

**Linksys Partner
Question & Answer
March 20, 2003**

Q. What is Cisco announcing?

A. Cisco Systems announced a definitive agreement on March 20, 2003 to acquire the business of privately held The Linksys Group of Irvine, California. Linksys is the leading provider of home networking products including a broad line of wired and wireless products for consumers and SOHO (small office, home office) users.

Q. Who is Linksys?

A. Linksys is the market leader in consumer/SOHO networking (39% market share in US Retail). Linksys has over 70 different consumer/SOHO networking products including wireless and wired routers and wireless access points, and adapters for laptops and desktops. Linksys has 308 employees worldwide and is based in Irvine, CA.

Q. Who is the target customer for Linksys products?

Any consumer/SOHO who wants to install a wireless or wired network at home or in small office (<20 employees). Applications include:

- Sharing of a Broadband Internet connection among several users
- Interconnecting computers to share files such as photos, music, documents, etc.
- Sharing resources such as printers and storage.

Q. Why is Cisco acquiring Linksys?

A. Linksys meets Cisco's key criteria for acquisitions: culture, shared vision, short-term win, long-term win, and leadership. Like Cisco, Linksys has a results-oriented and customer-focused culture, and both Cisco and Linksys share the vision of enabling technology applications into the consumer and SOHO environment through leading networking solutions.

In particular, Cisco is acquiring Linksys to achieve rapid presence in the large and growing consumer/SOHO networking market through the acquisition of the current market leader. This market is forecasted to grow from \$3.7 billion in 2002 to \$87.5B in 2006 (compiled from: Dell'Oro Group and Synergy).

With a 46% annual growth rate of broadband homes (Jeffries) and 44% growth rate of networked homes, the home networking market is expected to quickly transition from early adopters to the mass market. As such, market share leadership now is valuable, and Linksys has the #1 market share and leading brand name in the U.S. (largest consumer market today). Combined with Cisco's strong global presence, service provider relationships, and distribution channel network, Linksys should achieve rapid growth worldwide.

Finally, Linksys has optimized its operating model for success in the consumer/SOHO networking business, and this acquisition allows Cisco to leverage years of Linksys experience building a consumer and SOHO focused business.



Q. Who are the key competitors for Linksys?

A. Netgear and D-Link are two primary competitors for Linksys, but the market is fragmented with many 'in-country' manufacturers such as Buffalo (Melco) and Corega in Japan

Q. How does the Linksys acquisition fit with Cisco's current product strategy? Will IOS be added to Linksys products?

A. Since Linksys is focused on an entirely new market for Cisco (consumer/SOHO networking), the two product lines are complementary with almost no overlap. IOS will not be added to Linksys products, but Cisco will selectively add a few appropriate software features over time to deliver increased value to consumers (e.g., to improve ease of use).

Q. In what countries does Linksys sell its products today?

A. Linksys primarily focuses on five (5) countries (U.S., Canada, Germany, U.K., and France). Cisco plans to significantly expand the number of countries where Linksys products are available to take advantage of Cisco's existing distribution channels and extend these channels into this fast growing consumer/SOHO market.

Q. When will the acquisition close?

A. The acquisition is expected to close by the fourth quarter of Cisco's Fiscal 2003. The acquisition is subject to the usual regulatory approvals in the United States and elsewhere, which may delay the close by several months.

Q. How will the Linksys channels be integrated into Cisco's Channel Program including Certification and Specializations?

A. Linksys products are targeted to the consumer/SOHO market. As a result there is little overlap between the Linksys product line and Cisco's product line, which is targeted at Commercial, Enterprise, Public Sector and Service Provider customers. The requirements for customers of Linksys are well served through existing Linksys channel programs. Linksys will have a separate Go-To-Market strategy and Cisco's Certification and Specialization requirements will not apply. There is very little overlap between Linksys channels and Cisco channels. Linksys predominantly sells through retailers such as CompUSA, Best Buy, Wal-Mart, and Dixon's. Cisco's Partner Program requirements are not appropriate for this consumer/SOHO end user channel. Additionally, Cisco's existing programs, and contractual and/or promotional discounts that Cisco partners receive today would not apply to the Linksys family of products.

Q. What are the benefits to Cisco's partners of the Linksys acquisition?

A. For Cisco channel partners who already sell Linksys, this acquisition means that the Linksys products they sell may, in the future, incorporate Cisco technology. For those channel partners interested in gaining entrance into the high-growth home networking market, which according to market research firm Dell'Oro Group, is expected to grow from \$3.7 billion in 2002 to \$7.5 billion in 2006 worldwide (compiled from Dell'Oro Group and Synergy), Linksys products are available through their authorized distributors. However, the biggest impact to Cisco channel partners will be experienced on a global basis, in regions where Linksys' unmanaged switches and Network Interface Cards (NICs) are not currently sold, representing a new growth opportunity for channel partners in those regions.



Q. Will Linksys products be included in Cisco's US Channel Marketing Programs such as vertical programs into Government & Education, field marketing programs such as Strike the Symbol, Cisco Technology Migration Program (C/TMP), Joint Marketing Funds (JMF) or Theme Promotions such as Sky's the Limit?

A. No. The business model and target customers for Linksys are different from Cisco's. Thus, Linksys will offer separate programs and promotions independent of Cisco's channel programs and promotions.

Q. Do Linksys products qualify for Government Services Agreement (GSA)?

A. No. Product features and business model for Linksys are not designed for use by Enterprise customers, including the Federal Government or other public agencies that purchase using the GSA schedule. In addition, Linksys products may be not be compliant with Federal Government procurement regulations.

Q. Will Linksys products be included in Cisco Tools such as Partner eLearning Connection (PEC), Collateral Builder, Distributor Product Reference Guide (DPRG), etc.?

A. No. Linksys products are very easy to install and Linksys makes telephone technical support available to its customers. Linksys support largely focuses on assisting consumers with installation. Additionally, Linksys channels of retail and consumer do not require the in-depth training and the type of tool set that Cisco provides to its own channel partners. The Linksys website does have a set of appropriate tools available at <http://www.linksys.com/edu/>.

Q. I have a customer who has Linksys products today. Will they be able to get support on those products through Cisco's standard TAC, SMARTnet Package Services or Partner/Reseller Helpline (1-800-GO CISCO)?

A. No. Cisco's existing TAC, support programs such as SMARTnet Package Services, and Partner/Reseller Helpline (PRH) exists to assist Cisco's traditional Enterprise, Commercial, and Service Provider customers and partners operate and optimize their network. While Linksys products are among the easiest to install in the industry, telephone technical support is available to all Linksys end customers and partners. That support largely focuses on assisting consumers with installation. Customers should continue to use the Linksys telephone support when necessary. Cisco's TAC and PRH will establish a process to refer customers to the Linksys support network.