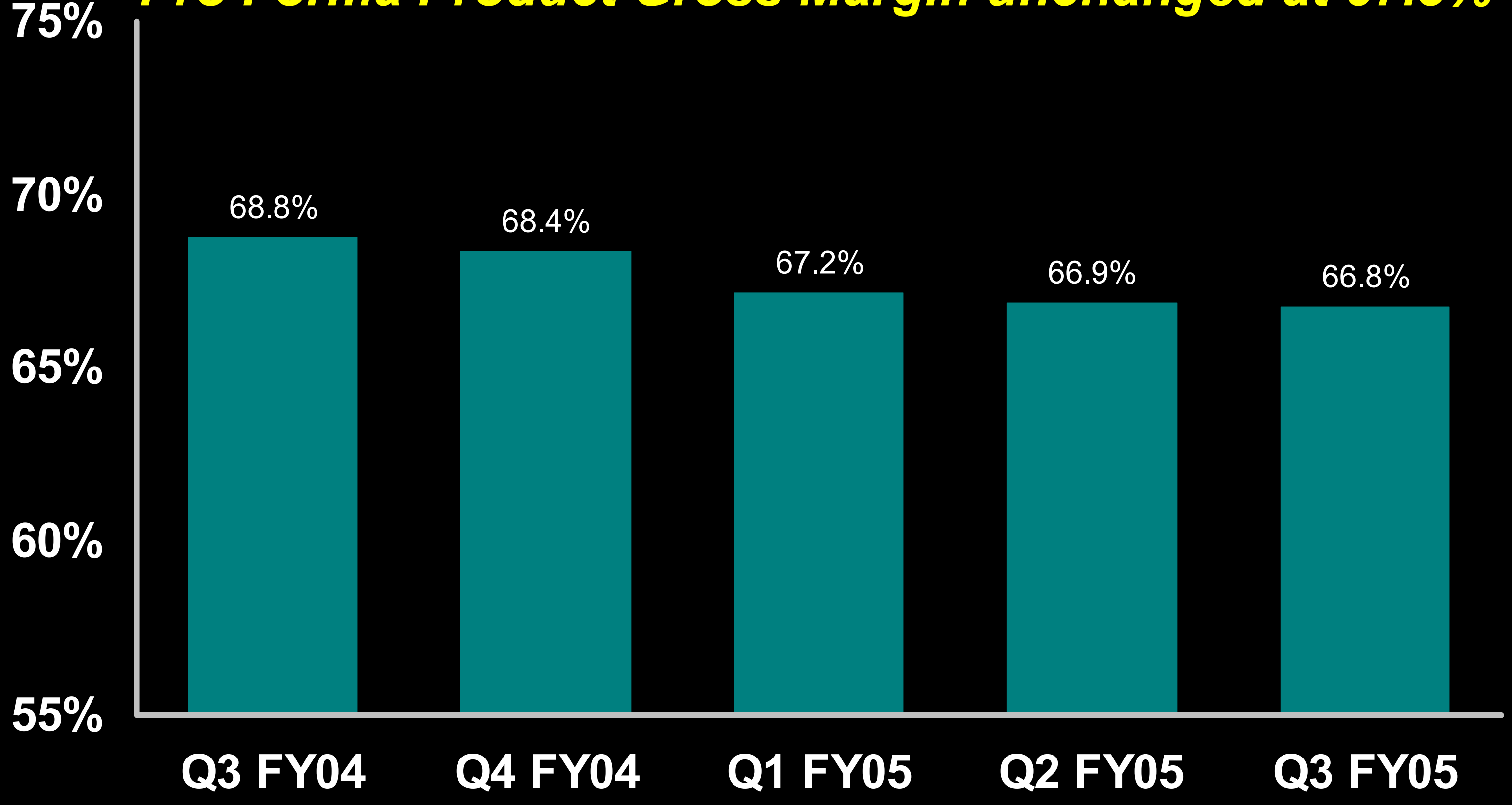
Total Pro Forma Gross Margin 66.8% in Q3

Pro Forma Product Gross Margin unchanged at 67.3%



Q3 FY 2005 Pro Forma Income Statement

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Q3 FY05 Pro Forma Net Profit Margin of 24.2%
Fiscal YTD Pro Forma Operating Profit increased 18%

$M	Q3 FY04	Q2 FY05	Q3 FY05
Net Sales	5,620	6,062	6,187
Gross Margin	68.8%	66.9%	66.8%
Operating Expenses	2,147	2,139	2,207
Operating Income	1,720	1,914	1,928
Net Income	1,359	1,482	1,496
Net Income (% of Revenue)	24.2%	24.4%	24.2%
EPS (diluted)	$0.19	$0.22	$0.23

Reconciliation of GAAP to Pro Forma Net Income

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$M	Q3 FY04	Q2 FY05	Q3 FY05
GAAP Net Income	**$ 1,211**	**$1,400**	**$1,405**
Reconciling Items:			
In-process research & development	2	2	6
Payroll tax on stock option exercises	3	3	3
Stock-based compensation related to acquisitions and investments	101	39	47
Amortization of purchased intangible assets	60	57	54
Gain on publicly traded equity securities	--	--	--
Income tax effect	(18)	(19)	(19)
Pro Forma Net Income	**$1,359**	**$1,482**	**$1,496**

Q3 FY 2005 Net Income

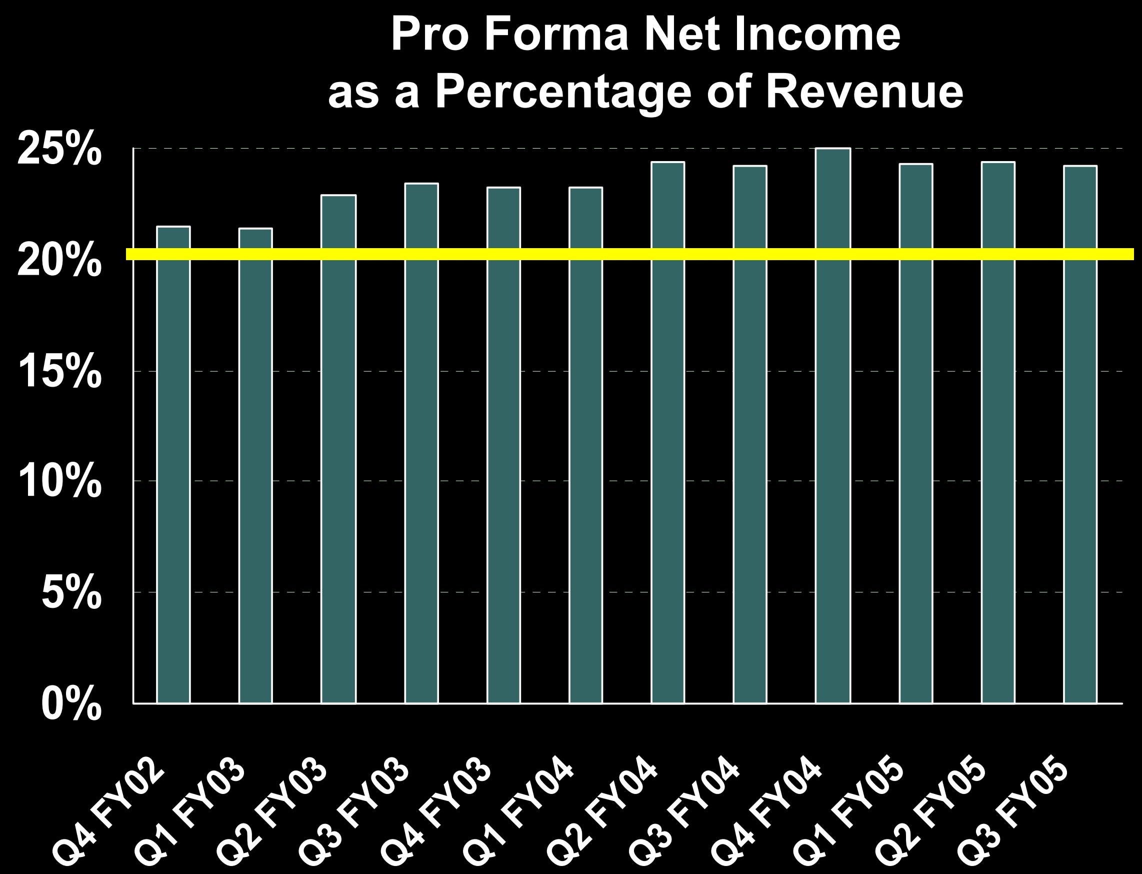
Q3 FY05 Pro Forma Net Income up 10% year-over-year

Q3 FY05 EPS

- GAAP: $0.21
- Pro Forma: $0.23

Q3 FY05 Net Income

- GAAP: $1.4B
- Pro Forma: $1.5B



Q3 FY 2005 Cash Flow from Operations

Cisco has $16.1B in Cash & Investments

- Cash flow from operations of approx. $1.9B in Q3
- Uses of cash may include:
  - Stock repurchase: approx. $2.0B repurchased in Q3; approx. $25B since inception
  - Strategic investments
  - Acquisitions
  - Funding financing activity in Cisco Capital

Cash flow statement available via press release and website

Weighted Average Diluted Shares

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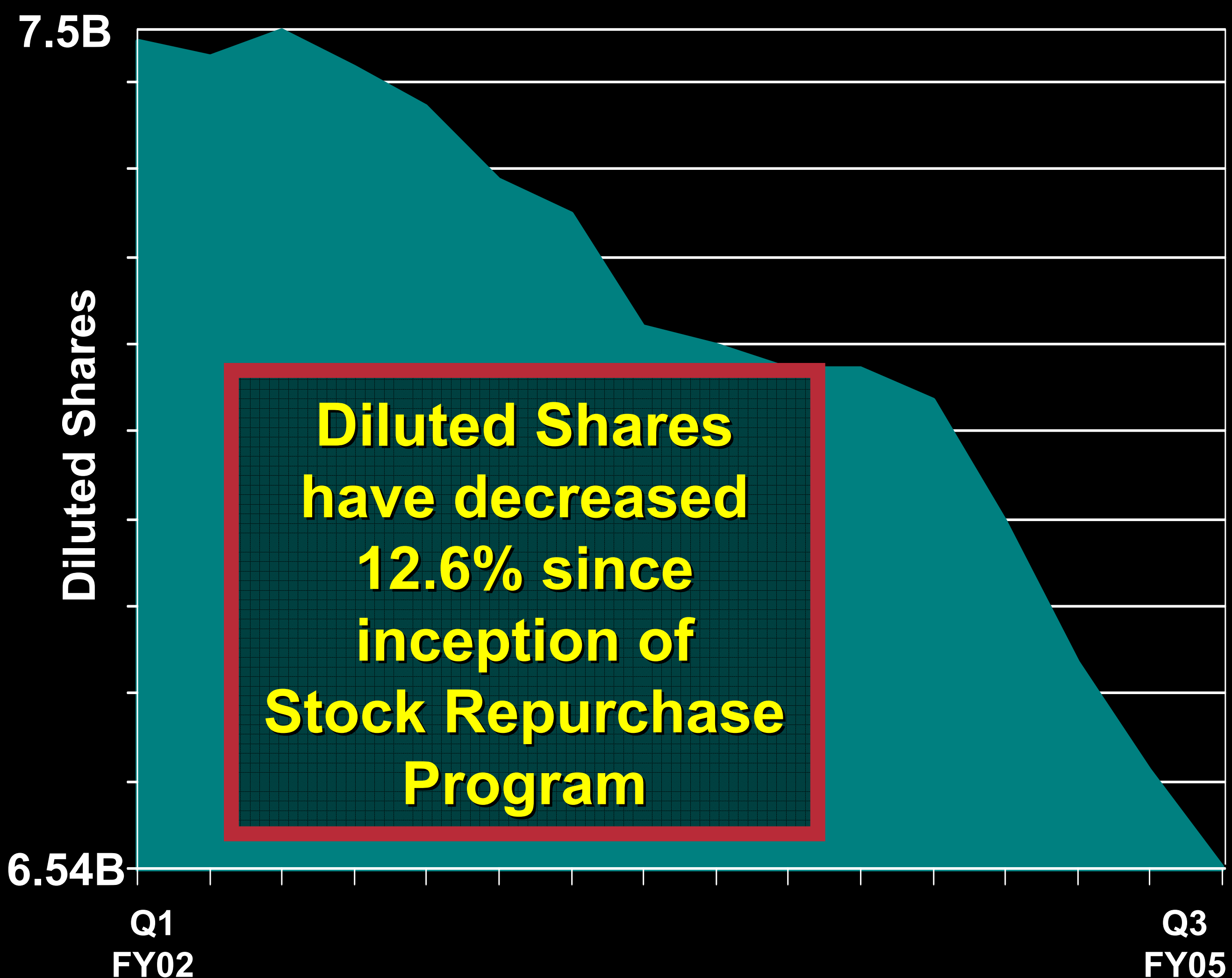
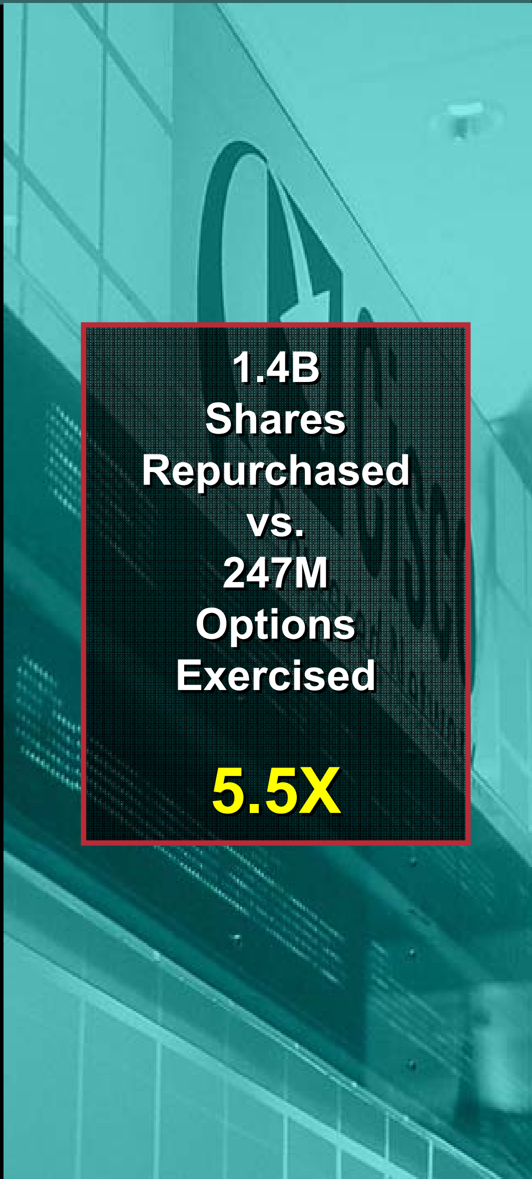


Diluted Shares have decreased 12.6% since inception of Stock Repurchase Program



1.4B Shares Repurchased vs. 247M Options Exercised

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Share Repurchase Program

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Event	Amount Purchased (M)	Number of Shares (M)	Avg Price Per Share
Repurchase Program Approved for $3B			
FY 2002 Purchases	$1,854	124	$14.93
Repurchase Program Increased by $10B			
FY 2003 Purchases	$5,984	424	$14.10
Repurchase Program Increased by $12B			
FY 2004 Purchases	$9,080	408	$22.30
Repurchase Program Increased by $10B			
YTD FY 2005 Purchases	$7,743	410	$18.89

Total amount repurchased since inception	$25B
Total shares repurchased since inception	1.4B
Average price per share since inception	$18.06
Remaining funds in repurchase program	$10B

Q3 FY 2005 Key Financial Measures

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	Q3 FY04	Q4 FY04	Q1 FY05	Q2 FY05	Q3 FY05
Cash and Investments ($M)	18,946	19,267	17,727	16,525	16,149
Accounts Receivable ($M)	1,540	1,825	1,792	2,278	2,241
Days Sales Outstanding	27	28	27	34	33
Inventory ($M)	1,121	1,207	1,210	1,255	1,280
Inventory Turns	6.3	6.4	6.5	6.5	6.5
Revenue ($M)	5,620	5,926	5,971	6,062	6,187
Y/Y Growth %	22%	26%	17%	12%	10%
Sequential Growth %	4%	5%	1%	2%	2%
Deferred Revenue ($M)	4,357	4,502	4,261	4,647	4,816
Headcount	34,307	34,371	35,086	35,962	37,050

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Q3 FY 2005 Geographic Product Bookings

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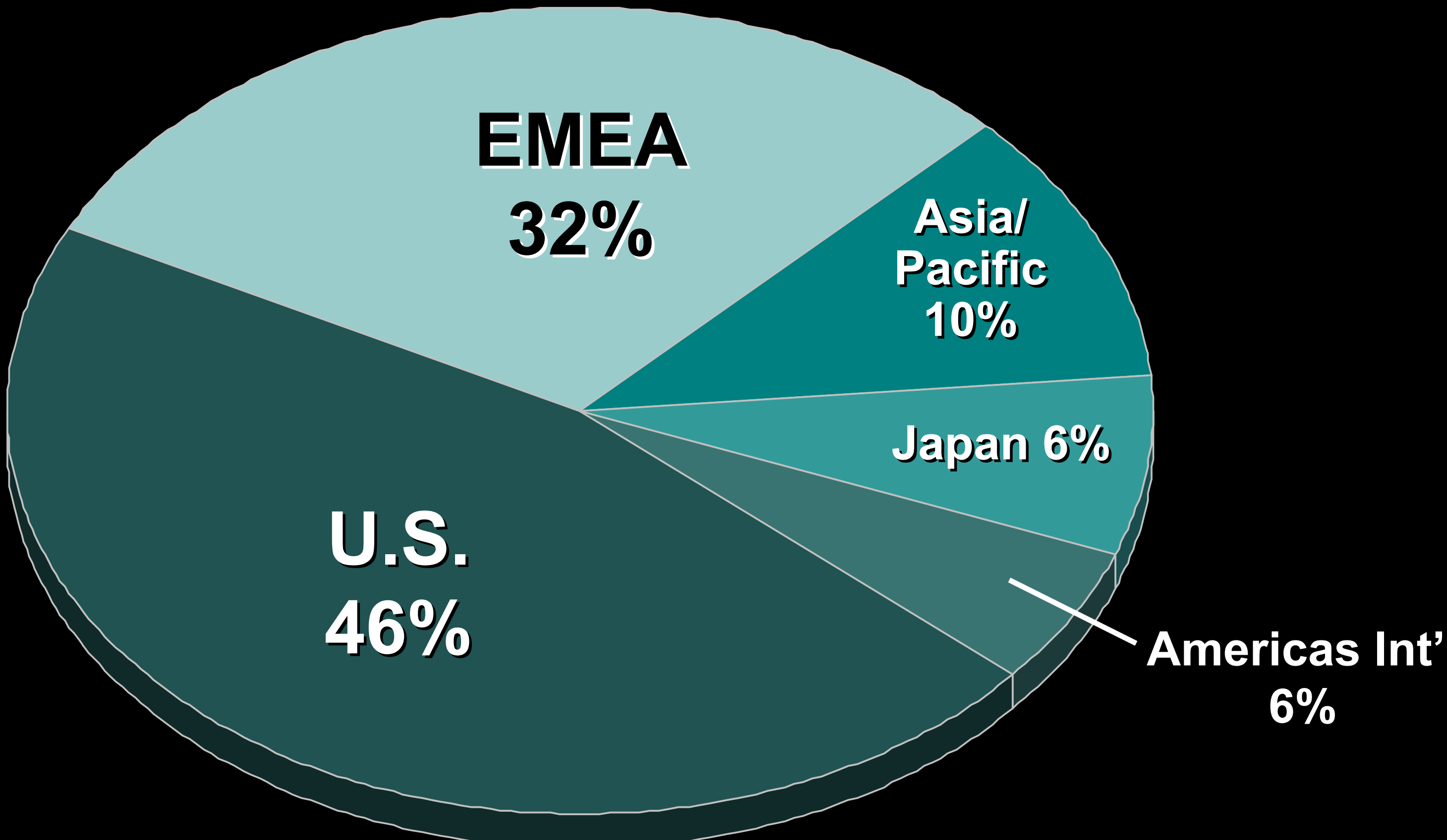

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What Went Well – Q3 FY05

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- Eight consecutive quarters of balance across geographies, products and market segments
- Sequential order growth of approx. 10% in all theaters combined excluding Japan – which is experiencing some challenges
- Service provider market segment order growth of over 20% sequentially; over 25% year-over-year
  - US Service Provider order growth of over 20% sequentially; over 40% year-over-year

What Went Well – Q3 FY05

- Solid performance in Routing, Switching and Advanced Technologies
  - Routing orders increased sequentially in low double digits
  - Switching orders increased sequentially in mid-single digits
  - IP Telephony orders increased over 15% sequentially; over 35% y/y
  - Storage orders increased mid-single digits sequentially; over 70% y/y
  - Networked Home orders relatively flat sequentially; increased high 20s y/y
  - Wireless orders increased low double-digit range sequentially; high teens y/y
  - Optical orders decreased mid-single digit range sequentially; high 20s y/y
  - Security orders flat sequentially; increased low teens y/y
- Linksys shipped 980K VoIP phone adapter ports during Q3FY05

What Went Well – Q3 FY05

- Industry recognition for channel strategy and service/support
- Continue success with integrated architecture approach
- Key wins with CRS-1 – European and Asian PTTs; Cable MSOs; ISPs
- Recognition for Cisco's leadership team

Areas of General Concern

- Continued swings in global economic activity and therefore capital spending
    - Initial potentially positive order growth in Germany and France
- Expect expanding wave of low cost competitors
    - Technology and business architectures, plus expanding value-added services strategy drives Cisco's differentiated leadership
- Hiring creates upfront expense
    - Relatively quick payback and long-term benefits expected
- Slowing activity in Japan and US Federal
- GDP continues to be a good indicator for our <u>traditional business</u>
    - However, should be combined with additional opportunities from advanced technologies, the service provider market segment, and market share gains

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Macro Guidance for Q4 FY 2005

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- We believe Cisco's markets support annual growth in the 10-15% range
- Customers, industry analysts and channel partners believe we "really got it right"
- More confidence in the factors we can control or influence - continue to see more variables in the economy today
- Expected Q4 revenue guidance of $6.45B to $6.6B (up 4-7% sequentially; 9-11% y/y)
- Expected FY2005 year-over-year revenue growth of approx. 12-13%

Pro Forma Guidance for Q4 FY 2005

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- ***Q4 REVENUE***: up 9-11% y/y
- ***FY2005 GROWTH RATE***: FY 2005 up 12-13% y/y
- ***GROSS MARGIN***: approx. 67%; slightly above or slightly below
- ***OPERATING EXPENSES***: range of 35% of revenue
- ***OPERATING INCOME***: range of 31% - 32% of revenue
- ***INTEREST AND OTHER INCOME***: approximately $140M
- ***TAX RATE***: 28%
- ***SHARE COUNT***: Down approximately 50 million shares
- ***CASH FLOW FROM OPERATIONS***: $300M–$600M per month at current revenue levels

Reconciliation Guidance for Q4 FY 2005

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Q4 FY 2005 GAAP EPS will range $0.01–$0.02 per share lower than pro forma EPS due to Ongoing amortization of purchased intangible assets and stock-based compensation costs arising from various purchase acquisitions and investments. These charges will be reported as GAAP operating expenses

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

Implementation of Stock Option Expensing

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- Implementing stock option expensing in Q1 FY06
- Continue to present results in both GAAP and Pro Forma, however, effect will only be included in the GAAP
- While impact on a go-forward basis affected by complex variables including stock price, and making predictions of future values is difficult, we expect the impact on a go-forward basis to be somewhat less than the current value in our 10Q and 10K filings
- More detail to be provided in Q4 FY05 conference call

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 Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events 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 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; the timing of orders and manufacturing 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; product defects and returns; litigation involving patents, intellectual property, antitrust, shareholder and other matters; 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, 10-Q and 8-K. 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 nine months ended April 30, 2005 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 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.

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