CISCO SYSTEMS NDQ-CSCO

RECENT PRICE 19.54 | P/E RATIO 15.0 (Trailing: 14.4, Median: 22.0) | RELATIVE P/E RATIO 0.91 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 4 Lowered 11/19/10

SAFETY 1 Raised 12/26/08

TECHNICAL 3 Lowered 5/22/09

BETA .95 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	53.6	82.0	44.5	21.8	24.6	29.4	20.3	28.0	34.2	27.7	24.8	27.7
Low:	22.5	35.2	11.0	8.1	12.3	17.5	16.8	17.1	24.8	14.2	13.6	19.0

Target Price Range 2013 | 2014 | 2015

2013-15 PROJECTIONS

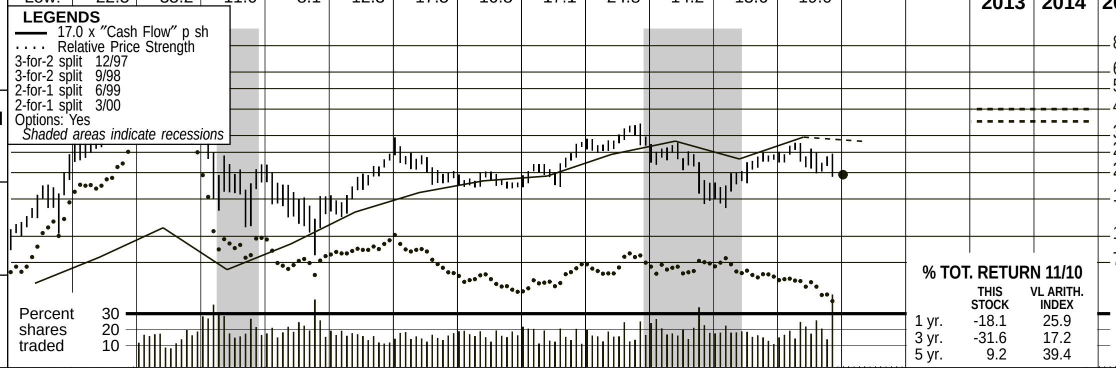
	Price	Gain	Ann'l Total Return
High	40	(+105%)	20%
Low	35	(+80%)	16%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	6	0	1	1	1	2	1
to Sell	0	3	6	0	1	1	1	2	3

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	663	650	684
to Sell	782	820	761
Hld's(000)	4137537	4051213	3917771



% TOT. RETURN 11/10

	THIS STOCK	VL ARITH. INDEX
1 yr.	-18.1	25.9
3 yr.	-31.6	17.2
5 yr.	9.2	39.4

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB., INC.	13-15
.27	.40	.70	1.07	1.35	1.86	2.65	3.04	2.59	2.70	3.31	3.95	4.70	5.73	6.71	6.24	7.08	*7.90*	Revenues per sh A	*10.70*
.07	.11	.18	.27	.35	.47	.65	.41	.54	.77	.95	1.08	1.13	1.43	1.66	1.37	1.73	*1.65*	"Cash Flow" per sh	*2.35*
.07	.10	.15	.23	.29	.38	.53	.26	.39	.59	.76	.87	.89	1.17	1.31	1.05	1.33	*1.30*	Earnings per sh B	*1.90*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*.35*	Div'ds Decl'd per sh	*.40*
.01	.02	.05	.05	.07	.09	.15	.31	.36	.10	.09	.11	.13	.21	.22	.17	.18	*.20*	Cap'l Spending per sh	*.20*
.18	.28	.48	.71	1.14	1.79	3.71	3.70	3.92	4.01	3.88	3.69	3.95	5.16	5.83	6.68	7.83	*8.20*	Book Value per sh	*10.10*
4638.5	4900.4	5843.6	6037.0	6250.3	6542.0	7138.0	7324.0	7303.0	6998.0	6650.4	6274.7	6059.0	6100.0	5893.0	5785.0	5655.0	*5570.0*	Common Shs Outst'g C	*5430.0*
24.2	20.7	31.7	30.4	37.1	NMF	NMF	NMF	42.4	24.3	29.6	21.6	21.3	22.0	20.6	17.7	17.9		Avg Ann'l P/E Ratio	*20.0*
1.59	1.39	1.99	1.75	1.93	NMF	NMF	NMF	2.32	1.39	1.56	1.15	1.15	1.17	1.24	1.18	1.14		Relative P/E Ratio	*1.35*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -		Avg Ann'l Div'd Yield	*Nil*

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		13-15
18928	22293	18915	18878	22045	24801	28484	34922	39540	36117	40040	*44000*	Revenues ($mill) A	*58000*
30.1%	19.6%	23.4%	34.3%	35.2%	34.0%	29.1%	28.7%	28.3%	25.2%	28.0%	*26.0%*	Operating Margin	*27.0%*
694.0	1026.0	1082.0	1069.0	957.0	1009.0	1293.0	1413.0	1744.0	1768.0	2030.0	*1855*	Depreciation ($mill)	*2200*
3914.0	1970.0	2873.0	4287.0	5337.0	5741.0	5580.0	7333.0	8052.0	6134.0	7767.0	*7365*	Net Profit ($mill)	*10500*
30.0%	28.0%	28.0%	28.0%	28.0%	28.6%	26.9%	22.5%	21.5%	20.3%	17.5%	*22.5%*	Income Tax Rate	*22.5%*
20.7%	8.8%	15.2%	22.7%	24.2%	23.1%	19.6%	21.0%	20.4%	17.0%	19.4%	*16.7%*	Net Profit Margin	*18.1%*
5914.0	4739.0	9058.0	5121.0	5640.0	3520.0	14363	18216	21841	30522	32188	*31900*	Working Cap'l ($mill)	*35315*
- -	- -	- -	- -	- -	- -	6332.0	6408.0	6393.0	10295	12188	*12200*	Long-Term Debt ($mill)	*12200*
26497	27120	28656	28029	25826	23174	23912	31480	34353	38647	44267	*45650*	Shr. Equity ($mill)	*54800*
14.8%	7.3%	10.0%	15.3%	20.7%	24.8%	18.7%	19.9%	20.2%	12.9%	14.3%	*13.0%*	Return on Total Cap'l	*16.0%*
14.8%	7.3%	10.0%	15.3%	20.7%	24.8%	23.3%	23.3%	23.4%	15.9%	17.5%	*16.0%*	Return on Shr. Equity	*19.0%*
14.8%	7.3%	10.0%	15.3%	20.7%	24.8%	23.3%	23.3%	23.4%	15.9%	17.5%	*12.0%*	Retained to Com Eq	*15.0%*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*27%*	All Div'ds to Net Prof	*21%*

CAPITAL STRUCTURE as of 10/30/10

Total Debt $15.3 bill. **Due in 5 years** $3.1 bill.
LT Debt $12.2 bill. **LT Interest** $550 mill.
(22% of Cap'l)

Leases, Uncapitalized Annual rentals $345 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 5,542,761,641 shs.
as of 11/18/10

MARKET CAP: $108 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	10/30/10
Cash Assets D	35001	39861	38925
Receivables	3177	4929	4471
Inventory (FIFO)	1074	1327	1523
Other	4925	5304	5487
Current Assets	44177	51421	50406
Debt Due	- -	3096	3064
Accts Payable	675	895	945
Other	12980	15242	14111
Current Liab.	13655	19233	18120

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '13-'15
Revenues	13.0%	15.0%	*9.0%*
"Cash Flow"	12.5%	11.5%	*8.5%*
Earnings	12.0%	10.5%	*9.0%*
Dividends	- -	- -	*Nil*
Book Value	12.0%	12.0%	*12.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2007	8184	8439	8866	9433	34922
2008	9554	9831	9791	10364	39540
2009	10331	9089	8162	8535	36117
2010	9021	9815	10368	10836	40040
2011	10750	*10250*	*11000*	*12000*	*44000*

Fiscal Year Ends	EARNINGS PER SHARE AB Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2007	.26	.31	.30	.30	1.17
2008	.35	.33	.29	.34	1.31
2009	.37	.26	.23	.19	1.05
2010	.30	.32	.37	.34	1.33
2011	.34	*.26*	*.32*	*.38*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	NO CASH DIVIDENDS BEING PAID				
2007					
2008					
2009					
2010					

BUSINESS: Cisco Systems, Inc. is the leading supplier of high-performance internetworking products for linking local-area and wide-area networks of computer systems. Products include routers, LAN and ATM switches, dial-up access servers, and network management software. The Cisco IOS software platform ties these products together, delivers network services, and enables networked applications. Foreign business accounted for 46.4% of 2009 revenues. R&D, 12.9% of revs. '09 deprec. rate: 12.5%. Has about 66,129 employees. Officers/Directors hold less than 1.0% of stock;. (9/10 proxy). Chairman & CEO: J.T. Chambers. Incorporated: California. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Telephone: 408-526-4000. Web: www.cisco.com.

Cisco's fiscal first-quarter bookings were disappointing. The company missed its order forecast by over $500 million, causing a 16% drop in its share price, which has yet to be recovered. Overall demand for networking gear from U.S. state and local governments was unimpressive. Also, the book-to-bill ratio among European central governments was below one, and cable companies have been requesting fewer Cisco set-top boxes. These negative developments caused management to issue weak sequential revenue guidance of negative 4%-6% for the January quarter and temporarily abandon its long-term, top-line annual growth target of 12%-17% for a more modest rate of 9%-12% in fiscal 2011 (ends July 30, 2011).

We believe concerns may be overblown. We attribute much of the recent order weakness to a troubled consumer spending environment and cuts to state and local budgets, as opposed to a less productive sales staff causing missed opportunities. Although results may stagnate in the current period, we see little downside risk from currently low order rates. Worries that Cisco is losing market share to F5 networks and Riverbed in the next generation data center networking space (wide area network optimization and application delivery controllers) have merit. Still, we believe that the company is capable of improving its offerings before this has a chance to hurt results. We note that Cisco has maintained and even grown share of late in most of its core markets.

Advanced technologies present attractive growth opportunities. More enterprises are buying Cisco's telepresence systems to reduce travel expenses. Too, organizations with data centers are looking to enhance efficiency and cut back on floor space, functions that Cisco's data center solution, the Unified Computing System, provides.

These untimely shares present a favorable risk and reward scenario, in our view. The stock is trading at a historically low price to earnings multiple, thus downside risk seems limited. Exposure to video conferencing, data center consolidation, and next-generation switches and routers should provide Cisco with above-average long-term price appreciation.

Kevin Downing *December 24, 2010*

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '99, (7¢); '00, (17¢); '01, (38¢); '02, (14¢); '03, (9¢); '04, (14¢). '01 includes $0.15 inventory writeoff. May not sum due to rounding. Next earnings report due early February. (C) In millions, adjusted for stock splits. (D) Long- and short-term investments accounted for within current assets beginning in fiscal 2006.

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	60
Earnings Predictability	85