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CISCO SYSTEMS REPORTS FISCAL YEAR 2001 AND FOURTH QUARTER EARNINGS

August 8, 2001 - Cisco Systems, Inc., the worldwide leader in networking for the Internet, today reported its fiscal year 2001 and fourth quarter results for the period ending July 28, 2001.

Net sales for fiscal 2001 were \$22.29 billion, compared with \$18.93 billion for fiscal 2000, an increase of 18%. Pro forma net income, which excludes the effects of acquisition charges, payroll tax on stock option exercises, restructuring costs and other special charges, excess inventory charge (benefit), and net gains realised on minority investments, was \$3.09 billion or \$0.41 per share for fiscal 2001, compared with pro forma net income of \$3.91 billion or \$0.53 per share for fiscal 2000, decreases of 21% and 23%, respectively.

Actual net loss for fiscal 2001 was \$1.01 billion or \$0.14 per share, compared with actual net income of \$2.67 billion or \$0.36 per share for fiscal 2000.

Net sales for the fourth quarter of fiscal 2001 were \$4.30 billion, compared with \$5.72 billion for the same period last year, a decrease of 25%. Pro forma net income was \$163 million or \$0.02 per share for the fourth quarter of fiscal 2001, compared with pro forma net income of \$1.20 billion or \$0.16 per share for the fourth quarter of fiscal 2000, decreases of 86% and 87%, respectively.

Actual net income for the fourth quarter of fiscal 2001 was \$7 million or \$0.00 per share, compared with actual net income of \$796 million or \$0.11 per share for the same period last year.

“In many ways, fiscal 2001 was like two different years, starting out even more positive than we anticipated through December with year-over-year growth in the 60%+ range and then turning into an extremely challenging second half of the year,” said John Chambers, CEO of Cisco Systems. “In a consolidating market, our competitive advantages continue to play to what our customers value. Cisco is starting to develop early business momentum in key markets and we believe we are very well positioned from a financial and market share

perspective to lead as our customers standardise on a few strategic partners as the market recovers.”

Cisco continues to deliver best-of-breed products across an end-to-end architecture in each of its key markets to meet its customers’ business requirements.

Addressing the needs of the service provider market, Cisco continued to advance its leadership and expertise in carrier IP systems, voice-over-IP (VoIP), and metropolitan (metro) optical network solutions. With new products for the next-generation Internet router, IP+Optical, metro, and voice-over-IP markets, Cisco continues to help enable service providers to reduce and optimise operational and capital expenses, and build data services that drive new revenue opportunities. In June, Cisco broadened its portfolio of next-generation Internet routers with new capabilities and platforms including the Cisco 7400 Internet Router, the Cisco 12406 Internet Router, the Cisco 10005 Internet Router, and enhancements for the Cisco 7600 Internet Router. Cisco also won a comparative benchmark test by independent testing firm Meircom, demonstrating that the Cisco 12000 Internet Router delivers the lowest latency and highest levels of quality of service--a requirement for delay-sensitive applications such as voice and video.

Underscoring those results, major service provider customers including Qwest, AOL, France Telecom, Global Crossing, Velocita, China Unicom, and China Telecom, announced they have selected the Cisco 12000 Internet Router as the platform for delivering superior 10 gigabits per second and VoIP networking. Extending its voice offerings, Cisco introduced Any Service, Any Port (ASAP) on the Cisco 5800 Voice Gateway. Building on its commitment to deliver 10-Gbps OC-192 capabilities across the Cisco IP+optical product portfolio, Cisco introduced OC-192 support on the Cisco ONS 15454 metro optical platform. In addition, the company announced its intent to acquire AuroraNetics, a developer of 10-Gbps silicon technology for metropolitan fiber networks.

In the enterprise market, Cisco is committed to delivering innovative technology solutions that help businesses gain competitive advantage and reduce costs. Cisco is seeing widespread acceptance of Cisco AVVID (Architecture for Voice, Video and Integrated Data) as organizations realize the benefits of deploying solutions based on a consistent architecture for their e-business needs. Cisco AVVID is the architecture that provides the full convergence of data, voice and video. Based on Cisco AVVID, Cisco enterprise technologies such as IP telephony, security/virtual private networking (VPN), storage networking, optical, routing and switching offer customers the most comprehensive networking solution available today.

Cisco introduced nine additions and enhancements to its IP telephony solution consisting of software and hardware for IP telephones, infrastructure, unified messaging, and IP contact centres. Some new customers deploying these solutions include Datek Online, United States Marine Corps. Reserves, and University of Houston. In the security market, Cisco announced several enhancements to SAFE, its security blueprint for e-business, as well as new routers with security and VPN functionality. Building on its innovation in the burgeoning storage market, Cisco continues to contribute to the emerging small computer systems interface over IP (iSCSI) standard as this moves towards ratification. In addition, Cisco began shipments of the Cisco SN 5420 Storage Router, the world's first commercially available iSCSI storage networking platform. In high-end switching, Cisco announced additional enhancements to the Catalyst® 6000 Family, including the new 13-slot Catalyst 6513. The company also announced its intent to acquire Allegro Systems and it announced the industry's highest performing, compact routing solution for intelligent IP services, the Cisco 7400, and enhancements to the Cisco 7600 Internet Router.

In the commercial space, Cisco continued its commitment to helping small and medium-sized businesses (SMBs) and key vertical markets maximise their productivity and profitability by using networking solutions including wireless, access products, switches and integrated communication systems. Cisco announced the first comprehensive solution for the multi-unit (MxU) market which includes Cisco Long-Reach Ethernet, Cisco Building Broadband Service Manager, and the Cisco Aironet® Series of wireless local area network (WLAN) products, to enable the deployment of high-speed broadband connectivity services to MxU buildings including hotels, apartments, and office buildings. Starwood Hotels and Resorts Worldwide, Inc. has begun deploying the Cisco MxU solution. Furthering its Cisco Internet Mobile Office program, Cisco announced that it is working with GRIC and NCR to provide business customers with an expanded service footprint area and enable service providers to provide business travellers with access to the most extensive broadband network available worldwide. Cisco announced the new award-winning Cisco 1751 Modular Access Router to enable SMBs and small branch offices to quickly and cost-effectively reap the benefits of Internet business applications. Cisco also introduced the Cisco 806 Broadband Gateway Router and the Cisco 1710 Security Access Router, further extending the Cisco security and VPN portfolio to support small to medium networks, branch offices, and corporate teleworkers. On the global front, Cisco announced that inter-touch, a supplier of broadband network services to the hospitality industry, will connect hotels across Asia Pacific, the Middle East, and Europe under the Cisco Internet Mobile Office initiative.

“We believe that productivity is the promise of the Internet and we are just beginning to see the paybacks of Internet applications and networking technology,” continued Chambers. “We are in the very early stages of a major technological revolution and the long-term outlook for this industry and the role that Cisco plays in it has not dramatically changed.”

Cisco will discuss its year-end and fourth quarter results for fiscal 2001 on a conference call today, beginning at 1:45 p.m. PST. A Webcast of the conference call will be available to all interested parties on the Cisco Web site at www.cisco.com under the “Investor Relations” section.

About Cisco Systems

Cisco Systems, Inc., (NASDAQ: CSCO) is the worldwide leader in networking for the Internet. News and information are available at www.cisco.com.

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This release contains projections and other forward-looking 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. Readers are referred to the documents filed by Cisco with the SEC, specifically the most recent reports on Form 10-K, 8-K, and 10-Q, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including risks associated with business and economic conditions and growth in the networking industry in various geographic regions; global economic conditions; overall information technology spending, especially service provider capital spending in the data or IP segments; variations in customer demand for products and services; the ability to successfully restructure existing businesses; the timing of orders and manufacturing lead times; changes in customer order patterns; insufficient, excess or obsolete inventory; variations in sales channels, product costs, or mix of products sold; the ability to successfully reduce overhead and manage expenses; the ability to successfully integrate and operate 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; the trend towards sales of integrated network solutions; manufacturing and sourcing risks; Internet infrastructure and regulation; international operations, the timing and amount of employer payroll tax to be paid on employees' gains on stock options exercised; litigation involving patents, intellectual property, antitrust and other matters; stock price volatility; financial risk management; and potential volatility in operating results, among others. The financial information contained in this release 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, 2001 are not necessarily indicative of Cisco's operating results for future periods.

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