



Q1 Fiscal Year 2009 Conference Call

November 5, 2008



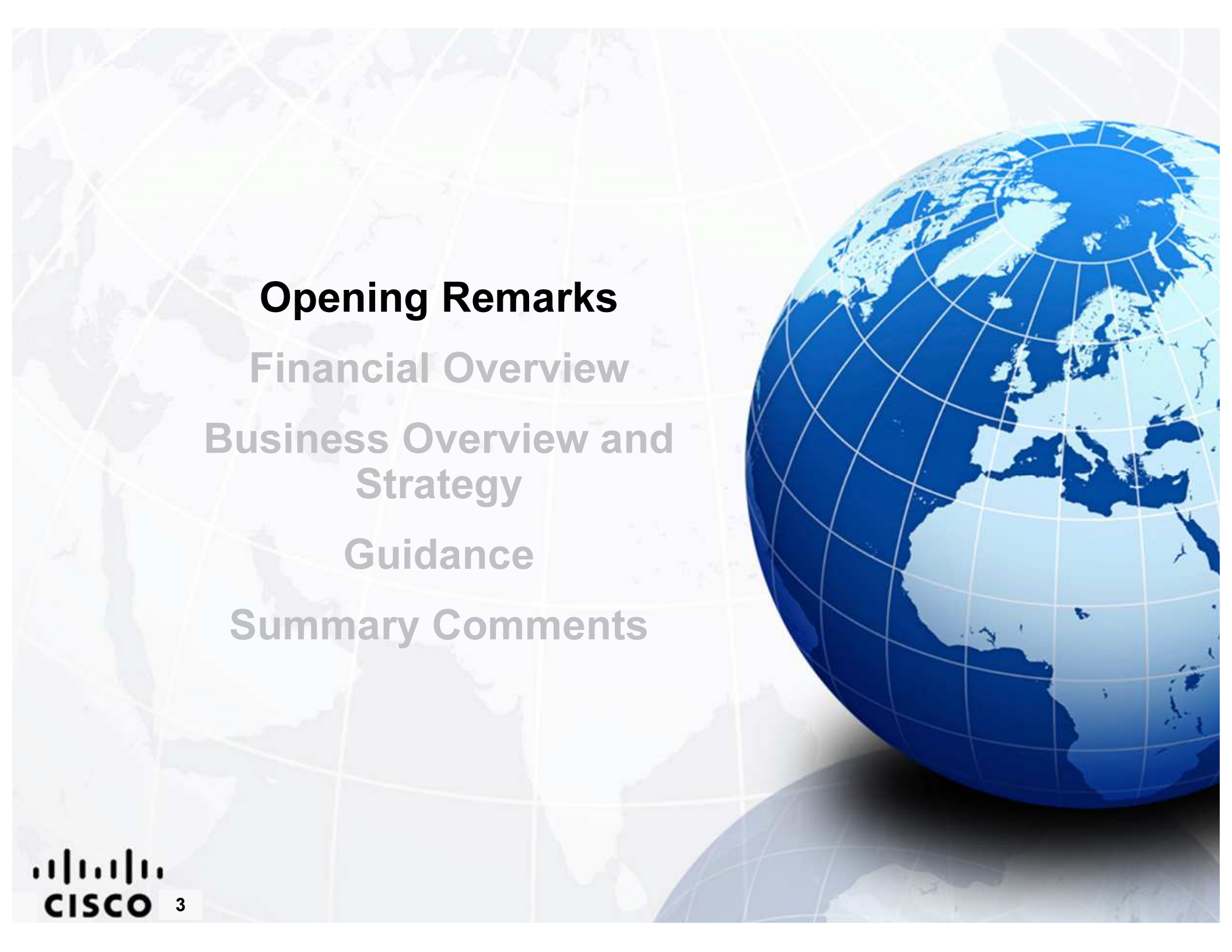
GAAP RECONCILIATION

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

Q1 FY'09 Highlights

Strong Position in the Marketplace

- Approximately \$27B in cash and investments
- Solid balance from a product, geographic and customer segment perspective...broadest balances in 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 at the enterprise and service provider level
- We believe we're uniquely positioned to provide leadership in the second phase through collaboration enabled by networked Web 2.0 technologies



Q1 FY'09 Highlights

Financial Summary

- Revenue of \$10.3B; up 8% y/y
- Cash flow from operations of \$2.7B
- Non-GAAP EPS of \$0.42; up 5% y/y
- GAAP EPS of \$0.37; up 6% y/y
- Total non-GAAP gross margins a very solid 65.6%
- Non-GAAP operating expenses were 35.8%



Q1 FY'09 Product Highlights

Product Revenue

- Switching revenue grew 8% y/y
- Routing revenue grew 1% y/y
- Services revenue grew 10% y/y
- 1st wave of Advanced Technologies revenue grew 15% y/y
 - Unified Communications grew 22% y/y
 - Wireless grew 21% y/y
 - Security grew 19% y/y
 - Networked Home decreased 2% y/y
 - Storage decreased 4% y/y
- 2nd phase of Advanced Technologies revenue grew 22% y/y
 - Application Networking Services grew 25% y/y
 - Video Systems grew 21% y/y



Q1 FY'09 Geographic Highlights

- Strong y/y order growth ranging from the mid-teens to the low 30s in China, Canada, Japan, Russia and Korea
- Some of our largest countries such as U.S., U.K. and Italy saw negative order growth year over year



Q1 FY'09 Observations & Insights

- Key market transitions, collaboration and visual networking are evolving even faster than we had thought one quarter ago
- **We are seeing the same financial and global economic challenges** that others have reported seeing, especially in October
- **We have a culture and track record** of using economic challenges to gain market and profit share and move into new market adjacencies
- Assuming reasonable global balance and GDP growth have not changed, our **long-term growth goals remain in the 12-17% range**
- We believe challenges seen in the U.S. have expanded to Europe to Emerging Market countries and also into Asia



Approach to Economic Slowdowns

4 Basic Guidelines

- First, is it the macro environment or your strategy?
- Second, length and depth of downturn?
- 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
- Invest 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

- More challenges from global orders perspective especially in the U.S. and Western Europe...both had negative year over year growth in Q1
- Customers facing what they view as a very challenging business environment...started in the U.S., expanded to Europe, Emerging Markets theater and now to Asia
- Total y/y product order growth varied dramatically from August to October
- While revenue growth in Q1 was a solid 8%, book to bill was below 1





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Cisco Revenue Growth

**Year / Year
Growth**

Q1 FY'09

Q1 FY'09 Total Revenue

\$10.3B

8%



Q1 FY'09 Revenue Increased 8% y/y

	Q1 FY'09	Year/Year Growth
Routers	\$1.9B	1%
Switches	\$3.6B	8%
Advanced Technologies	\$2.7B	17%
Other	\$0.4B	(13%)
Services	\$1.7B	10%
Total	\$10.3B	8%



Q1 FY'09 Revenue by Geography

	Q1 FY'09	Year/Year Growth ¹
U.S. & Canada	\$5.5B	1%
Europe	\$2.2B	13%
Emerging Markets	\$1.2B	41%
Asia Pacific	\$1.0B	4%
Japan	\$0.4B	23%
Total	\$10.3B	8%

1. 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.



Q1 FY'09 Non-GAAP Gross Margin of 65.6%

	Q4 FY'08	Q1 FY'09
Total Non-GAAP Gross Margin	64.9%	65.6%
Product Non-GAAP Gross Margin	65.2%	66.2%
Service Non-GAAP Gross Margin	63.1%	62.4%

- Q1 FY'09 GAAP Total Gross Margin of 64.7%
- Q1 FY'09 GAAP Product Gross Margin of 65.5%
- Q1 FY'09 GAAP Service Gross Margin of 60.6%

Q1 FY'09 GAAP Gross Margin by Geography

	Gross Margin % ¹
U.S. & Canada	66.1%
Europe	65.6%
Emerging Markets	63.4%
Asia Pacific	64.0%
Japan	69.0%
Theater Total	65.6%

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



Q1 FY'09 Non-GAAP Income Statement Highlights

Q1 FY'09 Non-GAAP EPS growth of 5% y/y

\$M (except per-share amounts and percentages)	Q1 FY'08*	Q4 FY'08	Q1 FY'09
Net Sales	9,554	10,364	10,331
Gross Margin	65.2%	64.9%	65.6%
Operating Expenses	3,408	3,662	3,699
Opex (% of Revenue)	35.7%	35.3%	35.8%
Operating Income (% of Revenue)	29.6%	29.5%	29.8%
Net Income	2,502	2,395	2,497
Net Income (% of Revenue)	26.2%	23.1%	24.2%
EPS (diluted)	\$0.40	\$0.40	\$0.42

* Results for Q1'08 reflect a one-time tax benefit of \$162M or \$0.03 per share.

Q1 FY'09 GAAP Income Statement Highlights

Q1 FY'09 GAAP EPS of \$0.37

\$M (except per-share amounts and percentages)

	Q1 FY'08*	Q4 FY'08	Q1 FY'09
Net Sales	9,554	10,364	10,331
Gross Margin	64.3%	64.0%	64.7%
Operating Expenses	3,772	4,102	4,199
Opex (% of Revenue)	39.5%	39.6%	40.6%
Operating Income (% of Revenue)	24.8%	24.4%	24.0%
Net Income	2,205	2,014	2,201
Net Income (% of Revenue)	23.1%	19.4%	21.3%
EPS (diluted)	\$0.35	\$0.33	\$0.37

* Results for Q1'08 reflect a one-time tax benefit of \$162M or \$0.03 per share.

Q1 FY'09 Key Financial Measures

	Q1 FY'08	Q2 FY'08	Q3 FY'08	Q4 FY'08	Q1 FY'09
Cash and Cash Equivalents and Investments (\$M)	24,679	22,693	24,433	26,235	26,763
Operating Cash Flow (\$M)	3,089	2,443	3,028	3,529	2,718

Share Repurchase Program

	Amount Purchased (M)	Number of Shares (M)	Avg Price Per Share
Q1 FY'09 Purchases	\$1,000	46	\$21.95
Cumulative Program Purchases*	\$54,579	2,646	\$20.62

*Since program inception in FY'02

Approx. \$7.4B remaining authorized funds in repurchase program



Q1 FY'09 Key Financial Measures

	Q1 FY'08	Q2 FY'08	Q3 FY'08	Q4 FY'08	Q1 FY'09
Accounts Receivable (\$M)	3,418	4,165	4,183	3,821	3,278
Days Sales Outstanding	33	39	39	34	29
Inventory (\$M)	1,315	1,267	1,279	1,235	1,209
Non-GAAP Inventory Turns	10.1	10.6	10.8	11.6	11.6
Purchase Commitments (\$M)	2,497	2,741	2,692	2,727	2,852
Deferred Revenue (\$M)	7,107	7,983	8,590	8,860	8,844
Headcount	63,050	64,087	65,225	66,129	67,647

Strong Financial Position

- Financial position gives us a **competitive advantage**
 - Nearly \$27B in cash, cash equivalents and investments
 - Solid balance sheet
- Visibility into our supply chain
- Strong investment portfolio management
- Cisco Capital financing arm enables top line growth



Supply Chain Management

Consistent gross margin performance

- Strong Key Metrics
 - Inventory turns
 - Purchase commitments
 - Ongoing review of excess and obsolete inventory



Investment Strategy

- Overall **portfolio credit quality extremely strong** with an average credit rating of AA or better
- **We're more conservatively managing** our \$27B diversified portfolio...resulted in slightly less than 1% mark to market impact compared to last quarter

Cisco Capital

- Continues to **provide financing to our customers and channel partners**
- In FY'08, Cisco Capital originated or facilitated approx \$4.3B in lease and longer-term loan arrangement
- **Consistent methodology and prudent financing practices**
- We believe our portfolio has, on average, at or around investment grade profile
- We **remain comfortable** with the credit profile and the way we deploy our capital
- Our accounting policies **remain conservative** in how we account for our Cisco Capital financing business
- 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
- Cisco Capital on-book lease and loan portfolio remains an excellent use of our own cash





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Q1 FY'09 Geographic Review

- **Japan** – order growth of approx. 20% y/y
- **Asia Pacific** – orders down approx. 4% y/y
- **Europe** – orders down mid-single digits y/y
- **U.S. (excl. Canada)** – orders down approx. 8% y/y
 - Enterprise orders down in the high teens y/y
 - Commercial, Service Provider and Public Sector were each down in the mid single digits y/y
- **Emerging Markets** – order growth slightly negative y/y



Q1 FY'09 Product Revenue Growth

**Product revenue growth was up approx.
8% year over year**

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 customer's total communications and IT expenditures, as **the network becomes the platform**





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Summary Comments

- **Momentum 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**



Summary Comments

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 Markets
- Japan

Areas to Monitor

- The U.S. market
- Europe
- Certain 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
- Service Provider segment growth rate appears to be moderating although it varies dramatically by company and by geography
- Even if 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**



Forward-Looking Statements

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 strategy and focus for managing the business, our leadership in the transition in the second wave of the Internet, our focus on making calculated investments in strategic areas, our continued prudent expense management, and our positioning to manage our business model going forward) 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 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; a pandemic or epidemic; 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; 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 report on Form 10-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 report on Form 10-K filed on September 15, 2008 as it may be amended from time to time. Cisco's results of operations for the three months ended October 25, 2008 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





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