CISCO

Q2 Fiscal Year 2009 Conference Call

February 4, 2009

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.

http://investor.cisco.com/results.cfm

FORWARD-LOOKING STATEMENTS

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Opening Remarks

Financial Overview

Business Overview and Strategy

Guidance

Summary Comments

Q2 FY'09 Highlights

Compelling Financial Position and Innovation Engine

- Generated $3.2B in cash in Q2, resulting in cash and investments of approximately $29.5B
- Solid balance from a product, geographic and customer segment perspective…broadest balances across the IT industry
- Continued success in being the #1 or #2 player in most of our 20+ targeted product areas
- Our innovation engine is the strongest we've had
- We believe we have the strongest position in customer relationships with enterprise, government, service provider and channel partners
- We believe we're uniquely positioned to provide very similar leadership in the second phase through collaboration enabled by networked Web 2.0 technologies
- Cisco's internal utilization of collaboration and Web 2.0 is exploding and loading networks aggressively.

Q2 FY'09 Highlights

Financial Summary

- Revenue of $9.1B; down 7.5% y/y
- Cash flow generated from operations of $3.2B
- Non-GAAP EPS of $0.32; down 16% y/y
- GAAP EPS of $0.26; down 21% y/y
- Total non-GAAP gross margin of 64.0%
- Non-GAAP operating expenses were 38.7% of revenue

Q2 FY'09 Geographic Highlights

- Saw y/y order growth ranging from the mid-teens to the high 20s in Mexico, Germany and Australia
- Majority of our large countries such as U.S., U.K., India, Russia and Italy had negative order growth year over year

Q2 FY'09 Observations & Insights

- Key market transitions - collaboration, virtualization and visual networking are evolving even faster than we had thought one quarter ago
- **All of us are seeing the same financial and global economic challenges** that have accelerated over the last two quarters
- **We have a culture and track record** of using economic challenges to gain market and profit share as well as move into new market adjacencies
- **We are on track to overachieve our total expense reduction goal** of at least $1B from our annual run rate …well on our way to realigning an additional $500M of resources based on careful prioritization of new growth opportunities

Approach to Economic Slowdowns

4 Basic Guidelines

- First, is it primarily the macro environment or your strategy?
- Second, determine length and depth of downturn and respond appropriately
- Third, prepare for the upturn
- Fourth, expand customer relationships

Approach to Economic Slowdowns

6 Point Plan

- Vision/Strategy/Execution Model
- Collaboration/Web 2.0 driving future growth and productivity
- Resource management and realignment
- Aggressive in strategy…prioritize and execute
- Investment in U.S. and select emerging countries
- Power of the Network as the Platform…driving the future of communications/IT

Basis for Realigning Cost Structure

Prioritizing Investments

- Challenges that have affected U.S. and Western Europe customers have spread to almost all countries around the world
- Customers across all industry segments faced what they viewed as a very challenging business environment
- Total y/y product order growth continued to deteriorate throughout the quarter
- Total product orders decreased by 14% y/y
- While product revenue decreased by 11%, book to bill was slightly below 1

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Cisco Total Revenue

	Year / Year Growth Q2 FY'09
Q2 FY'09 Total Revenue	
$9.1B	(7.5%)

Q2 FY'09 Revenue Highlights

	Q2 FY'09[1]	Year/Year Growth
Routers	$1.5B	(23%)
Switches	$3.0B	(11%)
Advanced Technologies	$2.4B	1%
Other	$0.4B	(22%)
Services	$1.7B	10%
Total	$9.1B	(7.5%)

1. As a result of rounding, figures may not total. For detailed results, please see Cisco's Investor Relations Website at http://investor.cisco.com/results.cfm

Q2 FY'09 Revenue by Geography

	Q2 FY'09[1]	Year/Year Growth[2]
U.S. & Canada	$4.7B	(9%)
Europe	$2.0B	1%
Emerging Markets	$1.1B	(11%)
Asia Pacific	$0.9B	(12%)
Japan	$0.3B	1%
Total	$9.1B	(7.5%)

1. As a result of rounding, figures may not total. For detailed results, please see Cisco's Investor Relations Website at http://investor.cisco.com/results.cfm
2. As a reminder, revenue may lag orders due to a number of factors including shipment levels and the requirement to satisfy complex revenue recognition criteria.

Q2 FY'09 Non-GAAP Gross Margin of 64.0%

	Q1 FY'09	Q2 FY'09
Total Non-GAAP Gross Margin	65.6%	64.0%
Product Non-GAAP Gross Margin	66.2%	63.6%
Service Non-GAAP Gross Margin	62.4%	65.7%

-- Q2 FY'09 GAAP Total Gross Margin of 63.0%
-- Q2 FY'09 GAAP Product Gross Margin of 62.7%
-- Q2 FY'09 GAAP Service Gross Margin of 63.9%

Q2 FY'09 Gross Margin by Geography

	Gross Margin %[1]
U.S. & Canada	63.8%
Europe	66.9%
Emerging Markets	59.5%
Asia Pacific	62.2%
Japan	70.3%
Theater Total	64.0%

1. Gross margin by geography may fluctuate from period to period. These fluctuations may be due to factors other than underlying business trends.

Q2 FY'09 Non-GAAP Income Statement Highlights

$M (except per-share amounts and percentages)	Q2 FY'08	Q1 FY'09	Q2 FY'09
Net Sales	9,831	10,331	9,089
Gross Margin	65.2%	65.6%	64.0%
Operating Expenses	3,511	3,699	3,521
Opex (% of Revenue)	35.7%	35.8%	38.7%
Operating Income (% of Revenue)	29.5%	29.8%	25.3%
Net Income	2,379	2,497	1,867
Net Income (% of Revenue)	24.2%	24.2%	20.5%
EPS (diluted)	$0.38	$0.42	$0.32

Q2 FY'09 GAAP Income Statement Highlights

Q2 FY'09 GAAP EPS of $0.26

$M (except per-share amounts and percentages)	Q2 FY'08	Q1 FY'09	Q2 FY'09
Net Sales	9,831	10,331	9,089
Gross Margin	64.1%	64.7%	63.0%
Operating Expenses	3,901	4,199	3,950
Opex (% of Revenue)	39.7%	40.6%	43.5%
Operating Income (% of Revenue)	24.5%	24.0%	19.5%
Net Income	2,060	2,201	1,504
Net Income (% of Revenue)	21.0%	21.3%	16.5%
EPS (diluted)	$0.33	$0.37	$0.26

Q2 FY'09 Key Financial Measures

	Q2 FY'08	Q3 FY'08	Q4 FY'08	Q1 FY'09	Q2 FY'09
Cash and Cash Equivalents and Investments ($M)	22,693	24,433	26,235	26,763	29,531
Operating Cash Flow ($M)	2,443	3,028	3,529	2,718	3,198

Share Repurchase Program

	Amount Purchased ($M)	Number of Shares (M)	Avg Price Per Share
Q2 FY'09 Purchases	$600	37	$16.40
Cumulative Program Purchases*	$55,178	2,683	$20.57

*Since program inception in FY'02

Approx. $6.8B remaining authorized funds in repurchase program

Q2 FY'09 Key Financial Measures

	Q2 FY'08	Q3 FY'08	Q4 FY'08	Q1 FY'09	Q2 FY'09
Accounts Receivable ($M)	4,165	4,183	3,821	3,278	2,893
Days Sales Outstanding	39	39	34	29	29
Inventory ($M)	1,267	1,279	1,235	1,209	1,107
Non-GAAP Inventory Turns	10.6	10.8	11.6	11.6	11.3
Purchase Commitments ($M)	2, 741	2,692	2,727	2,852	2,669
Deferred Revenue ($M)	7, 983	8,590	8,860	8,844	9,300
Headcount	64,087	65,225	66,129	67,647	67,318

Strong Financial Position

- Financial position gives us a **competitive advantage**
  - At the end of fiscal Q2, $29.5B in cash, cash equivalents and investments
  - Solid balance sheet
- Cisco Capital financing arm enables top line growth
- Robust portfolio of innovation

Investment Strategy

- **Conservative investment portfolio** is invested in securities with an average credit rating of AA or better
  - Approx. 90% of cash and fixed income portfolio invested in cash or the highest rated short term (A-1+) or long term securities (AAA)
- **Ongoing focus on dynamic risk mitigation** has significantly strengthened our cash and fixed income portfolio…resulted in immaterial mark to market impact compared to last quarter

Key Metrics For Consistent Performance

- Continued focus on accounts receivable, supply chain and ongoing review of inventory
- Strong Key Metrics
  - Inventory turns
  - Level of purchase commitments
  - DSO

Cisco Capital

- Continues to **provide financing to our customers and channel partners**
- In first half of FY'09, Cisco Capital originated or facilitated approx $2.1B in lease and longer-term loan arrangements
- A combined balance sheet and contingent liability position of approx. $4.4B. We have a net reserve and deferred revenue position of $2.5B which represents over 50% of the financing portfolio position
- Continued **positive payment behavior** from our customers
- We believe our financing portfolio has, on average, at or around investment grade profile
- We **remain comfortable** with the credit profile and the way we deploy our capital

Resource Realignment

Aligned to Capture Market Transitions

- **Robust portfolio management** and continued **technology innovation**
- As we continue expansion into new markets, we have **ability to quickly realign resources to accelerate our company priorities**
  - Freeing up resources and then **strategically** applying to highest yielding business opportunities
  - In Q2FY09, we committed a realignment approaching $500M for remainder of FY09 in existing talent and budget to specific opportunities …virtualization, collaboration, video, globalization and Cisco 3.0

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Q2 FY'09 Geographic Review

- **Europe** – orders down 5% y/y
- **Japan** – orders down approximately 4% y/y
- **Asia Pacific** – orders down 12% y/y
- **U.S. (excl. Canada)** – orders down approx. 18% y/y
  - Public Sector orders grew in the mid-single digits y/y
  - Service Provider orders down approx. 30% y/y
  - Enterprise down in the high teens y/y
  - Commercial down in the low teens y/y
- **Emerging Markets** – orders down 23% y/y

Q2 FY'09 Revenue Highlights

- Product revenue down approximately 11% y/y
- Switching revenue down 11% y/y
- Routing revenue down 23% y/y
- Services revenue grew 10% y/y
- Advanced Technologies revenue grew 1% y/y
  - Video Systems grew 18% y/y
  - Unified Communications down 5% y/y
  - Wireless down 6% y/y
  - Security grew 2% y/y
  - Networked Home down 11% y/y
  - Storage down 7% y/y
  - Application Networking Services grew 1% 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 as measured by customer partnership, market share, and share of our customers’ total communications and IT expenditures, as **the network becomes the platform**

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Guidance

Summary Comments

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- **Our leadership continues to be solid** in areas we can control or influence
- **Balance continues to be reasonable** across geographies, products, services, and customer segments
- Plan to **aggressively invest in new and adjacent markets for the longer term**
- **Areas of Solid Momentum**
  - Core technologies, advanced and emerging technologies
  - Collaboration and network-enabled Web 2.0
  - Speed, scale and flexibility as we move into new market adjacencies
  - Emerging Countries

Summary Comments

- On a global and U.S. basis, **we see the same challenges and uncertainties** from an economic, political, and capital spending perspective
- We will continue to watch Service Provider spending. In the long run, **Service Providers will in our opinion return to being a very solid growth market** for us
- **We believe we are extremely well positioned for long-term growth** with an ability to move into new markets
- As the market continues to slow, **we believe this will not dramatically change our long term opportunities**
- It’s our intent to **expand our share of customer spend** during these corrections as we have done in the past
- We believe our **opportunities to expand in our current markets and market adjacencies are increasing**

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These presentation slides and the related conference call contains 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 our long term vision and strategy, the acceleration of our resource alignment, our intent to gradually decrease operating expenses, our movement into market adjacencies and prioritization of our existing opportunities, and the positioning of our business to take advantage of new opportunities and for ongoing, long term market leadership) 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 market adjacencies and geographical locations during the current economic downturn; 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 our product and service markets; 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; our ability to achieve 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, and to manage expenses during the current economic downturn; risks related to the global nature of our operations, including our operations in emerging markets, 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, as each may be amended from time to time. Cisco's results of operations for the three and six months ended January 24, 2009 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 these presentation slides and the related conference call.

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