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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 24, 2026

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-39940



**CISCO**

**CISCO SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0059951  
(I.R.S. Employer  
Identification Number)

170 West Tasman Drive  
San Jose, California 95134  
(Address of principal executive office and zip code)

(408) 526-4000  
(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and formal fiscal year, if changed since last report.)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	CSCO	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of the registrant's common stock outstanding as of February 12, 2026: 3,949,893,042

**Cisco Systems, Inc.**  
**Form 10-Q for the Quarter Ended January 24, 2026**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except par value)  
(Unaudited)

	January 24, 2026	July 26, 2025
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,458	\$ 8,346
Investments	8,319	7,764
Accounts receivable, net of allowance of \$ 76 at January 24, 2026 and \$ 69 at July 26, 2025	6,606	6,701
Inventories	3,920	3,164
Financing receivables, net	2,944	3,061
Other current assets	5,884	5,950
Total current assets	35,131	34,986
Property and equipment, net	2,351	2,113
Financing receivables, net	3,698	3,466
Goodwill	59,234	59,136
Purchased intangible assets, net	8,307	9,175
Deferred tax assets	7,399	7,356
Other assets	7,251	6,059
<b>TOTAL ASSETS</b>	<b>\$ 123,371</b>	<b>\$ 122,291</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 8,719	\$ 5,232
Accounts payable	2,762	2,528
Income taxes payable	195	1,857
Accrued compensation	3,494	3,611
Deferred revenue	16,199	16,416
Other current liabilities	5,417	5,420
Total current liabilities	36,786	35,064
Long-term debt	21,367	22,861
Income taxes payable	2,124	2,165
Deferred revenue	12,204	12,363
Other long-term liabilities	3,167	2,995
Total liabilities	75,648	75,448
Commitments and contingencies (Note 14)		
Equity:		
Cisco stockholders' equity:		
Preferred stock, \$0.001 par value: 5 shares authorized; none issued and outstanding	—	—
Common stock and additional paid-in capital, \$ 0.001 par value: 20,000 shares authorized; 3,949 and 3,960 shares issued and outstanding at January 24, 2026 and July 26, 2025, respectively	48,493	47,747
Retained earnings	66	50
Accumulated other comprehensive loss	(836)	(954)
Total equity	47,723	46,843
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 123,371</b>	<b>\$ 122,291</b>

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per-share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
<b>REVENUE:</b>				
Product	\$ 11,642	\$ 10,234	\$ 22,719	\$ 20,348
Services	3,707	3,757	7,513	7,484
Total revenue	<u>15,349</u>	<u>13,991</u>	<u>30,232</u>	<u>27,832</u>
<b>COST OF SALES:</b>				
Product	4,205	3,713	8,139	7,239
Services	1,172	1,167	2,376	2,361
Total cost of sales	<u>5,377</u>	<u>4,880</u>	<u>10,515</u>	<u>9,600</u>
<b>GROSS MARGIN</b>	<u>9,972</u>	<u>9,111</u>	<u>19,717</u>	<u>18,232</u>
<b>OPERATING EXPENSES:</b>				
Research and development	2,355	2,299	4,755	4,585
Sales and marketing	2,881	2,672	5,752	5,424
General and administrative	688	752	1,421	1,547
Amortization of purchased intangible assets	231	265	462	530
Restructuring and other charges	36	10	183	675
Total operating expenses	<u>6,191</u>	<u>5,998</u>	<u>12,573</u>	<u>12,761</u>
<b>OPERATING INCOME</b>	<u>3,781</u>	<u>3,113</u>	<u>7,144</u>	<u>5,471</u>
Interest income	210	238	432	524
Interest expense	(370)	(404)	(720)	(822)
Other income (loss), net	25	(60)	181	(19)
Interest and other income (loss), net	<u>(135)</u>	<u>(226)</u>	<u>(107)</u>	<u>(317)</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<u>3,646</u>	<u>2,887</u>	<u>7,037</u>	<u>5,154</u>
Provision for income taxes	471	459	1,002	15
<b>NET INCOME</b>	<u>\$ 3,175</u>	<u>\$ 2,428</u>	<u>\$ 6,035</u>	<u>\$ 5,139</u>
Net income per share:				
Basic	<u>\$ 0.80</u>	<u>\$ 0.61</u>	<u>\$ 1.53</u>	<u>\$ 1.29</u>
Diluted	<u>\$ 0.80</u>	<u>\$ 0.61</u>	<u>\$ 1.51</u>	<u>\$ 1.28</u>
Shares used in per-share calculation:				
Basic	<u>3,955</u>	<u>3,981</u>	<u>3,955</u>	<u>3,986</u>
Diluted	<u>3,984</u>	<u>4,005</u>	<u>3,987</u>	<u>4,008</u>

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Net income	\$ 3,175	\$ 2,428	\$ 6,035	\$ 5,139
Available-for-sale investments:				
Change in net unrealized gains and losses, net of tax benefit (expense) of \$ 3 and \$(7) for the second quarter and first six months of fiscal 2026, respectively, and \$0 and \$(17) for the corresponding periods of fiscal 2025, respectively	1	4	39	58
Net (gains) losses reclassified into earnings, net of tax (benefit) expense of \$(1) and \$(2) for the second quarter and first six months of fiscal 2026, respectively, and \$(17) and \$(23) for the corresponding periods of fiscal 2025, respectively	3	3	6	22
	<u>4</u>	<u>7</u>	<u>45</u>	<u>80</u>
Cash flow hedging instruments:				
Change in unrealized gains and losses, net of tax benefit (expense) of \$( 8) and \$(18) for the second quarter and first six months of fiscal 2026, respectively, and \$(13) and \$(15) for the corresponding periods of fiscal 2025, respectively	26	43	58	50
Net (gains) losses reclassified into earnings, net of tax (benefit) expense of \$3 and \$5 for the second quarter and first six months of fiscal 2026, respectively, and \$3 and \$5 for the corresponding periods of fiscal 2025, respectively	(10)	(12)	(17)	(19)
	<u>16</u>	<u>31</u>	<u>41</u>	<u>31</u>
Net change in cumulative translation adjustment and actuarial gains and losses, net of tax benefit (expense) of \$0 and \$(1) for the second quarter and first six months of fiscal 2026, respectively, and \$0 for each of the corresponding periods of fiscal 2025	74	(155)	32	(174)
Other comprehensive income (loss)	<u>94</u>	<u>(117)</u>	<u>118</u>	<u>(63)</u>
Comprehensive income	<u>\$ 3,269</u>	<u>\$ 2,311</u>	<u>\$ 6,153</u>	<u>\$ 5,076</u>

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)  
(Unaudited)

	Six Months Ended	
	January 24, 2026	January 25, 2025
<b>Cash flows from operating activities:</b>		
Net income	\$ 6,035	\$ 5,139
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation, amortization, and other	1,265	1,550
Share-based compensation expense	1,989	1,748
Provision for receivables	9	7
Deferred income taxes	(64)	(382)
(Gains) losses on divestitures, investments and other, net	(237)	(5)
<b>Change in operating assets and liabilities, net of effects of acquisitions and divestitures:</b>		
Accounts receivable	54	969
Inventories	(761)	441
Financing receivables	(120)	330
Other assets	(642)	(427)
Accounts payable	236	(359)
Income taxes, net	(2,503)	(2,285)
Accrued compensation	(120)	(293)
Deferred revenue	(290)	(555)
Other liabilities	183	24
<b>Net cash provided by operating activities</b>	<b>5,034</b>	<b>5,902</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(4,228)	(2,261)
Proceeds from sales of investments	1,445	1,791
Proceeds from maturities of investments	2,303	2,703
Acquisitions, net of cash and cash equivalents acquired and divestitures	(46)	(257)
Purchases of investments in privately held companies	(65)	(137)
Return of investments in privately held companies	55	94
Acquisition of property and equipment	(606)	(427)
Other	(8)	(5)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,150)</b>	<b>1,501</b>
<b>Cash flows from financing activities:</b>		
Issuances of common stock	354	320
Repurchases of common stock—repurchase program	(3,355)	(3,243)
Shares repurchased for tax withholdings on vesting of restricted stock units	(1,068)	(655)
Short-term borrowings, original maturities of 90 days or less, net	750	1,012
Issuances of debt	4,241	10,406
Repayments of debt	(2,992)	(11,382)
Dividends paid	(3,234)	(3,185)
Other	2	(2)
<b>Net cash used in financing activities</b>	<b>(5,302)</b>	<b>(6,729)</b>
Effect of foreign currency exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(33)	(8)
<b>Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>(1,451)</b>	<b>666</b>
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	8,910	8,842
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period</b>	<b>\$ 7,459</b>	<b>\$ 9,508</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 701	\$ 769
Cash paid for income taxes, net	\$ 3,569	\$ 2,682

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(in millions, except per-share amounts)  
(Unaudited)

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Equity
<u>Three Months Ended January 24, 2026</u>					
Balance at October 25, 2025	3,938	\$ 48,167	\$ (364)	\$ (930)	\$ 46,873
Net income			3,175		3,175
Other comprehensive income (loss)				94	94
Issuance of common stock	39	354			354
Repurchase of common stock	(18)	(217)	(1,134)		(1,351)
Shares repurchased for tax withholdings on vesting of restricted stock units and other	(10)	(745)	6		(739)
Cash dividends declared (\$0.41 per common share)			(1,617)		(1,617)
Share-based compensation		934			934
Balance at January 24, 2026	3,949	\$ 48,493	\$ 66	\$ (836)	\$ 47,723
<u>Six Months Ended January 24, 2026</u>					
Balance at July 26, 2025	3,960	\$ 47,747	\$ 50	\$ (954)	\$ 46,843
Net income			6,035		6,035
Other comprehensive income (loss)				118	118
Issuance of common stock	51	354			354
Repurchase of common stock	(47)	(571)	(2,781)		(3,352)
Shares repurchased for tax withholdings on vesting of restricted stock units and other	(15)	(1,026)	(4)		(1,030)
Cash dividends declared (\$0.82 per common share)			(3,234)		(3,234)
Share-based compensation		1,989			1,989
Balance at January 24, 2026	3,949	\$ 48,493	\$ 66	\$ (836)	\$ 47,723

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(in millions, except per-share amounts)  
(Unaudited)

<u>Three Months Ended January 25, 2025</u>	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at October 26, 2024	3,974	\$ 45,991	\$ 662	\$ (1,376)	\$ 45,277
Net income			2,428		2,428
Other comprehensive income (loss)				(117)	(117)
Issuance of common stock	33	320			320
Repurchase of common stock	(21)	(244)	(992)		(1,236)
Shares repurchased for tax withholdings on vesting of restricted stock units and other	(9)	(467)	(3)		(470)
Cash dividends declared (\$0.40 per common share)			(1,593)		(1,593)
Share-based compensation		921			921
Balance at January 25, 2025	<u>3,977</u>	<u>\$ 46,521</u>	<u>\$ 502</u>	<u>\$ (1,493)</u>	<u>\$ 45,530</u>

<u>Six Months Ended January 25, 2025</u>	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at July 27, 2024	4,007	\$ 45,800	\$ 1,087	\$ (1,430)	\$ 45,457
Net income			5,139		5,139
Other comprehensive income (loss)				(63)	(63)
Issuance of common stock	44	320			320
Repurchase of common stock	(61)	(706)	(2,533)		(3,239)
Shares repurchased for tax withholdings on vesting of restricted stock units and other	(13)	(641)	(6)		(647)
Cash dividends declared (\$0.80 per common share)			(3,185)		(3,185)
Share-based compensation		1,748			1,748
Balance at January 25, 2025	<u>3,977</u>	<u>\$ 46,521</u>	<u>\$ 502</u>	<u>\$ (1,493)</u>	<u>\$ 45,530</u>

See Notes to Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization and Basis of Presentation**

The fiscal year for Cisco Systems, Inc. (the "Company," "Cisco," "we," "us," or "our") is the 52 or 53 weeks ending on the last Saturday in July. Fiscal 2026 and fiscal 2025 are each 52-week fiscal years. The Consolidated Financial Statements include our accounts and those of our subsidiaries and those of our investments consolidated under the voting interest method. All intercompany accounts and transactions have been eliminated. We conduct business globally and are primarily managed on a geographic basis in the following three geographic segments: the Americas; Europe, Middle East, and Africa (EMEA); and Asia Pacific, Japan, and China (APJC).

We have prepared the accompanying financial data as of January 24, 2026 and for the second quarter and first six months of fiscal 2026 and 2025, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. The July 26, 2025 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, we believe that the disclosures are adequate to make the information presented not misleading. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended July 26, 2025.

In the opinion of management, all normal recurring adjustments necessary to state fairly the consolidated balance sheet as of January 24, 2026, the results of operations, the statements of comprehensive income and the statements of equity for the second quarter and first six months of fiscal 2026 and 2025, and the statements of cash flows for the first six months of fiscal 2026 and 2025, as applicable, have been made. The results of operations for the second quarter and first six months of fiscal 2026 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Certain reclassifications have been made to the amounts in prior periods in order to conform to the current period's presentation.

**2. Recent Accounting Pronouncements**

**(a) Recent Accounting Standards or Updates Not Yet Effective**

Improvements on Income Tax Disclosures In December 2023, the FASB issued an accounting standard update expanding the requirements for disclosure of disaggregated information about the effective tax rate reconciliation and income taxes paid. The accounting standard update will be effective for our fiscal 2026 Form 10-K. We are currently evaluating the impact of this accounting standard update on our income tax disclosures.

Disaggregation of Income Statement Expenses In November 2024, the FASB issued an accounting standard update expanding the disclosure requirements about specific expense categories, primarily through disaggregated information on income statement line items. The accounting standard update will be effective for our fiscal 2028 Form 10-K, and early adoption is permitted. We are currently evaluating the impact of this accounting standard update on our Consolidated Financial Statements.

Targeted Improvements to the Accounting for Internal-Use Software In September 2025, the FASB issued an accounting standard update to modernize the accounting for internal-use software costs and clarify the criteria for capitalization. The accounting standard update will be effective for our interim and annual reporting periods of fiscal 2029, with early adoption permitted. We are currently evaluating the impact of this accounting standard update on our Consolidated Financial Statements.

**3. Revenue**

We enter into contracts with customers that can include various combinations of products and services which are generally distinct and accounted for as separate performance obligations. As a result, our contracts may contain multiple performance obligations. We determine whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether our commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. We classify our hardware, perpetual software licenses, and software-as-a-service (SaaS) as distinct performance obligations. Term software licenses

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

represent multiple obligations, which include software licenses and software maintenance. In transactions where we deliver hardware or software, we are typically the principal and we record revenue and costs of goods sold on a gross basis. We refer to our term software licenses, security software licenses, SaaS, and associated service arrangements as subscription offers. Revenue from subscription offers includes revenue recognized over time as well as upfront.

We recognize revenue upon transfer of control of promised goods or services in a contract with a customer in an amount that reflects the consideration we expect to receive in exchange for those products or services. Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment, electronic delivery (or when the software is available for download by the customer), or once title and risk of loss has transferred to the customer. Transfer of control can also occur over time for software maintenance and services as the customer receives the benefit over the contract term. Our hardware and perpetual software licenses are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognized upfront upon transfer of control, with the associated software maintenance revenue recognized ratably over the contract term as services and software updates are provided. SaaS arrangements do not include the right for the customer to take possession of the software during the term, and therefore have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term as the customer consumes the services. On our product sales, we record consideration from shipping and handling on a gross basis within net product sales. We record our revenue net of any associated sales taxes. An allowance for future sales returns is established based on historical trends in product return rates and the related provision is recorded as a reduction to revenue.

**Significant Judgments**

Revenue is allocated among these performance obligations in a manner that reflects the consideration that we expect to be entitled to for the promised goods or services based on standalone selling prices (SSP). SSP is estimated for each distinct performance obligation and judgment may be required in their determination. The best evidence of SSP is the observable price of a product or service when we sell the goods separately in similar circumstances and to similar customers. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs.

We assess relevant contractual terms in our customer contracts to determine the transaction price. We apply judgment in identifying contractual terms and determining the transaction price as we may be required to estimate variable consideration when determining the amount of revenue to recognize. Variable consideration includes potential contractual penalties and various rebate, cooperative marketing and other incentive programs that we offer to our distributors, channel partners and direct sale customers. When determining the amount of revenue to recognize, we estimate the expected usage of these programs, applying the expected value or most likely estimate and update the estimate at each reporting period as actual utilization becomes available. We also consider the customers' right of return in determining the transaction price, where applicable.

We assess certain software licenses, such as for security software, that contain critical updates or upgrades which customers can download throughout the contract term. Without these updates or upgrades, the functionality of the software would diminish over a relatively short time period. These updates or upgrades provide the customer the full functionality of the purchased security software licenses and are required to maintain the security license's utility as the risks and threats in the environment are rapidly changing. In these circumstances, the revenue from these software arrangements is recognized as a single performance obligation satisfied over the contract term.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**(a) Disaggregation of Revenue**

We disaggregate our revenue into groups of similar products and services that depict the nature, amount, and timing of revenue and cash flows for our various offerings. The sales cycle, contractual obligations, customer requirements, and go-to-market strategies differ for each of our product categories, resulting in different economic risk profiles for each category. The following table presents this disaggregation of revenue (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Product revenue:				
Networking	\$ 8,294	\$ 6,850	\$ 16,061	\$ 13,603
Security	2,018	2,111	3,998	4,129
Collaboration	1,054	996	2,109	2,081
Observability	277	277	550	535
Total Product	11,642	10,234	22,719	20,348
Services	3,707	3,757	7,513	7,484
Total revenue	\$ 15,349	\$ 13,991	\$ 30,232	\$ 27,832

Amounts may not sum due to rounding.

Networking consists of our core networking technologies of switching, routing, wireless, and servers. These technologies consist of both hardware and software offerings, including software licenses and SaaS. Our hardware and perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

Security consists of our Network Security, Identity and Access Management, Secure Access Service Edge (SASE) and Threat Intelligence, Detection, and Response offerings. These products consist of both hardware and software offerings, including software licenses and SaaS. Updates and upgrades for the term software licenses are critical for our software to perform its intended commercial purpose because of the continuous need for our software to secure our customers' network environments against frequent threats. Therefore, security software licenses are generally represented by a single distinct performance obligation with revenue recognized ratably over the contract term. Our hardware and perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

Collaboration consists of our Webex Suite, Collaboration Devices, Contact Center and Communication Platform as a Service (CPaaS) offerings. These products consist primarily of software offerings, including software licenses and SaaS, as well as hardware. Our perpetual software and hardware in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

Observability consists of our network assurance, monitoring and analytics and observability suite offerings. These products consist primarily of software offerings, including software licenses and SaaS. Our perpetual software in this category are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses are multiple performance obligations where the term license is recognized upfront upon transfer of control with the associated software maintenance revenue recognized ratably over the contract term. SaaS arrangements in this category have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term.

In addition to our product offerings, we provide a broad range of service and support options for our customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time with revenue recognized ratably over the contract term. Advanced services are distinct performance obligations that are satisfied over time with revenue recognized as services are delivered.

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The sales arrangements as discussed above are typically made pursuant to customer purchase orders based on master purchase or partner agreements. Cash is received based on our standard payment terms which is typically 30 days. We provide financing arrangements to customers for our hardware, software and service offerings. Refer to Note 9 for additional information. For these arrangements, cash is typically received over time.

Subscription revenue includes revenue recognized from our term software licenses, security software licenses, SaaS, and associated service arrangements. Our subscription revenue is recorded in product and services revenue in our Consolidated Statements of Operations as follows (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Product	\$ 4,474	\$ 4,432	\$ 8,974	\$ 8,851
Services	3,362	3,430	6,862	6,855
Total	<u>\$ 7,836</u>	<u>\$ 7,862</u>	<u>\$ 15,836</u>	<u>\$ 15,706</u>

The majority of our product subscription revenue is recognized over time and the remainder is recognized upfront. Substantially all of our services subscription revenue is recognized over time based on the contract term.

**(b) Contract Balances**

*Accounts Receivable*

Accounts receivable, net was \$6.6 billion as of January 24, 2026 compared to \$ 6.7 billion as of July 26, 2025, as reported on the Consolidated Balance Sheets.

The allowances for credit loss for our accounts receivable are summarized as follows (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Allowance for credit loss at beginning of period	\$ 62	\$ 78	\$ 69	\$ 87
Provisions	18	12	14	12
Write-offs, net of recoveries	(4)	(10)	(7)	(19)
Allowance for credit loss at end of period	<u>\$ 76</u>	<u>\$ 80</u>	<u>\$ 76</u>	<u>\$ 80</u>

*Contract Assets and Liabilities*

Gross contract assets by our internal risk ratings are summarized as follows (in millions):

	January 24, 2026	July 26, 2025
1 to 4	\$ 1,326	\$ 1,358
5 to 6	2,004	1,868
7 and Higher	84	73
Total	<u>\$ 3,414</u>	<u>\$ 3,299</u>

Contract assets consist of unbilled receivables and are recorded when revenue is recognized in advance of scheduled billings to our customers. These amounts are primarily related to software and service arrangements where transfer of control has occurred but we have not yet invoiced. Our contract assets for these unbilled receivables, net of allowances, were \$3.4 billion as of January 24, 2026 and \$ 3.2 billion as of July 26, 2025, of which \$ 1.8 billion and \$1.7 billion, respectively, were included in other current assets, with remaining balances included in other assets.

Contract liabilities consist of deferred revenue. Deferred revenue was \$ 28.4 billion as of January 24, 2026 compared to \$ 28.8 billion as of July 26, 2025. We recognized approximately \$4.5 billion and \$9.9 billion of revenue during the second quarter and first six months of fiscal 2026 that was included in the deferred revenue balance at July 26, 2025.

**(c) Capitalized Contract Acquisition Costs**

We capitalize direct and incremental costs incurred to acquire contracts, primarily sales commissions, for which the associated revenue is expected to be recognized in future periods. We incur these costs in connection with both initial contracts and renewals. These costs are initially deferred and typically amortized over the term of the customer contract which corresponds to

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the period of benefit. Capitalized contract acquisition costs were \$ 1.5 billion as of each of January 24, 2026 and July 26, 2025, and were included in other current assets and other assets. The amortization expense associated with these costs was \$249 million and \$483 million for the second quarter and first six months of fiscal 2026, respectively, and \$238 million and \$446 million for the corresponding periods of fiscal 2025, respectively, and was included in sales and marketing expenses.

#### 4. Acquisitions

Allocation of the total purchase consideration for acquisitions we completed during the first six months of fiscal 2026 is summarized as follows (in millions):

	Purchase Consideration	Net Tangible Assets Acquired (Liabilities Assumed)	Purchased Intangible Assets	Goodwill
Total acquisitions	\$ 49	\$ —	\$ 14	\$ 35

The total purchase consideration related to acquisitions consisted primarily of cash consideration. Total transaction costs related to acquisition activities were \$9 million and \$11 million for the first six months of fiscal 2026 and 2025, respectively. These transaction costs were expensed as incurred in general and administrative expenses ("G&A") in the Consolidated Statements of Operations.

The purchase price allocation for acquisitions completed during recent periods is preliminary and subject to revision as additional information about fair value of assets and liabilities becomes available. Additional information that existed as of the acquisition date but is currently unknown to us may become known during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date.

The goodwill generated from the acquisitions completed during the first six months of fiscal 2026 is primarily related to expected synergies. The goodwill is generally not deductible for income tax purposes.

The Consolidated Financial Statements include the operating results of each acquisition from the date of acquisition. Pro forma results of operations and the revenue and net income subsequent to the acquisition date for the acquisitions completed during the first six months of fiscal 2026 have not been presented because the effects of the acquisitions were not material to our financial results.

#### **Compensation Expense Related to Acquisitions**

In connection with our acquisitions, we have agreed to pay certain additional amounts contingent upon the continued employment with Cisco of certain employees of the acquired entities.

The following table summarizes the compensation expense related to acquisitions (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Compensation expense related to acquisitions	\$ 98	\$ 222	\$ 208	\$ 519

As of January 24, 2026, we estimated that future cash compensation expense of up to \$ 400 million may be required to be recognized pursuant to applicable acquisition agreements.

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**5. Goodwill and Purchased Intangible Assets**
**(a) Goodwill**

The following table presents the goodwill allocated to our reportable segments as of January 24, 2026 and changes to goodwill during the first six months of fiscal 2026 (in millions):

	Balance at July 26, 2025	Acquisitions	Foreign Currency Translation and Other	Balance at January 24, 2026
Americas	\$ 36,468	\$ 21	\$ 39	\$ 36,528
EMEA	14,397	9	15	14,421
APJC	8,271	5	9	8,285
Total	<u>\$ 59,136</u>	<u>\$ 35</u>	<u>\$ 63</u>	<u>\$ 59,234</u>

**(b) Purchased Intangible Assets**

The following table presents details of our intangible assets acquired through acquisitions completed during the first six months of fiscal 2026 (in millions, except years):

	FINITE LIVES						INDEFINITE LIVES	TOTAL
	CUSTOMER RELATED		TECHNOLOGY		TRADE NAME		IPR&D	
	Weighted- Average Useful Life (in Years)	Amount	Weighted- Average Useful Life (in Years)	Amount	Weighted- Average Useful Life (in Years)	Amount	Amount	
Total	—	\$ —	2.5	\$ 14	—	\$ —	\$ —	\$ 14

The following tables present details of our purchased intangible assets with finite lives (in millions):

January 24, 2026	Gross	Accumulated Amortization	Net
Customer related	\$ 6,340	\$ (1,707)	\$ 4,633
Technology	5,213	(1,970)	3,243
Trade name	526	(95)	431
Total	<u>\$ 12,079</u>	<u>\$ (3,772)</u>	<u>\$ 8,307</u>

July 26, 2025	Gross	Accumulated Amortization	Net
Customer related	\$ 6,341	\$ (1,268)	\$ 5,073
Technology	5,254	(1,606)	3,648
Trade name	526	(72)	454
Total	<u>\$ 12,121</u>	<u>\$ (2,946)</u>	<u>\$ 9,175</u>

Purchased intangible assets include intangible assets acquired through acquisitions as well as through direct purchases or licenses.

Impairment charges related to purchased intangible assets were \$ 19 million for the second quarter and first six months of fiscal 2025. Impairment charges were as a result of declines in estimated fair value resulting from the reductions in or the elimination of expected future cash flows associated with certain technology intangible assets.

The following table presents the amortization of purchased intangible assets, including impairment charges (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Amortization of purchased intangible assets:				
Cost of sales	\$ 235	\$ 340	\$ 475	\$ 665
Operating expenses	231	265	462	530
Total	<u>\$ 466</u>	<u>\$ 605</u>	<u>\$ 937</u>	<u>\$ 1,195</u>

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The estimated future amortization expense of purchased intangible assets with finite lives as of January 24, 2026 is as follows (in millions):

Fiscal Year	Amount
2026 (remaining six months)	\$ 904
2027	1,495
2028	1,415
2029	1,287
2030	1,003
Thereafter	2,203
Total	<u>\$ 8,307</u>

## 6. Restructuring and Other Charges

In the first quarter of fiscal 2025, we announced a restructuring plan (the "Fiscal 2025 Plan"), in order to allow us to invest in key growth opportunities and drive more efficiencies in our business. In connection with the Fiscal 2025 Plan, we incurred charges of \$36 million and \$183 million in the second quarter and first six months of fiscal 2026. These aggregate pre-tax charges were primarily cash-based and consisted of severance and other one-time termination benefits, and other costs. In connection with the Fiscal 2025 Plan, we incurred cumulative charges of \$927 million and completed the plan in the second quarter of fiscal 2026.

The following table summarizes the activities related to our restructuring liability, which was included in other current liabilities on our Consolidated Balance Sheets (in millions):

	FISCAL 2025 PLAN		Total
	Employee Severance	Other	
Liability as of July 26, 2025	\$ 66	\$ 46	\$ 112
Charges	142	41	183
Cash payments	(143)	(25)	(168)
Non-cash and other	(1)	(38)	(39)
Liability as of January 24, 2026	<u>\$ 64</u>	<u>\$ 24</u>	<u>\$ 88</u>

## 7. Balance Sheet and Other Details

The following tables provide details of selected balance sheet and other items (in millions, except percentages):

### Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

	January 24, 2026	July 26, 2025
Cash and cash equivalents	\$ 7,458	\$ 8,346
Restricted cash and restricted cash equivalents included in other current assets	1	564
Total	<u>\$ 7,459</u>	<u>\$ 8,910</u>

Our restricted cash and restricted cash equivalents are funds primarily related to contractual obligations with suppliers.

### Inventories

	January 24, 2026	July 26, 2025
Raw materials	\$ 2,016	\$ 1,744
Work in process	684	261
Finished goods	987	933
Service-related spares	227	220
Demonstration systems	6	6
Total	<u>\$ 3,920</u>	<u>\$ 3,164</u>

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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*Property and Equipment, Net*

	January 24, 2026	July 26, 2025
Gross property and equipment:		
Land, buildings, and building and leasehold improvements	\$ 4,060	\$ 4,045
Production, engineering, computer and other equipment and related software	5,293	5,178
Operating lease assets	51	51
Furniture, fixtures and other	301	316
Total gross property and equipment	9,705	9,590
Less: accumulated depreciation and amortization	(7,354)	(7,477)
Total	\$ 2,351	\$ 2,113

*Remaining Performance Obligations (RPO)*

	January 24, 2026	July 26, 2025
Product	\$ 21,977	\$ 21,572
Services	21,429	21,961
Total	\$ 43,406	\$ 43,533
Short-term RPO	\$ 21,370	\$ 21,723
Long-term RPO	22,036	21,810
Total	\$ 43,406	\$ 43,533

Amount to be recognized as revenue over the next 12 months	49 %	50 %
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Deferred revenue	\$ 28,403	\$ 28,779
Unbilled contract revenue	15,003	14,754
Total	\$ 43,406	\$ 43,533

Unbilled contract revenue represents noncancelable contracts for which we have not invoiced, have an obligation to perform, and revenue has not yet been recognized in the financial statements.

*Deferred Revenue*

	January 24, 2026	July 26, 2025
Product	\$ 13,371	\$ 13,490
Services	15,032	15,289
Total	\$ 28,403	\$ 28,779
Reported as:		
Current	\$ 16,199	\$ 16,416
Noncurrent	12,204	12,363
Total	\$ 28,403	\$ 28,779

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**8. Leases**
**(a) Lessee Arrangements**

The following table presents our operating lease balances (in millions):

	Balance Sheet Line Item	January 24, 2026	July 26, 2025
Operating lease right-of-use assets	Other assets	\$ 1,408	\$ 1,301
Operating lease liabilities	Other current liabilities	\$ 405	\$ 375
Operating lease liabilities	Other long-term liabilities	1,249	1,175
Total operating lease liabilities		<u>\$ 1,654</u>	<u>\$ 1,550</u>

The components of our lease expenses were as follows (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Operating lease expense	\$ 132	\$ 149	\$ 263	\$ 263
Short-term lease expense	26	16	51	34
Variable lease expense	77	47	149	93
Total lease expense	<u>\$ 235</u>	<u>\$ 212</u>	<u>\$ 463</u>	<u>\$ 390</u>

Supplemental information related to our operating leases is as follows (in millions):

	Six Months Ended	
	January 24, 2026	January 25, 2025
Cash paid for amounts included in the measurement of lease liabilities — operating cash flows	\$ 259	\$ 228
Right-of-use assets obtained in exchange for operating leases liabilities	\$ 351	\$ 326

The weighted-average lease term was 5.8 years and 5.7 years as of January 24, 2026 and July 26, 2025, respectively. The weighted-average discount rate was 4.0% and 4.1% as of January 24, 2026 and July 26, 2025, respectively.

The maturities of our operating leases (undiscounted) as of January 24, 2026 are as follows (in millions):

Fiscal Year	Amount
2026 (remaining six months)	\$ 256
2027	385
2028	286
2029	228
2030	198
Thereafter	536
Total lease payments	<u>1,889</u>
Less: interest	(235)
Total	<u>\$ 1,654</u>

**(b) Lessor Arrangements**

Our leases primarily represent sales-type leases with terms of four years on average. We provide leasing of our equipment and complementary third-party products primarily through our channel partners and distributors, for which the income arising from these leases is recognized through interest income. Interest income was \$15 million and \$31 million for the second quarter and first six months of fiscal 2026, respectively, and \$16 million and \$33 million for the corresponding periods of fiscal 2025, respectively, and was included in interest income in the Consolidated Statement of Operations. The net investment of our lease receivables is measured at the commencement date as the gross lease receivable, residual value less unearned income and allowance for credit loss. For additional information, see Note 9.

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Future minimum lease payments on our lease receivables as of January 24, 2026 are summarized as follows (in millions):

Fiscal Year	Amount
2026 (remaining six months)	\$ 157
2027	310
2028	125
2029	151
2030	144
Total	887
Less: Present value of lease payments	(795)
Unearned income	\$ 92

Actual cash collections may differ from the contractual maturities due to early customer buyouts, refinancings, or defaults.

## 9. Financing Receivables

### (a) Financing Receivables

Financing receivables primarily consist of loan receivables and lease receivables. Loan receivables represent financing arrangements related to the sale of our hardware, software, and services (including technical support and advanced services), and also may include additional funding for other costs associated with network installation and integration of our products and services. Loan receivables have terms of one year to three years on average. Lease receivables represent sales-type leases resulting from the sale of Cisco's and complementary third-party products and are typically collateralized by a security interest in the underlying assets. Lease receivables consist of arrangements with terms of four years on average.

A summary of our financing receivables is presented as follows (in millions):

January 24, 2026	Loan Receivables	Lease Receivables	Total
Gross	\$ 5,825	\$ 887	\$ 6,712
Residual value	—	67	67
Unearned income	—	(92)	(92)
Allowance for credit loss	(34)	(11)	(45)
Total, net	\$ 5,791	\$ 851	\$ 6,642
Reported as:			
Current	\$ 2,634	\$ 310	\$ 2,944
Noncurrent	3,157	541	3,698
Total, net	\$ 5,791	\$ 851	\$ 6,642
July 26, 2025	Loan Receivables	Lease Receivables	Total
Gross	\$ 5,628	\$ 982	\$ 6,610
Residual value	—	66	66
Unearned income	—	(99)	(99)
Allowance for credit loss	(37)	(13)	(50)
Total, net	\$ 5,591	\$ 936	\$ 6,527
Reported as:			
Current	\$ 2,715	\$ 346	\$ 3,061
Noncurrent	2,876	590	3,466
Total, net	\$ 5,591	\$ 936	\$ 6,527

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**(b) Credit Quality of Financing Receivables**

The tables below present our gross financing receivables, excluding residual value, less unearned income, categorized by our internal credit risk rating by period of origination (in millions):

Internal Credit Risk Rating	Prior	Fiscal Year				Six Months Ended January 24, 2026	Total
		July 30, 2022	July 29, 2023	July 27, 2024	July 26, 2025		
<b>January 24, 2026</b>							
<b>Loan Receivables:</b>							
1 to 4	\$ 45	\$ 112	\$ 273	\$ 937	\$ 1,391	\$ 1,116	\$ 3,874
5 to 6	22	20	89	283	862	647	1,923
7 and Higher	—	2	2	4	18	2	28
<b>Total Loan Receivables</b>	<b>\$ 67</b>	<b>\$ 134</b>	<b>\$ 364</b>	<b>\$ 1,224</b>	<b>\$ 2,271</b>	<b>\$ 1,765</b>	<b>\$ 5,825</b>
<b>Lease Receivables:</b>							
1 to 4	\$ 2	\$ 13	\$ 81	\$ 150	\$ 176	\$ 67	\$ 489
5 to 6	2	13	51	89	80	61	296
7 and Higher	—	1	2	6	1	—	10
<b>Total Lease Receivables</b>	<b>\$ 4</b>	<b>\$ 27</b>	<b>\$ 134</b>	<b>\$ 245</b>	<b>\$ 257</b>	<b>\$ 128</b>	<b>\$ 795</b>
<b>Total</b>	<b>\$ 71</b>	<b>\$ 161</b>	<b>\$ 498</b>	<b>\$ 1,469</b>	<b>\$ 2,528</b>	<b>\$ 1,893</b>	<b>\$ 6,620</b>

Internal Credit Risk Rating	Prior	Fiscal Year					Total
		July 31, 2021	July 30, 2022	July 29, 2023	July 27, 2024	July 26, 2025	
<b>July 26, 2025</b>							
<b>Loan Receivables:</b>							
1 to 4	\$ 2	\$ 83	\$ 236	\$ 371	\$ 1,258	\$ 1,556	\$ 3,506
5 to 6	2	56	53	167	561	1,248	2,087
7 and Higher	—	—	6	9	4	16	35
<b>Total Loan Receivables</b>	<b>\$ 4</b>	<b>\$ 139</b>	<b>\$ 295</b>	<b>\$ 547</b>	<b>\$ 1,823</b>	<b>\$ 2,820</b>	<b>\$ 5,628</b>
<b>Lease Receivables:</b>							
1 to 4	\$ —	\$ 9	\$ 23	\$ 112	\$ 187	\$ 207	\$ 538
5 to 6	—	6	25	77	120	103	331
7 and Higher	—	—	1	3	8	2	14
<b>Total Lease Receivables</b>	<b>\$ —</b>	<b>\$ 15</b>	<b>\$ 49</b>	<b>\$ 192</b>	<b>\$ 315</b>	<b>\$ 312</b>	<b>\$ 883</b>
<b>Total</b>	<b>\$ 4</b>	<b>\$ 154</b>	<b>\$ 344</b>	<b>\$ 739</b>	<b>\$ 2,138</b>	<b>\$ 3,132</b>	<b>\$ 6,511</b>

The following tables present the aging analysis of gross receivables as of January 24, 2026 and July 26, 2025 (in millions):

	DAYS PAST DUE (INCLUDES BILLED AND UNBILLED)				Current	Total	120+ Still Accruing	Nonaccrual Financing Receivables	Impaired Financing Receivables
	31-60	61-90	91+	Total Past Due					
<b>January 24, 2026</b>									
Loan receivables	\$ 31	\$ 18	\$ 53	\$ 102	\$ 5,723	\$ 5,825	\$ 4	\$ 1	\$ 1
Lease receivables	13	8	6	27	768	795	5	1	1
<b>Total</b>	<b>\$ 44</b>	<b>\$ 26</b>	<b>\$ 59</b>	<b>\$ 129</b>	<b>\$ 6,491</b>	<b>\$ 6,620</b>	<b>\$ 9</b>	<b>\$ 2</b>	<b>\$ 2</b>

	DAYS PAST DUE (INCLUDES BILLED AND UNBILLED)				Current	Total	120+ Still Accruing	Nonaccrual Financing Receivables	Impaired Financing Receivables
	31-60	61-90	91+	Total Past Due					
<b>July 26, 2025</b>									
Loan receivables	\$ 18	\$ 18	\$ 16	\$ 52	\$ 5,576	\$ 5,628	\$ 4	\$ 5	\$ 5
Lease receivables	7	3	6	16	867	883	4	1	1
<b>Total</b>	<b>\$ 25</b>	<b>\$ 21</b>	<b>\$ 22</b>	<b>\$ 68</b>	<b>\$ 6,443</b>	<b>\$ 6,511</b>	<b>\$ 8</b>	<b>\$ 6</b>	<b>\$ 6</b>

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Past due financing receivables are those that are 31 days or more past due according to their contractual payment terms. The data in the preceding tables is presented by contract, and the aging classification of each contract is based on the oldest outstanding receivable, and therefore past due amounts also include unbilled and current receivables within the same contract.

**(c) Allowance for Credit Loss Rollforward**

The allowances for credit loss and the related financing receivables are summarized as follows (in millions):

Three Months Ended January 24, 2026	CREDIT LOSS ALLOWANCES		
	Loan Receivables	Lease Receivables	Total
Allowance for credit loss as of October 25, 2025	\$ 37	\$ 14	\$ 51
Provisions (benefits)	(3)	(3)	(6)
Allowance for credit loss as of January 24, 2026	<u>\$ 34</u>	<u>\$ 11</u>	<u>\$ 45</u>

Three Months Ended January 25, 2025	CREDIT LOSS ALLOWANCES		
	Loan Receivables	Lease Receivables	Total
Allowance for credit loss as of October 26, 2024	\$ 49	\$ 15	\$ 64
Provisions (benefits)	(2)	(2)	(4)
Recoveries (write-offs), net	(3)	—	(3)
Foreign exchange and other	1	1	2
Allowance for credit loss as of January 25, 2025	<u>\$ 45</u>	<u>\$ 14</u>	<u>\$ 59</u>

Six Months Ended January 24, 2026	CREDIT LOSS ALLOWANCES		
	Loan Receivables	Lease Receivables	Total
Allowance for credit loss as of July 26, 2025	\$ 37	\$ 13	\$ 50
Provisions (benefits)	(3)	(2)	(5)
Allowance for credit loss as of January 24, 2026	<u>\$ 34</u>	<u>\$ 11</u>	<u>\$ 45</u>

Six Months Ended January 25, 2025	CREDIT LOSS ALLOWANCES		
	Loan Receivables	Lease Receivables	Total
Allowance for credit loss as of July 27, 2024	\$ 50	\$ 15	\$ 65
Provisions (benefits)	(3)	(2)	(5)
Recoveries (write-offs), net	(3)	—	(3)
Foreign exchange and other	1	1	2
Allowance for credit loss as of January 25, 2025	<u>\$ 45</u>	<u>\$ 14</u>	<u>\$ 59</u>

**10. Investments**

**(a) Summary of Available-for-Sale Debt Investments**

The following tables summarize our available-for-sale debt investments (in millions):

January 24, 2026	Amortized Cost	Gross Unrealized Gains	Gross Unrealized and Credit Losses	Fair Value
U.S. government securities	\$ 1,756	\$ 4	\$ (4)	\$ 1,756
U.S. government agency securities	49	—	—	49
Non-U.S. government and agency securities	442	1	—	443
Corporate debt securities	3,106	10	(37)	3,079
Mortgage- and asset-backed securities	247	—	(11)	236
Commercial paper	1,337	—	—	1,337
Certificates of deposit	1,060	—	—	1,060
Total	<u>\$ 7,997</u>	<u>\$ 15</u>	<u>\$ (52)</u>	<u>\$ 7,960</u>

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

July 26, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized and Credit Losses	Fair Value
U.S. government securities	\$ 1,971	\$ 2	\$ (12)	\$ 1,961
U.S. government agency securities	67	—	—	67
Non-U.S. government and agency securities	458	—	—	458
Corporate debt securities	3,138	13	(61)	3,090
Mortgage- and asset-backed securities	320	—	(34)	286
Commercial paper	950	—	—	950
Certificates of deposit	569	—	—	569
Total	<u>\$ 7,473</u>	<u>\$ 15</u>	<u>\$ (107)</u>	<u>\$ 7,381</u>

The following table presents the gross realized gains and gross realized losses related to available-for-sale debt investments (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Gross realized gains	\$ 1	\$ —	\$ 11	\$ 8
Gross realized losses	(5)	(20)	(19)	(53)
Total	<u>\$ (4)</u>	<u>\$ (20)</u>	<u>\$ (8)</u>	<u>\$ (45)</u>

The following tables present the breakdown of the available-for-sale debt investments with gross unrealized losses and the duration that those losses had been unrealized at January 24, 2026 and July 26, 2025 (in millions):

	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
January 24, 2026						
U.S. government securities	\$ 710	\$ (2)	\$ 244	\$ (2)	\$ 954	\$ (4)
Non-U.S. government and agency securities	116	—	—	—	116	—
Corporate debt securities	422	(1)	1,409	(10)	1,831	(11)
Mortgage- and asset-backed securities	33	—	105	(11)	138	(11)
Total	<u>\$ 1,281</u>	<u>\$ (3)</u>	<u>\$ 1,758</u>	<u>\$ (23)</u>	<u>\$ 3,039</u>	<u>\$ (26)</u>

	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
July 26, 2025						
U.S. government securities	\$ 1,076	\$ (6)	\$ 302	\$ (6)	\$ 1,378	\$ (12)
U.S. government agency securities	8	—	21	—	29	—
Non-U.S. government and agency securities	292	—	—	—	292	—
Corporate debt securities	106	—	1,800	(35)	1,906	(35)
Mortgage- and asset-backed securities	5	—	279	(34)	284	(34)
Commercial paper	30	—	—	—	30	—
Total	<u>\$ 1,517</u>	<u>\$ (6)</u>	<u>\$ 2,402</u>	<u>\$ (75)</u>	<u>\$ 3,919</u>	<u>\$ (81)</u>

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

The following table summarizes the maturities of our available-for-sale debt investments as of January 24, 2026 (in millions):

	Amortized Cost	Fair Value
Within 1 year	\$ 4,696	\$ 4,660
After 1 year through 5 years	2,982	2,992
After 5 years through 10 years	72	72
Mortgage- and asset-backed securities with no single maturity	247	236
Total	\$ 7,997	\$ 7,960

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

**(b) Marketable Equity Securities**

We held marketable equity securities of \$359 million and \$383 million as of January 24, 2026 and July 26, 2025, respectively. We recognized net unrealized losses of \$34 million and \$4 million during the second quarter and first six months of fiscal 2026, respectively, and net unrealized gains of \$16 million and \$36 million for the corresponding periods of fiscal 2025, respectively, on our marketable securities still held as of the reporting date.

**(c) Investments in Privately Held Companies**

The carrying value of our investments in privately held companies was \$2.1 billion and \$1.9 billion as of January 24, 2026 and July 26, 2025, respectively. As of January 24, 2026, we have total funding commitments of \$0.7 billion related to privately held investments. The carrying value of these investments and the additional funding commitments, collectively, represent our maximum exposure related to privately held investments.

Investments in privately held companies measured using the measurement alternative had a carrying value of \$0.7 billion and \$0.6 billion as of January 24, 2026 and July 26, 2025, respectively. We have recorded cumulative adjustments to the carrying value of our investments in privately held companies measured using the measurement alternative as follows (in millions):

	January 24, 2026	July 26, 2025
Cumulative upward adjustments	\$ 278	\$ 195
Cumulative downward adjustments, including impairments	(601)	(597)
Net adjustments	\$ (323)	\$ (402)

We held equity interests in certain private equity funds of \$0.7 billion as of each of January 24, 2026 and July 26, 2025, which are accounted for under the NAV practical expedient.

Of the total carrying value of our investments in privately held companies as of January 24, 2026, \$0.8 billion of such investments are considered to be in variable interest entities which are unconsolidated.

Certain of our investments in privately held companies are required to be consolidated under the voting interest entity model. The noncontrolling interest attributed to these investments was \$221 million and \$162 million as of January 24, 2026 and July 26, 2025, respectively, and is included in the equity section of the Consolidated Balance Sheets. The share of earnings attributable to the noncontrolling interest attributed to these investments is not material for any of the periods presented and is included in other income (loss), net in the Consolidated Statements of Operations.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**11. Fair Value**
**(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Assets and liabilities measured at fair value on a recurring basis were as follows (in millions):

	JANUARY 24, 2026			JULY 26, 2025		
	FAIR VALUE MEASUREMENTS			FAIR VALUE MEASUREMENTS		
	Level 1	Level 2	Total Balance	Level 1	Level 2	Total Balance
<b>Assets:</b>						
<b>Cash equivalents:</b>						
Money market funds	\$ 5,348	\$ —	\$ 5,348	\$ 5,885	\$ —	\$ 5,885
Commercial paper	—	134	134	—	336	336
Corporate debt securities	—	—	—	—	1	1
<b>Available-for-sale debt investments:</b>						
U.S. government securities	—	1,756	1,756	—	1,961	1,961
U.S. government agency securities	—	49	49	—	67	67
Non-U.S. government and agency securities	—	443	443	—	458	458
Corporate debt securities	—	3,079	3,079	—	3,090	3,090
Mortgage- and asset-backed securities	—	236	236	—	286	286
Commercial paper	—	1,337	1,337	—	950	950
Certificates of deposit	—	1,060	1,060	—	569	569
<b>Equity investments:</b>						
Marketable equity securities	359	—	359	383	—	383
<b>Other current assets:</b>						
Money market funds	—	—	—	563	—	563
<b>Derivative assets</b>						
	—	90	90	—	32	32
<b>Total</b>	<b>\$ 5,707</b>	<b>\$ 8,184</b>	<b>\$ 13,891</b>	<b>\$ 6,831</b>	<b>\$ 7,750</b>	<b>\$ 14,581</b>
<b>Liabilities:</b>						
Derivative liabilities	\$ —	\$ 83	\$ 83	\$ —	\$ 31	\$ 31
<b>Total</b>	<b>\$ —</b>	<b>\$ 83</b>	<b>\$ 83</b>	<b>\$ —</b>	<b>\$ 31</b>	<b>\$ 31</b>

Level 1 marketable equity securities are determined by using quoted prices in active markets for identical assets. Level 2 available-for-sale debt investments are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. We use inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets and liabilities. We use such pricing data as the primary input to make our assessments and determinations as to the ultimate valuation of our investment portfolio and have not made, during the periods presented, any material adjustments to such inputs. We are ultimately responsible for the financial statements and underlying estimates. Our derivative instruments are primarily classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs. We did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

**(b) Assets Measured at Fair Value on a Nonrecurring Basis**

Our non-marketable equity securities using the measurement alternative are adjusted to fair value on a non-recurring basis. Adjustments are made when observable transactions for identical or similar investments of the same issuer occur, or due to impairment. These securities are classified as Level 3 in the fair value hierarchy because we estimate the value based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs such as volatility, rights, and obligations of the securities we hold.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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The fair value for purchased intangible assets measured at fair value on a nonrecurring basis was categorized as Level 3 due to the use of significant unobservable inputs in the valuation. Significant unobservable inputs that were used included expected revenues and net income related to the assets and the expected life of the assets. The difference between the estimated fair value and the carrying value of the assets was recorded as an impairment charge, which was included in product cost of sales. See Note 5.

**(c) Other Fair Value Disclosures**

The fair value of our short-term loan receivables approximates their carrying value due to their short duration. The aggregate carrying value of our long-term loan receivables was \$3.2 billion and \$2.9 billion as of January 24, 2026 and July 26, 2025, respectively. The estimated fair value of our long-term loan receivables approximates their carrying value. We use unobservable inputs in determining discounted cash flows to estimate the fair value of our long-term loan receivables, and therefore they are categorized as Level 3.

As of January 24, 2026, the estimated fair value of our short-term debt approximates its carrying value due to the short maturities. As of January 24, 2026, the fair value of our senior fixed-rate notes was \$25.2 billion, with a carrying amount of \$24.6 billion. This compares to a fair value of \$25.0 billion and a carrying amount of \$24.6 billion as of July 26, 2025. The fair value of the senior fixed-rate notes was determined based on observable market prices in a less active market and was categorized as Level 2.

## 12. Borrowings

### (a) Short-Term Debt

The following table summarizes our short-term debt (in millions, except percentages):

	January 24, 2026		July 26, 2025	
	Amount	Effective Rate	Amount	Effective Rate
Current portion of senior fixed-rate notes	\$ 3,250	3.41 %	\$ 1,749	4.15 %
Commercial paper	5,469	3.88 %	3,482	4.37 %
Current portion of other debt	—	—	1	1.13 %
Total	<u>\$ 8,719</u>		<u>\$ 5,232</u>	

We have a short-term debt financing program of up to \$15.0 billion through the issuance of commercial paper notes. We use the proceeds from the issuance of commercial paper notes for general corporate purposes.

The effective rates for the short- and long-term debt include the interest on the notes, the accretion of the discount, the issuance costs, and, if applicable, adjustments related to hedging.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**(b) Long-Term Debt**

The following table summarizes our long-term debt (in millions, except percentages):

	Maturity Date	January 24, 2026		July 26, 2025	
		Amount	Effective Rate	Amount	Effective Rate
<b>Senior fixed-rate notes:</b>					
4.90%	February 26, 2026	\$ 1,000	5.00%	\$ 1,000	5.00%
2.95%	February 28, 2026	750	3.01%	750	3.01%
2.50%	September 20, 2026	1,500	2.55%	1,500	2.55%
4.80%	February 26, 2027	2,000	4.90%	2,000	4.90%
4.55%	February 24, 2028	1,000	4.61%	1,000	4.61%
4.85%	February 26, 2029	2,500	4.91%	2,500	4.91%
4.75%	February 24, 2030	1,000	4.73%	1,000	4.73%
4.95%	February 26, 2031	2,500	5.04%	2,500	5.04%
4.95%	February 24, 2032	1,000	4.94%	1,000	4.94%
5.05%	February 26, 2034	2,500	4.97%	2,500	4.97%
5.10%	February 24, 2035	1,250	5.11%	1,250	5.11%
5.90%	February 15, 2039	2,000	6.11%	2,000	6.11%
5.50%	January 15, 2040	2,000	5.67%	2,000	5.67%
5.30%	February 26, 2054	2,000	5.28%	2,000	5.28%
5.50%	February 24, 2055	750	5.49%	750	5.49%
5.35%	February 26, 2064	1,000	5.42%	1,000	5.42%
Other debt		2	1.13%	3	1.13%
Total		24,752		24,753	
Unaccreted discount/issuance costs		(135)		(142)	
Total		<u>\$ 24,617</u>		<u>\$ 24,611</u>	
<b>Reported as:</b>					
Current portion of long-term debt		\$ 3,250		\$ 1,750	
Long-term debt		21,367		22,861	
Total		<u>\$ 24,617</u>		<u>\$ 24,611</u>	

Interest is payable semiannually on each class of the senior fixed-rate notes. Each of the senior fixed-rate notes is redeemable by us at any time, subject to a make-whole premium. The senior fixed-rate notes rank at par with the commercial paper notes that have been issued pursuant to our short-term debt financing program, as discussed above under "(a) Short-Term Debt." As of January 24, 2026, we were in compliance with all debt covenants.

As of January 24, 2026, future principal payments for long-term debt, including the current portion, are summarized as follows (in millions):

Fiscal Year	Amount
2026 (remaining six months)	\$ 1,750
2027	3,502
2028	1,000
2029	2,500
2030	1,000
Thereafter	15,000
Total	<u>\$ 24,752</u>

**CISCO SYSTEMS, INC.**  
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**(c) Credit Facility**

On February 2, 2024, we entered into an amended and restated 5-year \$5.0 billion unsecured revolving credit agreement. The interest rate for the credit agreement is determined based on a formula using certain market rates. The credit agreement requires that we comply with certain covenants, including that we maintain an interest coverage ratio (defined in the agreement as the ratio of consolidated EBITDA to consolidated interest expense) of not less than 3.0 to 1.0. As of January 24, 2026, we were in compliance with all associated covenants and we had not borrowed any funds under our credit agreement.

**13. Derivative Instruments**

**(a) Summary of Derivative Instruments**

We use derivative instruments primarily to manage exposures to foreign currency exchange rate, interest rate, and equity price risks. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates, interest rates, and equity prices. Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risks by limiting our counterparties to major financial institutions and requiring collateral in certain cases. In addition, the potential risk of loss with any one counterparty resulting from credit risk is monitored. Management does not expect material losses as a result of defaults by counterparties.

The fair values of our derivative instruments and the line items on the Consolidated Balance Sheets to which they were recorded are summarized as follows (in millions):

	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
	Balance Sheet Line Item	January 24, 2026	July 26, 2025	Balance Sheet Line Item	January 24, 2026	July 26, 2025
<b>Derivatives designated as hedging instruments:</b>						
Foreign currency derivatives	Other current assets	\$ 40	\$ 17	Other current liabilities	\$ 4	\$ 2
Foreign currency derivatives	Other assets	43	10	Other long-term liabilities	—	2
Total		83	27		4	4
<b>Derivatives not designated as hedging instruments:</b>						
Foreign currency derivatives	Other current assets	7	3	Other current liabilities	36	17
Foreign currency derivatives	Other assets	—	2	Other long-term liabilities	43	10
Total		7	5		79	27
Total		\$ 90	\$ 32		\$ 83	\$ 31

The effect on the Consolidated Statements of Operations of derivative instruments not designated as hedges is summarized as follows (in millions):

Derivatives Not Designated as Hedging Instruments	Line Item in Statements of Operations	GAINS (LOSSES) FOR THE THREE MONTHS ENDED		GAINS (LOSSES) FOR THE SIX MONTHS ENDED	
		January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Foreign currency derivatives	Other income (loss), net	\$ (3)	\$ (63)	\$ (49)	\$ (95)
Total return swaps—deferred compensation	Operating expenses and other	14	11	68	33
Total		\$ 11	\$ (52)	\$ 19	\$ (62)

The notional amounts of our outstanding derivatives are summarized as follows (in millions):

	January 24, 2026	July 26, 2025
Foreign currency derivatives	\$ 8,518	\$ 8,978
Total return swaps—deferred compensation	1,202	1,087
Total	\$ 9,720	\$ 10,065

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**(b) Offsetting of Derivative Instruments**

We present our derivative instruments at gross fair values in the Consolidated Balance Sheets. However, our master netting and other similar arrangements with the respective counterparties allow for net settlement under certain conditions, which are designed to reduce credit risk by permitting net settlement with the same counterparty.

**(c) Foreign Currency Exchange Risk**

We conduct business globally in numerous currencies. Therefore, we are exposed to adverse movements in foreign currency exchange rates. To limit the exposure related to foreign currency changes, we enter into foreign currency contracts. We do not enter into such contracts for speculative purposes.

We may hedge forecasted foreign currency transactions related to certain revenues, operating expenses and service cost of sales with currency options and forward contracts. These currency options and forward contracts, designated as cash flow hedges, generally have maturities of less than 24 months. The derivative instrument's gain or loss is initially reported as a component of accumulated other comprehensive income (AOCI) and subsequently reclassified into earnings when the hedged exposure affects earnings.

We enter into foreign exchange forward and option contracts to reduce the short-term effects of foreign currency fluctuations on assets and liabilities such as foreign currency receivables, long-term customer financings and payables. These derivatives are not designated as hedging instruments. Gains and losses on the contracts are included in other income (loss), net, and substantially offset foreign exchange gains and losses from the remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of the reporting entity.

We hedge certain net investments in our foreign operations with forward contracts to reduce the effects of foreign currency fluctuations on our net investment in those foreign subsidiaries. These derivative instruments generally have maturities of up to six months.

**(d) Interest Rate Risk**

We periodically enter into treasury lock agreements, designated as cash flow hedges, in order to hedge the impact of changes in the U.S. benchmark interest rate on future interest payments in anticipation of future debt offerings. Changes in the fair value of treasury lock agreements are recorded to AOCI and reclassified into earnings when the hedged exposure affects earnings.

**(e) Equity Price Risk**

We are exposed to variability in compensation charges related to certain deferred compensation obligations to employees and directors. Although not designated as accounting hedges, we utilize derivatives such as total return swaps to economically hedge this exposure and offset the related compensation expense.

**14. Commitments and Contingencies****(a) Purchase Commitments with Contract Manufacturers and Suppliers**

We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that allow them to procure inventory based upon criteria as defined by us or establish the parameters defining our requirements. A significant portion of our reported purchase commitments arising from these agreements consists of firm, noncancelable, and unconditional commitments. Certain of these inventory purchase commitments are directly with suppliers, and relate to fixed-dollar commitments to secure supply and pricing for certain product components for multi-year periods. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed.

The following table summarizes our inventory purchase commitments with contract manufacturers and suppliers by period (in millions):

	January 24, 2026	July 26, 2025
Less than 1 year	\$ 9,615	\$ 7,202
1 to 3 years	417	320
3 to 5 years	23	77
Total	<u>\$ 10,055</u>	<u>\$ 7,599</u>

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

We record a liability for firm, noncancelable, and unconditional purchase commitments for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. As of January 24, 2026 and July 26, 2025, the liability for these purchase commitments was \$185 million and \$206 million, respectively, and was included in other current liabilities.

**(b) Other Commitments**

We have certain funding commitments, primarily related to our privately held investments. The funding commitments were \$ 0.7 billion and \$0.3 billion as of January 24, 2026 and July 26, 2025, respectively.

**(c) Product Warranties**

The following table summarizes the activity related to the product warranty liability (in millions):

	Six Months Ended	
	January 24, 2026	January 25, 2025
Balance at beginning of period	\$ 399	\$ 362
Provisions for warranties issued	209	198
Adjustments for pre-existing warranties	—	37
Settlements	(231)	(203)
Balance at end of period	<u>\$ 377</u>	<u>\$ 394</u>

We accrue for warranty costs as part of our cost of sales based on associated material product costs, labor costs for technical support staff, and associated overhead. Our products are generally covered by a warranty for periods ranging from 90 days to five years, and for some products we provide a limited lifetime warranty.

**(d) Financing and Other Guarantees**

In the ordinary course of business, we provide financing guarantees for various third-party financing arrangements extended to channel partners customers. Payments under these financing guarantee arrangements were not material for the periods presented.

Channel Partner Financing Guarantees We facilitate arrangements for third-party financing extended to channel partners, consisting of revolving short-term financing, with payment terms generally ranging from 60 to 90 days. These financing arrangements facilitate the working capital requirements of the channel partners, and, in some cases, we guarantee a portion of these arrangements. The volume of channel partner financing was \$7.4 billion and \$6.2 billion for the second quarter of fiscal 2026 and 2025, respectively, and \$14.0 billion and \$12.2 billion for the first six months of fiscal 2026 and 2025, respectively. The balance of the channel partner financing subject to guarantees was \$1.3 billion as of each of January 24, 2026 and July 26, 2025.

Financing Guarantee Summary The aggregate amounts of channel partner financing guarantees outstanding at January 24, 2026 and July 26, 2025, representing the total maximum potential future payments under financing arrangements with third parties along with the related deferred revenue, are summarized in the following table (in millions):

	January 24, 2026	July 26, 2025
Maximum potential future payments	\$ 126	\$ 123
Deferred revenue	(13)	(13)
Total	<u>\$ 113</u>	<u>\$ 110</u>

**(e) Indemnifications**

In the normal course of business, we have indemnification obligations to other parties, including customers, lessors, and parties to other transactions with us, with respect to certain matters. We have agreed to indemnify against losses arising from a breach of representations or covenants or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time or circumstances within which an indemnification claim can be made and the amount of the claim.

It is not possible to determine the maximum potential amount for claims made under the indemnification obligations due to uncertainties in the litigation process, coordination with and contributions by other parties and the defendants in these types of cases, and the unique facts and circumstances involved in each particular case and agreement. Historically, indemnity payments made by us have not had a material effect on our Consolidated Financial Statements.

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In addition, we have entered into indemnification agreements with our officers and directors, and our Amended and Restated Bylaws contain similar indemnification obligations to our agents.

**(f) Legal Proceedings**

Brazil Brazilian authorities have investigated our Brazilian subsidiary and certain of its former employees, as well as a Brazilian importer of our products, and its affiliates and employees, relating to alleged evasion of import taxes and alleged improper transactions involving the subsidiary and the importer. Brazilian tax authorities have assessed claims against our Brazilian subsidiary based on a theory of joint liability with the Brazilian importer for import taxes, interest, and penalties. In addition to claims asserted by the Brazilian federal tax authorities in prior fiscal years, tax authorities from the Brazilian state of Sao Paulo have asserted similar claims on the same legal basis in prior fiscal years. The remaining asserted claims by Brazilian federal tax authorities are for calendar years 2004 through 2007, and the remaining asserted claims by the tax authorities from the state of Sao Paulo are for calendar years 2005 through 2007. The total remaining asserted claims by Brazilian state and federal tax authorities aggregate to \$148 million for the alleged evasion of import and other taxes, \$902 million for interest, and \$303 million for various penalties, all determined using an exchange rate as of January 24, 2026.

We have completed a thorough review of the matters and believe the asserted claims against our Brazilian subsidiary are without merit, and we are defending the claims vigorously. While we believe there is no legal basis for the alleged liability, due to the complexities and uncertainty surrounding the judicial process in Brazil and the nature of the claims asserting joint liability with the importer, we are unable to determine the likelihood of an unfavorable outcome against our Brazilian subsidiary and are unable to reasonably estimate a range of loss, if any. We do not expect a final judicial determination for several years.

Centripetal Centripetal Networks, Inc. ("Centripetal") filed various patent litigations in the U.S., Germany, and France. These cases have either concluded with findings of non-infringement or invalidity or are in various stages of appeals. In the U.S., there is an appeal from our win in the Eastern District of Virginia that is pending in the Federal Circuit Court of Appeals, and one Patent Trial and Appeal Board ("PTAB") inter partes review decision that was remanded to the PTAB for further proceedings. In Germany, there is an infringement hearing on one patent set for April 2, 2026, and an appeal hearing in a related invalidity proceeding set for November 10, 2026. In France, Centripetal also filed an infringement case alleging infringement of the French counterpart to U.S. and German patents previously found to not be infringed. Those proceedings are ongoing and a final hearing date has not been set.

Ramot On June 12, 2019 and on February 26, 2021, Ramot at Tel Aviv University Ltd. ("Ramot") asserted patent infringement claims against Cisco and Acacia in the U.S. District Court for the Eastern District of Texas ("E.D. Tex.") and in the District of Delaware ("D. Del."), respectively. Ramot is seeking damages, including enhanced damages, and a royalty on future sales. Ramot alleges that certain optical transceiver modules and line cards infringe three patents. We challenged the validity of the patents in the U.S. Patent and Trademark Office ("PTO") and the pending District Court cases have been stayed. On September 28, 2021 and May 24, 2022, Cisco and Acacia filed two declaratory judgment actions of noninfringement against Ramot in D. Del. on other Ramot patents. The Court rescheduled the trial date in the D. Del. cases for December 1, 2025. Prior to trial, the D. Del. Court granted our motion for summary judgment of non-infringement of all patents-in suit. Ramot appealed that decision to the Federal Circuit and those proceedings are ongoing.

While we believe that we have strong non-infringement and invalidity arguments in these litigations, and that Ramot's damages theories in such cases are not supported by prevailing law, we are unable to reasonably estimate the ultimate outcome of these litigations at this time due to uncertainties in the litigation processes. If we do not prevail in court in these litigations, we believe any damages ultimately assessed would not have a material effect on our Consolidated Financial Statements.

In addition to the above matters, we are subject to other legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. While the outcome of these matters is currently not determinable, we do not believe that the ultimate costs to resolve these matters will have a material effect on our Consolidated Financial Statements.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**15. Stockholders' Equity****(a) Stock Repurchase Program**

In September 2001, our Board of Directors authorized a stock repurchase program. As of January 24, 2026, the remaining authorized amount for stock repurchases under this program was approximately \$10.8 billion, with no termination date. The stock repurchase activity for fiscal 2026 and 2025 under the stock repurchase program, reported based on the trade date, is summarized as follows (in millions, except per-share amounts):

<u>Quarter Ended</u>	<u>Shares</u>	<u>Weighted-Average Price per Share</u>		<u>Amount</u>
<b>Fiscal 2026</b>				
January 24, 2026	18	\$	76.29	\$ 1,351
October 25, 2025	29	\$	68.28	\$ 2,001
<b>Fiscal 2025</b>				
July 26, 2025	19	\$	64.65	\$ 1,252
April 26, 2025	25	\$	59.78	\$ 1,504
January 25, 2025	21	\$	58.58	\$ 1,236
October 26, 2024	40	\$	49.56	\$ 2,003

There were stock repurchases of \$17 million and \$20 million that were pending settlement January 24, 2026 and July 26, 2025, respectively.

The purchase price for the shares of our stock repurchased is reflected as a reduction to stockholders' equity. We are required to allocate the purchase price of the repurchased shares as (i) a reduction to retained earnings or an increase to accumulated deficit and (ii) a reduction of common stock and additional paid-in capital.

**(b) Dividends Declared**

On February 11, 2026, our Board of Directors declared a quarterly dividend of \$ 0.42 per common share to be paid on April 22, 2026, to all stockholders of record as of the close of business on April 2, 2026. Future dividends will be subject to the approval of our Board of Directors.

**(c) Preferred Stock**

Under the terms of our Amended and Restated Certificate of Incorporation, the Board of Directors is authorized to issue preferred stock in one or more series and, in connection with the creation of such series, to fix by resolution the designation, powers (including voting powers (if any)), preferences and relative, participating, optional or other special rights, if any, of such series, and any qualifications, limitations or restrictions thereof, of the shares of such series. As of January 24, 2026, we have not issued any shares of preferred stock.

**16. Employee Benefit Plans****(a) Employee Stock Incentive Plans**

We have one stock incentive plan: the 2005 Stock Incentive Plan (the "2005 Plan"). In addition, we have, in connection with our acquisitions of various companies, assumed the share-based awards granted under stock incentive plans of the acquired companies or issued share-based awards in replacement thereof. Share-based awards are designed to reward employees for their long-term contributions to us and provide incentives for them to remain with us. The number and frequency of share-based awards are based on competitive practices, our operating results, government regulations, and other factors.

The 2005 Plan provides for the granting of stock options, stock grants, stock units and stock appreciation rights (SARs), the vesting of which may be time-based or upon satisfaction of performance goals, or both, and/or other conditions. Time-based and performance-based RSUs generally vest over three years with certain awards containing retirement eligible provisions. Employees (including employee directors and executive officers) and consultants of Cisco and its subsidiaries and affiliates and non-employee directors of Cisco are eligible to participate in the 2005 Plan. The 2005 Plan may be terminated by our Board of Directors at any time and for any reason, and is currently set to terminate at the 2030 Annual Meeting unless re-adopted or extended by our stockholders prior to or on such date.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Under the 2005 Plan's share reserve feature, a distinction is made between the number of shares in the reserve attributable to (i) stock options and SARs and (ii) "full value" awards (i.e., stock grants and stock units). Shares issued as stock grants, pursuant to stock units or pursuant to the settlement of dividend equivalents are counted against shares available for issuance under the 2005 Plan on a 1.5-to-1 ratio. For each share awarded as restricted stock or a restricted stock unit award under the 2005 Plan, 1.5 shares was deducted from the available share-based award balance. If awards issued under the 2005 Plan are forfeited or terminated for any reason before being exercised or settled, then the shares underlying such awards, plus the number of additional shares, if any, that counted against shares available for issuance under the 2005 Plan at the time of grant as a result of the application of the share ratio described above, will become available again for issuance under the 2005 Plan. As of January 24, 2026, 124 million shares were authorized for future grant under the 2005 Plan.

**(b) Employee Stock Purchase Plan**

We have an Employee Stock Purchase Plan under which eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods. Employees may purchase a limited amount of shares of our stock at a discount of up to 15% of the lesser of the fair market value at the beginning of the offering period or the end of each 6-month purchase period. The Employee Stock Purchase Plan is scheduled to terminate on the earlier of (i) January 3, 2030 and (ii) the date on which all shares available for issuance under the Employee Stock Purchase Plan are sold pursuant to exercised purchase rights. Under the Employee Stock Purchase Plan, we issued 8 million shares during each of the second quarters and first six months of fiscal 2026 and fiscal 2025. As of January 24, 2026, 42 million shares were available for issuance under the Employee Stock Purchase Plan.

**(c) Summary of Share-Based Compensation Expense**

Share-based compensation expense consists of expenses for RSUs and stock purchase rights, granted to employees or assumed from acquisitions. The following table summarizes share-based compensation expense and the income tax benefit for share-based compensation (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Cost of sales—product	\$ 63	\$ 65	\$ 131	\$ 122
Cost of sales—services	88	86	170	160
Share-based compensation expense in cost of sales	151	151	301	282
Research and development	420	413	904	767
Sales and marketing	244	231	513	441
General and administrative	118	121	249	236
Restructuring and other charges	1	5	22	22
Share-based compensation expense in operating expenses	783	770	1,688	1,466
<b>Total share-based compensation expense</b>	<b>\$ 934</b>	<b>\$ 921</b>	<b>\$ 1,989</b>	<b>\$ 1,748</b>
Income tax benefit for share-based compensation	\$ 298	\$ 224	\$ 539	\$ 398

As of January 24, 2026, the total compensation cost related to unvested share-based awards not yet recognized was \$ 5.4 billion which is expected to be recognized over approximately 1.9 years on a weighted-average basis.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**(d) Restricted Stock Unit Awards**

A summary of the restricted stock and stock unit activity, which includes time-based and performance-based or market-based RSUs, is as follows (in millions, except per-share amounts):

	Restricted Stock/ Stock Units	Weighted-Average Grant Date Fair Value per Share	Aggregate Fair Value
Unvested balance at July 27, 2024	117	\$ 46.86	
Granted and assumed	70	55.73	
Vested	(65)	46.95	\$ 3,707
Canceled/forfeited/other	(9)	48.04	
Unvested balance at July 26, 2025	113	52.26	
Granted and assumed	44	68.04	
Vested	(43)	49.40	\$ 3,047
Canceled/forfeited/other	3	40.84	
Unvested balance at January 24, 2026	117	\$ 58.94	

**17. Accumulated Other Comprehensive Income (Loss)**

The components of AOCI, net of tax, and the other comprehensive income (loss), for the first six months of fiscal 2026 and 2025 are summarized as follows (in millions):

	Net Unrealized Gains (Losses) on Available-for-Sale Investments	Net Unrealized Gains (Losses) Cash Flow Hedging Instruments	Cumulative Translation Adjustment and Actuarial Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Balance at July 26, 2025	\$ (57)	\$ 65	\$ (962)	\$ (954)
Other comprehensive income (loss) before reclassifications	46	76	33	155
(Gains) losses reclassified out of AOCI	8	(22)	—	(14)
Tax benefit (expense)	(9)	(13)	(1)	(23)
Balance at January 24, 2026	\$ (12)	\$ 106	\$ (930)	\$ (836)

	Net Unrealized Gains (Losses) on Available-for-Sale Investments	Net Unrealized Gains (Losses) Cash Flow Hedging Instruments	Cumulative Translation Adjustment and Actuarial Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Balance at July 27, 2024	\$ (241)	\$ 79	\$ (1,268)	\$ (1,430)
Other comprehensive income (loss) before reclassifications	75	65	(174)	(34)
(Gains) losses reclassified out of AOCI	45	(24)	—	21
Tax benefit (expense)	(40)	(10)	—	(50)
Balance at January 25, 2025	\$ (161)	\$ 110	\$ (1,442)	\$ (1,493)

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**18. Income Taxes**

The following table provides details of income taxes (in millions, except percentages):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Income before provision for income taxes	\$ 3,646	\$ 2,887	\$ 7,037	\$ 5,154
Provision for income taxes	471	459	1,002	15
Effective tax rate	12.9 %	15.9 %	14.2 %	0.3 %

As of January 24, 2026, we had \$2.4 billion of unrecognized tax benefits, of which \$1.6 billion, if recognized, would favorably impact the effective tax rate. We regularly engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. We believe it is reasonably possible that certain federal, foreign, and state tax matters may be concluded in the next 12 months. Specific positions that may be resolved include issues involving transfer pricing and various other matters.

We made our final transition tax payment of \$2.3 billion in the second quarter of fiscal 2026 associated with the one-time U.S. transition tax on accumulated earnings for foreign subsidiaries as a result of the Tax Cuts and Jobs Act. On August 26, 2024, the U.S. Tax Court issued an opinion in *Varian Medical Systems, Inc. v. Commissioner*. The opinion related to the U.S. taxation of deemed foreign dividends in the transition year of the Tax Cuts and Jobs Act (our fiscal 2018). While we were not a party to the case, the opinion resulted in a change to our tax position. As such, we recorded a tax benefit of \$720 million as a reduction to the provision for income taxes in the first quarter of fiscal 2025 due to this U.S. Tax Court opinion. The income tax receivable associated with this tax benefit was included in other assets in the Consolidated Balance Sheets.

**19. Segment Information and Major Customers****(a) Revenue and Gross Margin by Segment**

We conduct business globally and are primarily managed on a geographic basis consisting of three segments: the Americas, EMEA, and APJC. Our chief executive officer is the chief operating decision maker (CODM). The CODM reviews certain financial information for each segment, to evaluate performance and allocate resources by comparing actual performance to our annual targets. Performance of each segment is measured based on segment revenue and segment gross margin. Sales are attributed to a segment based on the location of the customer.

We do not allocate research and development, sales and marketing, or general and administrative expenses to our segments because the CODM does not include this information in our measurement of performance of the operating segments. In addition, we do not allocate amortization and impairment of acquisition-related intangible assets, share-based compensation expense, significant litigation settlements and other contingencies, charges related to asset impairments and restructurings, and certain other charges to the cost of sales and gross margin for each segment because the CODM does not include this information in the measurement of the performance of our operating segments.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

The following summarizes our revenue and gross margin by segment and the significant expenses by each segment (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
<b>Revenue:</b>				
Americas	\$ 8,845	\$ 8,202	\$ 17,834	\$ 16,454
EMEA	4,425	3,855	8,208	7,444
APJC	2,080	1,934	4,191	3,934
Total	<u>\$ 15,349</u>	<u>\$ 13,991</u>	<u>\$ 30,232</u>	<u>\$ 27,832</u>
<b>Gross margin:</b>				
Americas	\$ 5,816	\$ 5,545	\$ 11,817	\$ 11,285
EMEA	3,173	2,750	5,895	5,272
APJC	1,368	1,320	2,781	2,648
Segment total	<u>10,357</u>	<u>9,614</u>	<u>20,493</u>	<u>19,204</u>
Unallocated corporate items	<u>(385)</u>	<u>(503)</u>	<u>(776)</u>	<u>(972)</u>
Total	<u>\$ 9,972</u>	<u>\$ 9,111</u>	<u>\$ 19,717</u>	<u>\$ 18,232</u>
<b>Supplemental information about our significant expenses:</b>				
<b>Americas:</b>				
Cost of sales — product	\$ 2,416	\$ 1,877	\$ 4,765	\$ 3,928
Cost of sales — services	612	635	1,251	1,242
Segment total	<u>\$ 3,029</u>	<u>\$ 2,512</u>	<u>\$ 6,016</u>	<u>\$ 5,170</u>
<b>EMEA:</b>				
Cost of sales — product	\$ 962	\$ 778	\$ 1,730	\$ 1,602
Cost of sales — services	289	288	583	570
Segment total	<u>\$ 1,252</u>	<u>\$ 1,066</u>	<u>\$ 2,314</u>	<u>\$ 2,172</u>
<b>APJC:</b>				
Cost of sales — product	\$ 533	\$ 490	\$ 1,047	\$ 926
Cost of sales — services	179	183	362	360
Segment total	<u>\$ 712</u>	<u>\$ 673</u>	<u>\$ 1,410</u>	<u>\$ 1,286</u>

Amounts may not sum due to rounding.

Revenue in the United States was \$8.0 billion and \$7.4 billion for the second quarter of fiscal 2026 and 2025, respectively, and \$ 16.1 billion and \$14.8 billion for the first six months of fiscal 2026 and 2025, respectively.

**CISCO SYSTEMS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**(b) Revenue for Groups of Similar Products and Services**

We design and sell Internet Protocol (IP)-based networking and other products related to the communications and IT industry and provide services associated with these products and their use.

The following table presents revenue for groups of similar products and services (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Revenue:				
Networking	\$ 8,294	\$ 6,850	\$ 16,061	\$ 13,603
Security	2,018	2,111	3,998	4,129
Collaboration	1,054	996	2,109	2,081
Observability	277	277	550	535
Total Product	11,642	10,234	22,719	20,348
Services	3,707	3,757	7,513	7,484
Total	<u>\$ 15,349</u>	<u>\$ 13,991</u>	<u>\$ 30,232</u>	<u>\$ 27,832</u>

Amounts may not sum due to rounding.

**20. Net Income per Share**

The following table presents the calculation of basic and diluted net income per share (in millions, except per-share amounts):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Net income	\$ 3,175	\$ 2,428	\$ 6,035	\$ 5,139
Weighted-average shares—basic	3,955	3,981	3,955	3,986
Effect of dilutive potential common shares	29	24	32	22
Weighted-average shares—diluted	3,984	4,005	3,987	4,008
Net income per share—basic	<u>\$ 0.80</u>	<u>\$ 0.61</u>	<u>\$ 1.53</u>	<u>\$ 1.29</u>
Net income per share—diluted	<u>\$ 0.80</u>	<u>\$ 0.61</u>	<u>\$ 1.51</u>	<u>\$ 1.28</u>
Antidilutive employee share-based awards, excluded	<u>—</u>	<u>22</u>	<u>—</u>	<u>59</u>

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

This Quarterly Report on Form 10-Q, including this Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended (the “Securities Act”), and the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “momentum,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below under “Part II, Item 1A. Risk Factors,” and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

### OVERVIEW

Cisco designs and sells a broad range of technologies that help to power, secure, and draw insights from the Internet. We are incorporating artificial intelligence (AI) into our product portfolios across networking, security, collaboration and observability as well as integrating our products more tightly together. We are simplifying how our technology is delivered, managed and optimized and helping customers maximize the business value of their technology investments.

A summary of our results is as follows (in millions, except percentages and per-share amounts):

	Three Months Ended			Six Months Ended		
	January 24, 2026	January 25, 2025	% Variance	January 24, 2026	January 25, 2025	% Variance
Revenue	\$ 15,349	\$ 13,991	10 %	\$ 30,232	\$ 27,832	9 %
Gross margin percentage	65.0 %	65.1 %	(0.1) pts	65.2 %	65.5 %	(0.3) pts
Research and development	\$ 2,355	\$ 2,299	2 %	\$ 4,755	\$ 4,585	4 %
Sales and marketing	\$ 2,881	\$ 2,672	8 %	\$ 5,752	\$ 5,424	6 %
General and administrative	\$ 688	\$ 752	(9) %	\$ 1,421	\$ 1,547	(8) %
Total research and development, sales and marketing, general and administrative	\$ 5,924	\$ 5,723	4 %	\$ 11,928	\$ 11,556	3 %
Total as a percentage of revenue	38.6 %	40.9 %	(2.3) pts	39.5 %	41.5 %	(2.0) pts
Operating income as a percentage of revenue	24.6 %	22.3 %	2.3 pts	23.6 %	19.7 %	3.9 pts
Interest and other income (loss), net	\$ (135)	\$ (226)	(40) %	\$ (107)	\$ (317)	(66) %
Income tax percentage	12.9 %	15.9 %	(3.0) pts	14.2 %	0.3 %	13.9 pts
Net income	\$ 3,175	\$ 2,428	31 %	\$ 6,035	\$ 5,139	17 %
Net income as a percentage of revenue	20.7 %	17.4 %	3.3 pts	20.0 %	18.5 %	1.5 pts
Earnings per share—diluted	\$ 0.80	\$ 0.61	31 %	\$ 1.51	\$ 1.28	18 %

Percentages may not recalculate due to rounding.

*Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025*

In the second quarter of fiscal 2026, we delivered strong revenue growth and profitability as we saw a continued positive demand environment. Total revenue increased by 10% compared with the second quarter of fiscal 2025. Within total revenue, product revenue increased by 14% and services revenue decreased by 1%. In the second quarter of fiscal 2026, total software revenue was \$5.7 billion across all product areas and services, an increase of 2%. Total subscription revenue was flat.

Total gross margin decreased by 0.1 percentage points. Product gross margin increased by 0.2 percentage points, primarily driven by productivity improvements and lower amortization of purchased intangible assets, partially offset by negative impacts from product mix and pricing. As a percentage of revenue, research and development, sales and marketing, and general and administrative expenses, collectively, decreased by 2.3 percentage points. Operating income as a percentage of revenue increased by 2.3 percentage points, primarily driven by revenue growth and lower amortization of purchased intangible assets in the second quarter of fiscal 2026. Diluted earnings per share increased 31%, driven by revenue growth and operating margin improvement.

In terms of our geographic segments, revenue from the Americas increased by \$0.6 billion, EMEA revenue increased by \$0.6 billion and APJC revenue increased by \$0.1 billion. From a customer market standpoint, we experienced product revenue growth across all of our customer markets.

From a product category perspective, the product revenue increase of 14% was driven by growth in Networking of 21%, particularly within our AI Infrastructure and Campus Networking solutions where we expect to continue to see positive business momentum. We saw a decline in Security of 4%, primarily driven by declines in our prior generation products and our Splunk business where we continued to see a change in how our customers consumed Splunk offerings, shifting from fewer on-premise deals to more cloud subscriptions. We expect this trend to continue in the second half of fiscal 2026.

We continue to operate in a highly competitive and complex environment, especially as it relates to memory constraints and costs, and trade policy. Notwithstanding these challenges, we believe that we are making progress on our strategic priorities. We continue to invest in key priority areas with the objective of driving profitable growth over the long term. We remain focused on delivering innovation across our technologies to assist our customers in executing on their digital transformations and on accelerating innovation across our portfolio.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Total revenue increased 9%, with product revenue increasing 12% and services revenue was flat. Total gross margin decreased 0.3 percentage points, primarily driven by negative impacts from product mix and pricing, partially offset by productivity improvements and lower amortization of purchased intangible assets. As a percentage of revenue, research and development, sales and marketing, and general and administrative expenses, collectively, decreased by 2.0 percentage points. Operating income as a percentage of revenue increased by 3.9 percentage points, primarily driven by higher revenue, lower restructuring and other charges and lower amortization of purchased intangible assets in the first six months of fiscal 2026. Diluted earnings per share increased 18%, driven by revenue growth and operating margin improvement, partially offset by the income tax benefit of \$720 million we had in the first six months of fiscal 2025.

**Strategy and Priorities**

In today's digital-first world, businesses and organizations globally are deploying technology to pursue their strategic objectives, from accelerating growth to enhancing operational efficiency and fostering innovation. Our strategy is to securely connect everything to make those desired outcomes possible.

For additional discussion of our strategy and priorities, see Item 1. Business in our Annual Report on Form 10-K for the fiscal year ended July 26, 2025.

**Other Key Financial Measures**

The following is a summary of our other key financial measures for the second quarter of fiscal 2026 (in millions):

	January 24, 2026	July 26, 2025
Cash and cash equivalents and investments	\$ 15,777	\$ 16,110
Remaining performance obligations	\$ 43,406	\$ 43,533
Inventories	\$ 3,920	\$ 3,164
Total debt	\$ 30,086	\$ 28,093
	Six Months Ended	
	January 24, 2026	January 25, 2025
Cash provided by operating activities	\$ 5,034	\$ 5,902
Repurchases of common stock—stock repurchase program	\$ 3,352	\$ 3,239
Dividends paid	\$ 3,234	\$ 3,185

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 26, 2025, as updated as applicable in Note 2 to the Consolidated Financial Statements herein, describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

### Revenue Recognition

We enter into contracts with customers that can include various combinations of products and services which are generally distinct and accounted for as separate performance obligations, resulting in contracts that may contain multiple performance obligations. We determine whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether our commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. We classify our hardware, perpetual software licenses, and SaaS as distinct performance obligations. Term software licenses represent multiple obligations, which include software licenses and software maintenance. In transactions where we deliver hardware or software, we are typically the principal and we record revenue and costs of goods sold on a gross basis.

We recognize revenue upon transfer of control of promised goods or services in a contract with a customer in an amount that reflects the consideration we expect to receive in exchange for those products or services. Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment, electronic delivery (or when the software is available for download by the customer), or once title and risk of loss has transferred to the customer. Transfer of control can also occur over time for software maintenance and services as the customer receives the benefit over the contract term. Our hardware and perpetual software licenses are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognized upfront upon transfer of control, with the associated software maintenance revenue recognized ratably over the contract term as services and software updates are provided. SaaS arrangements do not include the right for the customer to take possession of the software during the term, and therefore have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term as the customer consumes the services. On our product sales, we record consideration from shipping and handling on a gross basis within net product sales. We record our revenue net of any associated sales taxes.

Revenue is allocated among these performance obligations in a manner that reflects the consideration that we expect to be entitled to for the promised goods or services based on standalone selling prices (SSP). SSP is estimated for each distinct performance obligation and judgment may be required in their determination. The best evidence of SSP is the observable price of a product or service when we sell the goods separately in similar circumstances and to similar customers. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs.

We assess relevant contractual terms in our customer contracts to determine the transaction price. We apply judgment in identifying contractual terms and determining the transaction price as we may be required to estimate variable consideration when determining the amount of revenue to recognize. Variable consideration includes potential contractual penalties and various rebate, cooperative marketing and other incentive programs that we offer to our distributors, channel partners and customers that we sell to directly. When determining the amount of revenue to recognize, we estimate the expected usage of these programs, applying the expected value or most likely estimate and update the estimate at each reporting period as actual utilization becomes available. We also consider the customers' right of return in determining the transaction price, where applicable. If actual credits received by customers under these programs were to deviate significantly from our estimates, which are based on historical experience, our revenue could be adversely affected.

See Note 3 to the Consolidated Financial Statements for more details.

### Inventory Valuation and Liability for Purchase Commitments with Contract Manufacturers and Suppliers

Inventory is written down based on excess and obsolete inventories, determined primarily by future demand forecasts. Inventory write-downs are measured as the difference between the cost of the inventory and net realizable value, based upon assumptions about future demand, and are charged to the provision for inventory. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

We record a provision for firm, noncancelable, and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. Both provisions are a component of cost of sales.

Our total provisions for inventory and the liability related to purchase commitments with contract manufacturers and suppliers were \$104 million and \$357 million for the first six months of fiscal 2026 and 2025, respectively. If there were to be a sudden and significant decrease in demand for our products, or a higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements, then we could be required to increase our inventory write-downs, and our liability for purchase commitments with contract manufacturers and suppliers, and accordingly our profitability, could be adversely affected. We regularly evaluate our exposure for inventory write-downs and the adequacy of our liability for purchase commitments. For further discussion around the supply chain impacts and risks, see “—Results of Operations—Gross Margin—Supply Chain Impacts and Risks” and “—Liquidity and Capital Resources—Inventory Supply Chain.”

#### **Loss Contingencies**

We are subject to the possibility of various losses arising in the ordinary course of business. We consider the likelihood of the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate information available to us to determine whether such accruals should be made or adjusted and whether new accruals are required.

Third parties, including customers, have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. If any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

#### **Valuation of Goodwill and Purchased Intangible Assets**

##### *Goodwill*

Our methodology for allocating the purchase price relating to purchase acquisitions is determined through established valuation techniques. Goodwill represents a residual value as of the acquisition date, which in most cases results in measuring goodwill as an excess of the purchase consideration transferred plus the fair value of any noncontrolling interest in the acquired company over the fair value of net assets acquired, including contingent consideration. We perform goodwill impairment tests on an annual basis in the fourth fiscal quarter and between annual tests in certain circumstances for each reporting unit. The assessment of fair value for goodwill and purchased intangible assets is based on factors that market participants would use in an orderly transaction in accordance with the guidance for the fair value measurement of nonfinancial assets.

In response to changes in industry and market conditions, we could be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses, which could result in an impairment of goodwill. There was no impairment of goodwill in each of the first six months of fiscal 2026 and 2025.

##### *Purchased Intangible Assets*

The accounting for acquisitions requires significant estimates and judgments in the valuation of purchased intangible assets. Critical estimates used in the valuation of purchased intangible assets include, but are not limited to, the amount and timing of expected future cash flows, useful lives and discount rates. While our estimates of fair value are based on assumptions that are believed to be reasonable, these assumptions are inherently uncertain and unpredictable and would not reflect unanticipated events and circumstances that may occur.

We make judgments about the recoverability of purchased intangible assets with finite lives whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of purchased intangible assets with finite lives is measured by comparing the carrying amount of the asset group to the future undiscounted cash flows the asset group is expected to generate. We review indefinite-lived intangible assets for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. If the asset is considered impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. Assumptions and estimates about future values and remaining useful lives of our purchased intangible assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business

strategy and our internal forecasts. Our ongoing consideration of all the factors described previously could result in impairment charges in the future, which could adversely affect our net income.

#### **Income Taxes**

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rates differ from the statutory rate, primarily due to the tax impact of state taxes, foreign operations, R&D tax credits, foreign-derived intangible income deductions, global intangible low-taxed income, tax audit settlements, nondeductible compensation, and international realignments. Our effective tax rate was 12.9% and 15.9% in the second quarter of fiscal 2026 and 2025, respectively and 14.2% and 0.3% in the first six months of fiscal 2026 and 2025, respectively.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves due to changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, and the related net interest and penalties.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. If we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Our provision for income taxes is subject to volatility and could be adversely impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; by changes in the valuation of our deferred tax assets and liabilities; by changes to foreign-derived intangible income deduction, global intangible low-tax income and base erosion and anti-abuse tax, research and development capitalization and amortization, and corporate alternative minimum tax laws, regulations, or interpretations thereof; by expiration of or lapses in tax incentives; by transfer pricing adjustments, including the effect of acquisitions on our legal structure; by tax effects of nondeductible compensation; by tax costs related to intercompany realignments; by changes in accounting principles; or by changes in tax laws and regulations, treaties, or interpretations thereof, including changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, and the foreign tax credit rules. Significant judgment is required to determine the recognition and measurement attributes prescribed in the accounting guidance for uncertainty in income taxes. The Organisation for Economic Co-operation and Development (OECD), an international association comprised of 38 countries, including the United States, has made changes, including a Pillar Two framework that imposes a minimum tax rate of 15% in each taxing jurisdiction, and is contemplating additional changes to numerous long-standing tax principles. There can be no assurance that these changes and any contemplated changes if finalized, once adopted by countries, will not have an adverse impact on our provision for income taxes. As a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries was subject to reduced tax rates. Our failure to meet these commitments could adversely impact our provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service (IRS) and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse impact on our operating results and financial condition.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

## RESULTS OF OPERATIONS

### Revenue

The following table presents the breakdown of revenue between product and services (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
<b>Revenue:</b>								
Product	\$ 11,642	\$ 10,234	\$ 1,408	14 %	\$ 22,719	\$ 20,348	\$ 2,371	12 %
<i>Percentage of revenue</i>	75.8 %	73.1 %			75.1 %	73.1 %		
Services	3,707	3,757	(50)	(1) %	7,513	7,484	29	— %
<i>Percentage of revenue</i>	24.2 %	26.9 %			24.9 %	26.9 %		
<b>Total</b>	<u>\$ 15,349</u>	<u>\$ 13,991</u>	<u>\$ 1,358</u>	10 %	<u>\$ 30,232</u>	<u>\$ 27,832</u>	<u>\$ 2,400</u>	9 %

Amounts may not sum and percentages may not recalculate due to rounding.

We manage our business primarily on a geographic basis, organized into three geographic segments. Our revenue, which includes product and services for each segment, is summarized in the following table (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
<b>Revenue:</b>								
Americas	\$ 8,845	\$ 8,202	\$ 643	8 %	\$ 17,834	\$ 16,454	\$ 1,380	8 %
<i>Percentage of revenue</i>	57.6 %	58.6 %			58.9 %	59.2 %		
EMEA	4,425	3,855	570	15 %	8,208	7,444	764	10 %
<i>Percentage of revenue</i>	28.8 %	27.6 %			27.2 %	26.7 %		
APJC	2,080	1,934	146	8 %	4,191	3,934	257	7 %
<i>Percentage of revenue</i>	13.6 %	13.8 %			13.9 %	14.1 %		
<b>Total</b>	<u>\$ 15,349</u>	<u>\$ 13,991</u>	<u>\$ 1,358</u>	10 %	<u>\$ 30,232</u>	<u>\$ 27,832</u>	<u>\$ 2,400</u>	9 %

Amounts may not sum and percentages may not recalculate due to rounding.

#### Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

Total revenue increased by 10%. Product revenue increased by 14% and services revenue decreased by 1%. Our total revenue reflected growth across each of our geographic segments.

In addition to the impact of macroeconomic factors, including the IT spending environment and the level of spending by government entities, revenue by segment in a particular period may be significantly impacted by the timing of revenue recognition for complex transactions with multiple performance obligations. In addition, certain customers tend to make large and sporadic purchases, and the revenue related to these transactions may also be affected by the timing of revenue recognition, which in turn would impact the revenue of the relevant segment.

#### Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Total revenue increased by 9%. Product revenue increased by 12% and services revenue was flat. Our total revenue reflected growth across each of our geographic segments.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Product Revenue by Segment**

The following table presents the breakdown of product revenue by segment (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
<b>Product revenue:</b>								
Americas	\$ 6,650	\$ 5,947	\$ 703	12 %	\$ 13,356	\$ 11,950	\$ 1,406	12 %
<i>Percentage of product revenue</i>	<i>57.1 %</i>	<i>58.1 %</i>			<i>58.8 %</i>	<i>58.7 %</i>		
EMEA	3,487	2,926	561	19 %	6,332	5,612	720	13 %
<i>Percentage of product revenue</i>	<i>30.0 %</i>	<i>28.6 %</i>			<i>27.9 %</i>	<i>27.6 %</i>		
APJC	1,506	1,360	146	11 %	3,031	2,786	245	9 %
<i>Percentage of product revenue</i>	<i>12.9 %</i>	<i>13.3 %</i>			<i>13.3 %</i>	<i>13.7 %</i>		
<b>Total</b>	<b>\$ 11,642</b>	<b>\$ 10,234</b>	<b>\$ 1,408</b>	<b>14 %</b>	<b>\$ 22,719</b>	<b>\$ 20,348</b>	<b>\$ 2,371</b>	<b>12 %</b>

Amounts may not sum and percentages may not recalculate due to rounding.

**Americas**
*Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025*

Product revenue in the Americas segment increased by 12%, with growth across each of our customer markets, led by the Service Provider and Cloud customer market which was largely driven by revenue from our AI Infrastructure solutions. From a country perspective, product revenue increased in the United States, Canada, Mexico and Brazil by 12%, 5%, 36%, and 6%, respectively.

*Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025*

Product revenue in the Americas segment increased by 12%, with growth across each of our customer markets, led by the Service Provider and Cloud customer market which was largely driven by revenue from our AI Infrastructure solutions. From a country perspective, product revenue increased in the United States, Canada and Mexico by 13%, 1%, and 31%, respectively, partially offset by a decline in Brazil of 14%.

**EMEA**
*Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025*

Product revenue in the EMEA segment increased by 19%, with growth across each of our customer markets. From a country perspective, product revenue increased in Germany and the United Kingdom by 23% and 41%, respectively.

*Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025*

Product revenue in the EMEA segment increased by 13%, with growth across each of our customer markets. From a country perspective, product revenue increased in Germany and the United Kingdom by 12% and 22%, respectively.

**APJC**
*Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025*

Product revenue in the APJC segment increased by 11%, with growth across each of our customer markets. From a country perspective, product revenue increased in Japan and India by 27% and 2%, respectively, partially offset by declines in Australia and China of 1% and 4%, respectively.

*Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025*

Product revenue in the APJC segment increased by 9%, with growth across each of our customer markets. From a country perspective, product revenue increased in Japan, India and China by 19%, 1%, and 5%, respectively, partially offset by a decline in Australia of 6%.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Product Revenue by Category**

In addition to the primary view on a geographic basis, we also prepare financial information related to product categories and customer markets for various purposes.

The following table presents product revenue by category (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
Product revenue								
Networking	\$ 8,294	\$ 6,850	\$ 1,444	21 %	\$ 16,061	\$ 13,603	\$ 2,458	18 %
Security	2,018	2,111	(93)	(4) %	3,998	4,129	(131)	(3) %
Collaboration	1,054	996	58	6 %	2,109	2,081	28	1 %
Observability	277	277	—	— %	550	535	15	3 %
Total	<u>\$ 11,642</u>	<u>\$ 10,234</u>	<u>\$ 1,408</u>	14 %	<u>\$ 22,719</u>	<u>\$ 20,348</u>	<u>\$ 2,371</u>	12 %

Amounts may not sum and percentages may not recalculate due to rounding.

Networking
Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

The Networking product category consists of our core networking technologies of switching, routing, wireless, and servers. Revenue from the Networking product category increased by 21%, or \$1.4 billion primarily driven by our AI Infrastructure and Campus Networking solutions. The increase was primarily driven by double digit revenue growth in Service Provider Routing, Data Center Switching, Campus Switching, Enterprise Routing, Wireless and Compute.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Revenue from the Networking product category increased by 18%, or \$2.5 billion. The increase was primarily driven by double digit revenue growth in Service Provider Routing, particularly within our AI Infrastructure solutions, Data Center Switching and Enterprise Routing. We also experienced revenue growth in Campus Switching and Wireless.

Security
Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

The Security product category consists of our Network Security, Identity and Access Management, SASE and Threat Intelligence, Detection, and Response offerings. Revenue in our Security product category decreased by 4%, or \$93 million. The decline was primarily driven by our prior generation products and Splunk offerings. We continued to see a change in how our customers consumed Splunk offerings, shifting from fewer on-premise deals to more cloud subscriptions. These declines were partially offset by growth in new and refreshed products.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Revenue from the Security product category decreased by 3%, or \$131 million, primarily driven by Threat Intelligence, Detection, and Response offerings and our prior generation products, partially offset by growth in SASE and Duo offerings.

Collaboration
Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

The Collaboration product category consists of our Webex Suite, Collaboration Devices, Contact Center and CPaaS offerings. Revenue in our Collaboration product category increased by 6%, or \$58 million, primarily driven by double digit revenue growth in our Collaboration Devices, Cloud Contact Center and CPaaS offerings. We also experienced growth in our Webex Suite offerings.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Revenue from the Collaboration product category increased by 1%, or \$28 million, primarily driven by revenue growth in our Collaboration Devices and CPaaS offerings.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

### Observability

#### Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

The Observability product category consists of our network assurance, monitoring and analytics and observability suite offerings. Revenue in our Observability product category was flat, primarily due to growth in ThousandEyes offset by a decline in Splunk offerings.

#### Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Revenue from Observability product category increased by 3%, or \$15 million, primarily driven by growth in ThousandEyes.

### Services Revenue by Segment

The following table presents the breakdown of services revenue by segment (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
<b>Services revenue:</b>								
Americas	\$ 2,195	\$ 2,255	\$ (60)	(3) %	\$ 4,478	\$ 4,505	\$ (27)	(1) %
<i>Percentage of service revenue</i>	59.2 %	60.0 %			59.6 %	60.2 %		
EMEA	938	929	9	1 %	1,876	1,832	44	2 %
<i>Percentage of service revenue</i>	25.3 %	24.7 %			25.0 %	24.5 %		
APJC	574	573	1	— %	1,160	1,148	12	1 %
<i>Percentage of service revenue</i>	15.5 %	15.3 %			15.4 %	15.3 %		
<b>Total</b>	<u>\$ 3,707</u>	<u>\$ 3,757</u>	<u>\$ (50)</u>	<u>(1) %</u>	<u>\$ 7,513</u>	<u>\$ 7,484</u>	<u>\$ 29</u>	<u>— %</u>

Amounts may not sum and percentages may not recalculate due to rounding.

Services revenue decreased by 1% in the second quarter of fiscal 2026 compared with the second quarter of fiscal 2025, with the decline primarily driven by lower revenue from support services, partially offset by higher professional services. Services revenue declined in the Americas segment, partially offset by an increase in the EMEA segment for the second quarter of fiscal 2026. Service revenue in the APJC segment was flat.

Services revenue was flat in the first six months of fiscal 2026 compared to the first six months of fiscal 2025. Services revenue increased in the EMEA and APJC segments, offset by a decline in the Americas segment.

### Gross Margin

The following table presents the gross margin for products and services (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	AMOUNT		PERCENTAGE		AMOUNT		PERCENTAGE	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
<b>Gross margin:</b>								
Product	\$ 7,437	\$ 6,521	63.9 %	63.7 %	\$ 14,580	\$ 13,109	64.2 %	64.4 %
Services	2,535	2,590	68.4 %	68.9 %	5,137	5,123	68.4 %	68.5 %
<b>Total</b>	<u>\$ 9,972</u>	<u>\$ 9,111</u>	<u>65.0 %</u>	<u>65.1 %</u>	<u>\$ 19,717</u>	<u>\$ 18,232</u>	<u>65.2 %</u>	<u>65.5 %</u>

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Product Gross Margin**

The following table summarizes the key factors that contributed to the change in product gross margin percentage for the second quarter and first six months of fiscal 2026, as compared with the corresponding prior year periods:

	Product Gross Margin Percentage	
	Three Months Ended	Six Months Ended
<b>Fiscal 2025</b>	63.7 %	64.4 %
Productivity <sup>(1)</sup>	2.7 %	2.5 %
Product pricing	(0.9)%	(1.0)%
Mix of products sold	(3.1)%	(3.0)%
Amortization of purchased intangible assets	1.3 %	1.2 %
Others	0.2 %	0.1 %
<b>Fiscal 2026</b>	<b>63.9 %</b>	<b>64.2 %</b>

<sup>(1)</sup> Productivity includes overall manufacturing-related costs, such as component costs, warranty expense, provisions for inventory and the liability related to the purchase commitments with contract manufacturers and suppliers, freight, logistics, shipment volume, and other items not categorized elsewhere.

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

Product gross margin increased by 0.2 percentage points primarily driven by productivity improvements and lower amortization of purchased intangible assets, partially offset by negative impacts from product mix and pricing. Productivity benefits were adversely impacted by higher memory costs. The negative impacts from product mix were primarily due to higher Networking revenue and lower Security revenue.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Product gross margin decreased by 0.2 percentage points primarily driven by negative impacts from product mix and pricing, partially offset by productivity improvements and lower amortization of purchased intangible assets.

Supply Chain Impacts and Risks

We regularly enter into purchase commitments with contract manufacturers and suppliers and in recent periods have increased such commitments related to manufacturing Cisco Silicon One and other products to meet demand from hyperscalers and other customers. We expect to continue entering into these additional purchase commitments in fiscal 2026, including purchase commitments to help secure memory. These purchase commitments have in turn significantly increased our supply chain exposure. This exposure includes potential material excess and obsolete or other charges if product demand significantly decreases for a sustained duration, we are unable to generate demand for certain products, or we are otherwise unable to mitigate this exposure. Additionally, while we are exposed to new and proposed tariffs and other trade policies, the extent of such exposure is uncertain but could be significant if the exposure remains and we are unable to mitigate it.

**Services Gross Margin**

Our services gross margin percentage decreased by 0.5 percentage points in the second quarter of fiscal 2026 and decreased by 0.1 percentage points in the first six months of fiscal 2026. For each of the second quarter and first six months of fiscal 2026, the decrease in services gross margin was primarily driven by higher headcount costs and mix of service offerings.

Our services gross margin normally experiences some fluctuations due to various factors such as the timing of contract initiations in our renewals, our strategic investments in headcount, and the resources we deploy to support the overall service business. Other factors include the mix of service offerings, as the gross margin from our advanced services is typically lower than the gross margin from technical support services.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Gross Margin by Segment**

The following table presents the total gross margin for each segment (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	AMOUNT		PERCENTAGE		AMOUNT		PERCENTAGE	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
<b>Gross margin:</b>								
Americas	\$ 5,816	\$ 5,545	65.8 %	67.6 %	\$ 11,817	\$ 11,285	66.3 %	68.6 %
EMEA	3,173	2,750	71.7 %	71.3 %	5,895	5,272	71.8 %	70.8 %
APJC	1,368	1,320	65.8 %	68.3 %	2,781	2,648	66.4 %	67.3 %
Segment total	10,357	9,614	67.5 %	68.7 %	20,493	19,204	67.8 %	69.0 %
Unallocated corporate items <sup>(1)</sup>	(385)	(503)			(776)	(972)		
<b>Total</b>	<b>\$ 9,972</b>	<b>\$ 9,111</b>	<b>65.0 %</b>	<b>65.1 %</b>	<b>\$ 19,717</b>	<b>\$ 18,232</b>	<b>65.2 %</b>	<b>65.5 %</b>

<sup>(1)</sup> The unallocated corporate items include the effects of amortization and impairments of acquisition-related intangible assets, share-based compensation expense, significant litigation settlements and other contingencies, charges related to asset impairments and restructurings, and certain other charges. We do not allocate these items to the gross margin for each segment because management does not include such information in measuring the performance of the operating segments.

Amounts may not sum and percentages may not recalculate due to rounding.

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

We experienced a gross margin percentage decrease in our Americas segment due to negative impacts from product mix, pricing and lower services gross margin, partially offset by positive impacts from productivity improvements.

Gross margin percentage in our EMEA segment increased primarily due to productivity improvements, partially offset by negative impacts from product mix and pricing.

The decrease in the APJC segment gross margin percentage was primarily due to product mix and pricing, partially offset by productivity improvements.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

We experienced a gross margin percentage decrease in our Americas segment due to negative impacts from product mix and pricing, partially offset by positive impacts from productivity improvements.

Gross margin percentage in our EMEA segment increased primarily due to productivity improvements, partially offset by negative impacts from product mix and pricing.

The decrease in the APJC segment gross margin percentage was primarily due to negative impacts from product mix and pricing, partially offset by productivity improvements.

**Research and Development ("R&D"), Sales and Marketing, and General and Administrative ("G&A") Expenses**

R&D, sales and marketing, and G&A expenses are summarized in the following table (in millions, except percentages):

	Three Months Ended				Six Months Ended			
	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent	January 24, 2026	January 25, 2025	Variance in Dollars	Variance in Percent
Research and development	\$ 2,355	\$ 2,299	\$ 56	2 %	\$ 4,755	\$ 4,585	\$ 170	4 %
Percentage of revenue	15.3 %	16.4 %			15.7 %	16.5 %		
Sales and marketing	2,881	2,672	209	8 %	5,752	5,424	328	6 %
Percentage of revenue	18.8 %	19.1 %			19.0 %	19.5 %		
General and administrative	688	752	(64)	(9) %	1,421	1,547	(126)	(8) %
Percentage of revenue	4.5 %	5.4 %			4.7 %	5.6 %		
<b>Total</b>	<b>\$ 5,924</b>	<b>\$ 5,723</b>	<b>\$ 201</b>	<b>4 %</b>	<b>\$ 11,928</b>	<b>\$ 11,556</b>	<b>\$ 372</b>	<b>3 %</b>
Percentage of revenue	38.6 %	40.9 %			39.5 %	41.5 %		

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**R&D Expenses**

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

R&D expenses increased primarily due to higher headcount-related expenses reflecting our investments in AI and higher discretionary spending, partially offset by lower acquisition-related costs.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

R&D expenses increased primarily due to higher headcount-related expenses reflecting our investments in AI, higher share-based compensation expense and higher discretionary spending, partially offset by lower acquisition-related costs.

**Sales and Marketing Expenses**

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

Sales and marketing expenses increased primarily due to higher headcount-related expenses, higher contracted services and higher discretionary spending.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Sales and marketing expenses increased primarily due to higher headcount-related expenses, higher share-based compensation expense, higher contracted services spending, and higher discretionary spending.

**G&A Expenses**

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

G&A expenses decreased primarily due to lower headcount-related expenses and lower acquisition-related costs.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

G&A expenses decreased primarily due to lower acquisition-related costs and lower headcount-related expenses.

**Effect of Foreign Currency**

In the second quarter of fiscal 2026, foreign currency fluctuations, net of hedging, increased the combined R&D, sales and marketing, and G&A expenses by approximately \$56 million, or 1.0%, compared with the second quarter of fiscal 2025.

In the first six months of fiscal 2026, foreign currency fluctuations, net of hedging, increased the combined R&D, sales and marketing, and G&A expenses by approximately \$91 million, or 0.8%, compared with the first six months of fiscal 2025.

**Amortization of Purchased Intangible Assets**

The following table presents the amortization of purchased intangible assets including impairment charges (in millions):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Amortization of purchased intangible assets:				
Cost of sales	\$ 235	\$ 340	\$ 475	\$ 665
Operating expenses	231	265	462	530
Total	\$ 466	\$ 605	\$ 937	\$ 1,195

For each of the second quarter and first six months of fiscal 2026, the decrease in amortization of purchased intangible assets was primarily due to certain purchased intangible assets that became fully amortized and impairment charges of \$19 million recognized in the corresponding periods of fiscal 2025. Impairment charges were as a result of declines in estimated fair value resulting from the reductions in or the elimination of expected future cash flows associated with certain technology intangible assets.

**Restructuring and Other Charges**

In the first quarter of fiscal 2025, we announced a restructuring plan in order to allow us to invest in key growth opportunities and drive more efficiencies in our business. In connection with this restructuring plan, we incurred charges of \$36 million and \$183 million in the second quarter and first six months of fiscal 2026. We completed this restructuring plan in the second quarter of fiscal 2026.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

### Operating Income

The following table presents our operating income and our operating income as a percentage of revenue (in millions, except percentages):

	Three Months Ended		Six Months Ended	
	January 24, 2026	January 25, 2025	January 24, 2026	January 25, 2025
Operating income	\$ 3,781	\$ 3,113	\$ 7,144	\$ 5,471
Operating income as a percentage of revenue	24.6 %	22.3 %	23.6 %	19.7 %

#### Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

Operating income increased by 21%, and operating income as a percentage of revenue increased by 2.3 percentage points. These changes primarily resulted from revenue growth and lower amortization of purchased intangible assets in the second quarter of fiscal 2026.

#### Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

Operating income increased by 31%, and operating income as a percentage of revenue increased by 3.9 percentage points. These changes primarily resulted from revenue growth, lower restructuring and other charges and lower amortization of purchased intangible assets in the first six months of fiscal 2026.

### Interest and Other Income (Loss), Net

Interest Income (Expense), Net The following table summarizes interest income and interest expense (in millions):

	Three Months Ended			Six Months Ended		
	January 24, 2026	January 25, 2025	Variance in Dollars	January 24, 2026	January 25, 2025	Variance in Dollars
Interest income	\$ 210	\$ 238	\$ (28)	\$ 432	\$ 524	\$ (92)
Interest expense	(370)	(404)	34	(720)	(822)	102
Interest income (expense), net	<u>\$ (160)</u>	<u>\$ (166)</u>	<u>\$ 6</u>	<u>\$ (288)</u>	<u>\$ (298)</u>	<u>\$ 10</u>

For the second quarter and first six months of fiscal 2026, the decrease in interest income was driven by a lower average balance of cash and available-for-sale debt investments and lower interest rates. The decrease in interest expense was driven by a lower average balance of debt outstanding and lower effective interest rate on commercial paper during the respective periods.

Other Income (Loss), Net The components of other income (loss), net, are summarized as follows (in millions):

	Three Months Ended			Six Months Ended		
	January 24, 2026	January 25, 2025	Variance in Dollars	January 24, 2026	January 25, 2025	Variance in Dollars
Gains (losses) on investments, net:						
Available-for-sale debt investments	\$ (4)	\$ (20)	\$ 16	\$ (8)	\$ (45)	\$ 37
Marketable equity investments	(34)	21	(55)	(3)	45	(48)
Privately held investments	97	(27)	124	260	47	213
Net gains (losses) on investments	<u>59</u>	<u>(26)</u>	<u>85</u>	<u>249</u>	<u>47</u>	<u>202</u>
Other gains (losses), net	(34)	(34)	—	(68)	(66)	(2)
Other income (loss), net	<u>\$ 25</u>	<u>\$ (60)</u>	<u>\$ 85</u>	<u>\$ 181</u>	<u>\$ (19)</u>	<u>\$ 200</u>

For each of the second quarter and first six months of fiscal 2026, the change in our other income (loss), net was primarily driven by higher gains on privately held investments.

**Provision for Income Taxes**

Three Months Ended January 24, 2026 Compared with Three Months Ended January 25, 2025

The provision for income taxes resulted in an effective tax rate of 12.9% for the second quarter of fiscal 2026, compared with an effective tax rate of 15.9% for the second quarter of fiscal 2025. The decrease in the effective tax rate was primarily due to an increase in stock-based compensation windfall benefit.

Six Months Ended January 24, 2026 Compared with Six Months Ended January 25, 2025

The provision for income taxes resulted in an effective tax rate of 14.2% for the first six months of fiscal 2026, compared with an effective tax rate of 0.3% for the first six months of fiscal 2025. The increase in the effective tax rate was primarily due to a \$720 million tax benefit related to the U.S. Tax Court opinion issued during the first quarter of fiscal 2025 regarding the U.S. taxation of deemed foreign dividends in the transition year of the Tax Cut and Job Act (our fiscal 2018).

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

## LIQUIDITY AND CAPITAL RESOURCES

The following sections discuss the effects of changes in our balance sheet, our capital allocation strategy including stock repurchase program and dividends, our contractual obligations, and certain other commitments and activities on our liquidity and capital resources.

### Balance Sheet and Cash Flows

Cash and Cash Equivalents and Investments The following table summarizes our cash and cash equivalents and investments (in millions):

	January 24, 2026	July 26, 2025	Increase (Decrease)
Cash and cash equivalents	\$ 7,458	\$ 8,346	\$ (888)
Available-for-sale debt investments	7,960	7,381	579
Marketable equity securities	359	383	(24)
Total	<u>\$ 15,777</u>	<u>\$ 16,110</u>	<u>\$ (333)</u>

The net decrease in cash and cash equivalents and investments in the first six months of fiscal 2026 was primarily driven by cash returned to stockholders in the form of repurchases of common stock of \$3.4 billion and cash dividends of \$3.2 billion, shares repurchased for tax withholdings on vesting of restricted stock units of \$1.1 billion and capital expenditures of \$0.6 billion. These uses of cash were partially offset by net cash provided by operating activities of \$5.0 billion, \$2.0 billion net issuance of commercial paper, and the release to us of approximately \$0.6 billion of restricted cash previously held in escrow.

We maintain an investment portfolio of various holdings, types, and maturities. We classify our investments as short-term investments based on their nature and their availability for use in current operations. We believe the overall credit quality of our portfolio is strong, with our cash equivalents and our available-for-sale debt investment portfolio consisting primarily of high quality investment-grade securities. We believe that our strong cash and cash equivalents and investments position allows us to use our cash resources for strategic investments to gain access to new technologies, for acquisitions, for customer financing activities, for working capital needs, and for the repurchase of shares of common stock and payment of dividends as discussed below.

Securities Lending We periodically engage in securities lending activities with certain of our available-for-sale debt investments. These transactions are accounted for as a secured lending of the securities, and the securities are typically loaned only on an overnight basis. We require collateral equal to at least 102% of the fair market value of the loaned security and that the collateral be in the form of cash or liquid, high-quality assets. We engage in these secured lending transactions only with highly creditworthy counterparties, and the associated portfolio custodian has agreed to indemnify us against collateral losses. We did not experience any losses in connection with the secured lending of securities during the periods presented. As of January 24, 2026 and July 26, 2025, we had no outstanding securities lending transactions.

Free Cash Flow and Capital Allocation As part of our capital allocation strategy, we target to return a minimum of 50% of our free cash flow annually to our stockholders through cash dividends and repurchases of common stock.

We define free cash flow as net cash provided by operating activities less cash used to acquire property and equipment. The following table reconciles our net cash provided by operating activities to free cash flow (in millions):

	Six Months Ended	
	January 24, 2026	January 25, 2025
Net cash provided by operating activities	\$ 5,034	\$ 5,902
Acquisition of property and equipment	(606)	(427)
Free cash flow	<u>\$ 4,428</u>	<u>\$ 5,475</u>

The net cash provided by operating activities in the first six months of fiscal 2026 includes our final U.S. transition tax payment of \$2.3 billion.

We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, the rate at which products are shipped during the quarter (which we refer to as shipment linearity), the timing and collection of accounts receivable and financing receivables, inventory and supply chain management,

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

deferred revenue, and the timing and amount of tax and other payments. For additional discussion, see "Part II, Item 1A. Risk Factors" in this report.

We consider free cash flow to be a liquidity measure that provides useful information to management and investors because of our intent to return a stated percentage of free cash flow to stockholders in the form of dividends and stock repurchases. We further regard free cash flow as a useful measure because it reflects cash that can be used to, among other things, invest in our business, make strategic acquisitions, repurchase common stock, and pay dividends on our common stock, after deducting capital investments. A limitation of the utility of free cash flow as a measure of financial performance and liquidity is that the free cash flow does not represent the total increase or decrease in our cash balance for the period. In addition, we have other required uses of cash, including repaying the principal of our outstanding indebtedness. Free cash flow is not a measure calculated in accordance with U.S. generally accepted accounting principles and should not be regarded in isolation or as an alternative for net cash provided by operating activities or any other measure calculated in accordance with such principles, and other companies may calculate free cash flow in a different manner than we do.

The following table summarizes the dividends paid and stock repurchases (in millions, except per-share amounts):

Quarter Ended	DIVIDENDS		STOCK REPURCHASE PROGRAM			TOTAL
	Per Share	Amount	Shares	Weighted-Average Price per Share	Amount	
<b>Fiscal 2026</b>						
January 24, 2026	\$ 0.41	\$ 1,617	18	\$ 76.29	\$ 1,351	\$ 2,968
October 25, 2025	\$ 0.41	\$ 1,617	29	\$ 68.28	\$ 2,001	\$ 3,618
<b>Fiscal 2025</b>						
July 26, 2025	\$ 0.41	\$ 1,625	19	\$ 64.65	\$ 1,252	\$ 2,877
April 26, 2025	\$ 0.41	\$ 1,627	25	\$ 59.78	\$ 1,504	\$ 3,131
January 25, 2025	\$ 0.40	\$ 1,593	21	\$ 58.58	\$ 1,236	\$ 2,829
October 26, 2024	\$ 0.40	\$ 1,592	40	\$ 49.56	\$ 2,003	\$ 3,595

On February 11, 2026, our Board of Directors declared a quarterly dividend of \$0.42 per common share to be paid on April 22, 2026, to all stockholders of record as of the close of business on April 2, 2026. Future dividends will be subject to the approval of our Board of Directors.

As of January 24, 2026, the remaining authorized amount for stock repurchases under this program is approximately \$10.8 billion, with no termination date.

Accounts Receivable, Net The following table summarizes our accounts receivable, net (in millions):

	January 24, 2026	July 26, 2025	Increase (Decrease)
Accounts receivable, net	\$ 6,606	\$ 6,701	\$ (95)

Our accounts receivable net, as of January 24, 2026 decreased by approximately 1%, as compared with the end of fiscal 2025, primarily due to timing and amount of product and service billings in the second quarter of fiscal 2026 compared with the fourth quarter of fiscal 2025.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Inventory Supply Chain The following table summarizes our inventories and balances with contract manufacturers and suppliers (in millions):

	January 24, 2026	July 26, 2025	Variance vs. July 26, 2025
Inventories	\$ 3,920	\$ 3,164	\$ 756
Inventory purchase commitments	\$ 10,055	\$ 7,599	\$ 2,456
Inventory deposits and prepayments	\$ 913	\$ 825	\$ 88

The following table summarizes our inventory purchase commitments with contract manufacturers and suppliers by period (in millions):

	January 24, 2026	July 26, 2025	Variance vs. July 26, 2025
Less than 1 year	\$ 9,615	\$ 7,202	\$ 2,413
1 to 3 years	417	320	97
3 to 5 years	23	77	(54)
Total	\$ 10,055	\$ 7,599	\$ 2,456

Inventory as of January 24, 2026 increased by 24% and inventory purchase commitments with contract manufacturers and suppliers increased by 32% from our balances at the end of fiscal 2025. The combined increase of 30% in our inventory and inventory purchase commitments as compared with the end of fiscal 2025 was primarily related to commitments with contract manufacturers and suppliers related to manufacturing Cisco Silicon One and other products, and helping to secure memory, to meet the demand from hyperscalers and other customers. We expect our inventory balances may increase in future quarters as we work to fulfill this demand.

In recent periods, we have increased our levels of inventory and purchase commitments with contract manufacturers and suppliers primarily related to Cisco Silicon One. In the second quarter of fiscal 2026, we increased our purchase commitments with suppliers to help secure memory. The increases during the first six months of fiscal 2026 were primarily due to arrangements to secure supply and pricing for certain product components, including memory, and commitments with contract manufacturers to meet customer demand and help manage lead times. Our risks of future material excess and obsolete inventory and related losses are further outlined in the Result of Operations—Product Gross Margin section.

We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements and our commitment to securing manufacturing capacity.

Our inventory purchase commitments are for short-term product manufacturing requirements as well as for commitments to suppliers to secure manufacturing capacity. Certain of our inventory purchase commitments are entered into directly with suppliers and relate to fixed-dollar commitments to secure supply and pricing for certain product components for multi-year periods. A significant portion of our reported purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed.

Inventory and supply chain management remain areas of focus as we balance the need to maintain supply chain flexibility to help ensure competitive lead times with the risk of inventory obsolescence because of supply constraints, rapidly changing technology and customer requirements. We believe the amount of our inventory and inventory purchase commitments is appropriate for our current and expected customer demand and revenue levels.

Financing Receivables and Guarantees The following table summarizes our financing receivables (in millions):

	January 24, 2026	July 26, 2025	Increase (Decrease)
Loan receivables, net	\$ 5,791	\$ 5,591	\$ 200
Lease receivables, net	851	936	(85)
Total, net	\$ 6,642	\$ 6,527	\$ 115

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Financing Receivables** Our financing arrangements include loans and leases. Our loan receivables include customer financing for purchases of our hardware, software and services (including technical support and advanced services), and also may include additional funds for other costs associated with network installation and integration of our products and services. Lease receivables include sales-type leases. Arrangements related to leases are generally collateralized by a security interest in the underlying assets. Financing receivables increased by 2% as compared with the end of fiscal 2025.

**Financing Guarantees** In the normal course of business, third parties may provide financing arrangements to our customers and channel partners under financing programs. The financing arrangements provided by third parties are related to leases and loans and typically have terms of up to three years. In some cases, we provide guarantees to third parties for these lease and loan arrangements. The financing arrangements to channel partners consist of revolving short-term financing provided by third parties, with payment terms generally ranging from 60 to 90 days. In certain instances, these financing arrangements result in a transfer of our receivables to the third party. The receivables are derecognized upon transfer, as these transfers qualify as true sales, and we receive payments for the receivables from the third party based on our standard payment terms.

The volume of channel partner financing was \$14.0 billion and \$12.2 billion for the first six months of fiscal 2026 and 2025, respectively. These financing arrangements facilitate the working capital requirements of the channel partners, and in some cases, we guarantee a portion of these arrangements. The balance of the channel partner financing subject to guarantees was \$1.3 billion as of each of January 24, 2026 and July 26, 2025. We could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners. Historically, our payments under these arrangements have been immaterial. Where we provide a guarantee, we defer the revenue associated with the channel partner financing arrangement in accordance with revenue recognition policies, or we record a liability for the fair value of the guarantees. In either case, the deferred revenue is recognized as revenue when the guarantee is removed. As of January 24, 2026, the total maximum potential future payments related to these guarantees was approximately \$126 million, of which approximately \$13 million was recorded as deferred revenue.

**Borrowings**

**Senior Fixed-Rate Notes** The following table summarizes the principal amount of our senior fixed-rate notes (in millions):

	Maturity Date	January 24, 2026	July 26, 2025
<b>Senior fixed-rate notes:</b>			
4.90%	February 26, 2026	\$ 1,000	\$ 1,000
2.95%	February 28, 2026	750	750
2.50%	September 20, 2026	1,500	1,500
4.80%	February 26, 2027	2,000	2,000
4.55%	February 24, 2028	1,000	1,000
4.85%	February 26, 2029	2,500	2,500
4.75%	February 24, 2030	1,000	1,000
4.95%	February 26, 2031	2,500	2,500
4.95%	February 24, 2032	1,000	1,000
5.05%	February 26, 2034	2,500	2,500
5.10%	February 24, 2035	1,250	1,250
5.90%	February 15, 2039	2,000	2,000
5.50%	January 15, 2040	2,000	2,000
5.30%	February 26, 2054	2,000	2,000
5.50%	February 24, 2055	750	750
5.35%	February 26, 2064	1,000	1,000
Total		<u>\$ 24,750</u>	<u>\$ 24,750</u>

Interest is payable semiannually on each class of the senior fixed-rate notes, each of which is redeemable by us at any time, subject to a make-whole premium. We were in compliance with all debt covenants as of January 24, 2026.

**CISCO SYSTEMS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Commercial Paper** We have a short-term debt financing program in which up to \$15.0 billion is available through the issuance of commercial paper notes. We use the proceeds from the issuance of commercial paper notes for general corporate purposes. We had \$5.5 billion and \$3.5 billion in commercial paper notes outstanding as of January 24, 2026 and July 26, 2025, respectively.

**Credit Facility** On February 2, 2024, we entered into an amended and restated 5-year \$5.0 billion unsecured revolving credit agreement. The interest rate for the credit agreement is determined based on a formula using certain market rates. The credit agreement requires that we comply with certain covenants, including that we maintain an interest coverage ratio (defined in the agreement as the ratio of consolidated EBITDA to consolidated interest expense) of not less than 3.0 to 1.0. As of January 24, 2026, we were in compliance with all associated covenants and we had not borrowed any funds under our credit agreement.

**Remaining Performance Obligations** The following table presents the breakdown of remaining performance obligations (in millions):

	January 24, 2026	July 26, 2025	Increase (Decrease)
Product	\$ 21,977	\$ 21,572	\$ 405
Services	21,429	21,961	(532)
Total	<u>\$ 43,406</u>	<u>\$ 43,533</u>	<u>\$ (127)</u>
Short-term RPO	\$ 21,370	\$ 21,723	\$ (353)
Long-term RPO	22,036	21,810	226
Total	<u>\$ 43,406</u>	<u>\$ 43,533</u>	<u>\$ (127)</u>

Total remaining performance obligations as of January 24, 2026 were flat compared to the end of fiscal 2025. Remaining performance obligations for product increased by 2% compared to the end of fiscal 2025, of which long-term product RPO was \$11.8 billion, up 3%. Remaining performance obligations for services decreased 2%.

**Deferred Revenue** The following table presents the breakdown of deferred revenue (in millions):

	January 24, 2026	July 26, 2025	Increase (Decrease)
Product	\$ 13,371	\$ 13,490	\$ (119)
Services	15,032	15,289	(257)
Total	<u>\$ 28,403</u>	<u>\$ 28,779</u>	<u>\$ (376)</u>
Reported as:			
Current	\$ 16,199	\$ 16,416	\$ (217)
Noncurrent	12,204	12,363	(159)
Total	<u>\$ 28,403</u>	<u>\$ 28,779</u>	<u>\$ (376)</u>

Total deferred revenue decreased 1% compared to the end of fiscal 2025. The decrease in deferred product revenue of 1% was primarily due to lower business volume. The decrease in deferred services revenue of 2% was driven by lower business volume and ongoing amortization of deferred services revenue.

**Contractual Obligations**

The impact of contractual obligations on our liquidity and capital resources in future periods should be analyzed in conjunction with the factors that impact our cash flows from operations discussed herein. In addition, we plan for and measure our liquidity and capital resources through an annual budgeting process. Our contractual obligations consist of operating leases, purchase commitments with contract manufacturers and suppliers, other purchase obligations, long-term debt, and other long-term liabilities. For additional information on our contractual obligations see our Annual Report on Form 10-K for the fiscal year ended July 26, 2025.

### **Other Commitments**

In connection with our acquisitions, we have agreed to pay certain additional amounts contingent upon the continued employment with us of certain employees of the acquired entities. See Note 4 to the Consolidated Financial Statements.

Of the total carrying value of our investments in privately held companies as of January 24, 2026, \$0.8 billion of such investments are considered to be in variable interest entities which are unconsolidated. We have total funding commitments of \$0.7 billion related to privately held investments. The carrying value of these investments and the additional funding commitments, collectively, represent our maximum exposure related to privately held investments. See Note 10 to the Consolidated Financial Statements.

We provide financing guarantees, which are generally for various third-party financing arrangements extended to our channel partners. We could be called upon to make payments under these guarantees in the event of nonpayment by the channel partners. See the previous discussion of these financing guarantees under "Financing Receivables and Guarantees."

### **Liquidity and Capital Resource Requirements**

Based on past performance and current expectations, we believe our cash and cash equivalents, investments, cash generated from operations, and ability to access capital markets and committed credit lines will satisfy, through at least the next 12 months, our liquidity requirements, both in total and domestically, including the following: working capital needs (including inventory and other supply related payments), capital expenditures, investment requirements, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on debt, pending acquisitions, future customer financings, and other liquidity requirements associated with our operations. There are no other transactions, arrangements, or relationships with unconsolidated entities or other persons that are reasonably likely to materially affect the liquidity and the availability of, as well as our requirements for, capital resources.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our financial position is exposed to a variety of risks, including interest rate risk, equity price risk, and foreign currency exchange risk.

**Interest Rate Risk**

**Available-for-Sale Debt Investments** We maintain an investment portfolio of various holdings, types, and maturities. Our primary objective for holding available-for-sale debt investments is to achieve an appropriate investment return consistent with preserving principal and managing risk. At any time, a sharp rise in market interest rates could have a material adverse impact on the fair value of our available-for-sale debt investment portfolio. Conversely, declines in interest rates, including the impact from lower credit spreads, could have a material adverse impact on interest income for our investment portfolio. Our available-for-sale debt investments are held for purposes other than trading. Our available-for-sale debt investments are not leveraged as of January 24, 2026. We monitor our interest rate and credit risks, including our credit exposures to specific rating categories and to individual issuers. We believe the overall credit quality of our portfolio is strong.

**Financing Receivables** Our financing receivables had a carrying value of \$6.6 billion and \$6.5 billion as of January 24, 2026 and July 26, 2025. As of January 24, 2026, a hypothetical 50 basis points ("BPS") increase or decrease in market interest rates would change the fair value of our financing receivables by a decrease or increase of approximately \$0.1 billion, respectively.

**Debt** As of January 24, 2026, we had \$24.8 billion in principal amount of senior fixed-rate notes outstanding. The carrying amount of the senior fixed-rate notes was \$24.6 billion, and the related fair value based on market prices was \$25.2 billion. As of January 24, 2026, a hypothetical 50 BPS increase or decrease in market interest rates would change the fair value of the fixed-rate debt by a decrease or increase of approximately \$0.8 billion, respectively. However, this hypothetical change in interest rates would not impact the interest expense on the fixed-rate debt.

At any time, a sharp rise in market interest rates could cause us to incur additional interest expense to the extent we issue additional commercial paper or other debt.

**Equity Price Risk**

**Marketable Equity Investments** The fair value of our marketable equity investments is subject to market price volatility. We hold equity securities for strategic purposes or to diversify our overall investment portfolio. These equity securities are held for purposes other than trading. The total fair value of our marketable equity securities was \$359 million and \$383 million as of January 24, 2026 and July 26, 2025, respectively.

**Privately Held Investments** These investments are recorded in other assets in our Consolidated Balance Sheets. The total carrying amount of our privately held investments was \$2.1 billion and \$1.9 billion as of January 24, 2026 and July 26, 2025, respectively. Some of these companies in which we invested are in the startup or development stages. These investments are inherently risky because the markets for the technologies or products these companies are developing are typically in the early stages and may never materialize. We could lose our entire investment in these companies. Our evaluation of privately held investments is based on the fundamentals of the businesses invested in, including, among other factors, the nature of their technologies and potential for financial return.

**Foreign Currency Exchange Risk**

Our foreign exchange forward contracts outstanding as of the respective period-ends are summarized in U.S. dollar equivalents as follows (in millions):

	January 24, 2026		July 26, 2025	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Forward contracts:</b>				
Purchased	\$ 4,061	\$ (75)	\$ 4,498	\$ (21)
Sold	\$ 4,457	\$ 82	\$ 4,480	\$ 22

We conduct business globally in numerous currencies. The direct effect of foreign currency fluctuations on revenue has not been material because our revenue is primarily denominated in U.S. dollars. However, if the U.S. dollar strengthens relative to other currencies, such strengthening could have an indirect effect on our revenue to the extent it raises the cost of our products to non-U.S. customers and thereby reduces demand. A weaker U.S. dollar could have the opposite effect. However, the precise indirect effect of currency fluctuations is difficult to measure or predict because our revenue is influenced by many factors in addition to the impact of such currency fluctuations.

Approximately 75% of our operating expenses are U.S.-dollar denominated. In the first six months of fiscal 2026, foreign currency fluctuations, net of hedging, increased our combined R&D, sales and marketing, and G&A expenses by approximately \$91 million, or 0.8%, compared with the first six months of fiscal 2025. To reduce variability in operating expenses and service cost of sales caused by non-U.S.-dollar denominated operating expenses and costs, we may hedge certain forecasted foreign currency transactions with currency options and forward contracts. These hedging programs are not designed to provide foreign currency protection over long time horizons. In designing a specific hedging approach, we consider several factors, including offsetting exposures, significance of exposures, costs associated with entering into a particular hedge instrument, and potential effectiveness of the hedge. The gains and losses on foreign exchange contracts mitigate the effect of currency movements on our operating expenses and service cost of sales.

We also enter into foreign exchange forward and option contracts to reduce the short-term effects of foreign currency fluctuations on receivables and payables that are denominated in currencies other than the functional currencies of the entities. The market risks associated with these foreign currency receivables and payables relate primarily to variances from our forecasted foreign currency transactions and balances. We do not enter into foreign exchange forward or option contracts for speculative purposes.

#### **Item 4. Controls and Procedures**

Evaluation of disclosure controls and procedures. Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our second quarter of fiscal 2026, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

For a description of our pending legal proceedings, see Note 14, "Commitments and Contingencies—(f) Legal Proceedings" in the Notes to Consolidated Financial Statements.

**Item 1A. Risk Factors**

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. The descriptions below include any material changes to and supersede the description of the risk factors affecting our business previously disclosed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended July 26, 2025.

**Risks Related to our Business and Industry**

***Our operations can be difficult to predict because our operating results may fluctuate in future periods.***

Our operating results have been in the past, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

- Fluctuations in demand for our products and services, especially with respect to service providers and cloud customers, in part due to changes in the global economic environment
- Changes in sales and implementation cycles for our products and reduced visibility into our customers' spending plans and associated revenue
- Our ability to maintain appropriate inventory levels and purchase commitments
- Price and product competition in the communications and networking industries, which can change rapidly due to technological innovation and different business models from various geographic regions
- The overall movement toward industry consolidation among both our competitors and our customers
- The introduction and market acceptance of new technologies and products, and our success in new and evolving markets, and in emerging technologies, including AI, as well as the adoption of new standards
- Variations in sales channels, product costs, or mix of products sold (e.g., hardware and software sales, including mix of cloud-based and on-premise software sales)
- The timing, size, and mix of orders from customers
- Manufacturing and customer lead times
- Fluctuations in our gross margins, and the factors that contribute to such fluctuations
- The ability of our direct sale customers, channel partners, contract manufacturers and suppliers to obtain financing or to fund capital expenditures, especially in the event of direct sale customers, channel partner, contract manufacturer or supplier financial problems
- Actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our Consolidated Financial Statements
- How well we execute on our strategy and operating plans and the impact of changes in our business model that could result in significant restructuring charges
- Our ability to achieve targeted cost reductions
- Benefits anticipated from our investments
- Changes in tax laws or accounting rules, or interpretations thereof

As a consequence, operating results for a particular future period are difficult to predict, and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could materially harm our business, results of operations, and financial condition.

***Our operating results may be negatively impacted by unfavorable economic and market conditions and the uncertain geopolitical environment.***

Challenging global economic conditions, including tariffs or other trade barriers, rising inflation, or other changes, have from time to time contributed, and may continue to contribute, to slowdowns in the communications and networking industries at large, as well as in specific segments and markets in which we operate, resulting in: reduced demand for our products as a result of continued constraints on IT-related capital spending by our customers, particularly service provider and cloud as well as enterprise and other customer markets; increased price competition for our products, not only from our competitors but also as a consequence of customers disposing of unutilized products; risk of excess and obsolete inventories; risk of supply constraints; risk of excess facilities and manufacturing capacity; and higher overhead costs as a percentage of revenue and higher interest expense.

The global macroeconomic environment can be challenging and uncertain. For example, the impact of uncertainty regarding global central bank monetary policy, the instability in the geopolitical environment in many parts of the world (including as a result of the ongoing Russia and Ukraine war, Middle East conflicts and wars, and China-Taiwan relations), government-related disruptions or shutdowns, and other disruptions may continue to put pressure on global economic conditions. If global economic and market conditions were to deteriorate, we may experience material harm to our business, operating results, and financial condition.

Our operating results in one or more segments may also be affected by uncertain or changing economic conditions particularly germane to that segment or to particular customer markets within that segment.

***Our revenue for a particular period is difficult to predict, and a shortfall in revenue may harm our operating results.***

As a result of a variety of factors discussed in this report, our revenue for a particular quarter is difficult to predict, which can be exacerbated during periods when the global macroenvironment is challenging and can result in market uncertainty. Our revenue may grow at a slower rate than in past periods, or decline as it did in certain prior periods on a year-over-year basis. Our ability to meet financial expectations could also be negatively impacted if the nonlinear sales pattern seen in some of our past quarters recurs in future periods. We have also experienced periods of time during which shipments have exceeded net bookings or manufacturing issues have delayed shipments, leading to nonlinearity in shipping patterns. In addition to making it difficult to predict revenue for a particular period, nonlinearity in shipping can increase costs, because irregular shipment patterns result in periods of underutilized capacity and periods in which overtime expenses may be incurred, as well as in potential additional inventory management-related costs. In addition, to the extent that manufacturing issues and any related component shortages result in delayed shipments in the future, and particularly in periods in which our contract manufacturers are operating at higher levels of capacity, it is possible that revenue for a quarter could be negatively impacted if such matters occur and are not remediated within the same quarter.

The timing of large orders can also have a significant impact on our business and operating results from quarter to quarter. From time to time, we receive large orders that have a significant effect on our operating results in the period in which the order is recognized as revenue. The timing of such orders is difficult to predict, and the timing of revenue recognition from such orders may affect period to period changes in revenue. As a result, our operating results could vary materially from quarter to quarter based on the receipt of such orders and their ultimate recognition as revenue. Longer than normal manufacturing lead times in the past have caused, and in the future could cause, some customers to place the same or a similar order multiple times within our various sales channels and to cancel the duplicative orders upon shipment or receipt of the product, or to also place orders with other vendors with shorter manufacturing lead times. Such multiple ordering (along with other factors) or risk of order cancellation may cause difficulty in predicting our revenue. Further, our efforts to improve manufacturing lead-time performance may result in more variability and less predictability in our revenue and operating results. In addition, when facing component supply-related challenges, we have in the past and may in the future increase our efforts in procuring components in order to meet customer expectations, which in turn contributes to an increase in inventory and purchase commitments. Product demand conditions for future periods can be difficult to predict or may persist longer than anticipated. We plan our operating expense levels based primarily on forecasted revenue levels. These expenses and the impact of long-term commitments are relatively fixed in the short term. A shortfall in revenue could lead to operating results being below expectations because we may not be able to quickly reduce these fixed expenses in response to short-term business changes. Any of the above factors could materially harm our operations and financial results.

***Supply chain issues, including financial problems of contract manufacturers or component suppliers, or a shortage of adequate component supply or manufacturing capacity that increase our costs or cause a delay in our ability to fulfill orders, could have an adverse impact on our business and operating results, and our failure to estimate customer demand properly may result in excess or obsolete component supply, which could negatively impact our gross margins.***

The fact that we do not own or operate the bulk of our manufacturing facilities and that we are reliant on our extended supply chain could have an adverse impact on the supply of our products and on our business and operating results. Financial problems of either contract manufacturers or component suppliers, reservation of manufacturing capacity at our contract manufacturers by other companies, and industry consolidation occurring within one or more component supplier markets, such as the semiconductor market, in each case, could either limit supply or increase costs.

A reduction or interruption in supply, including disruptions on our global supply chain, caused in part by public health emergencies, geopolitical tensions (including as a result of China-Taiwan relations, increasing tariffs or any other trade tensions) or a significant natural disaster (including as a result of climate change); a significant increase in the price of one or more components (including as a result of inflation); a failure to adequately authorize procurement of inventory by our contract manufacturers; a failure by suppliers to deliver on our contracts; IT-related failure or disruption; a failure to appropriately cancel, reschedule, or adjust our requirements based on our business needs; or a decrease in demand for our products could materially harm our business, operating results, and financial condition and could materially damage customer relationships.

Furthermore, as a result of binding price or purchase commitments with suppliers, we may be obligated to purchase components at prices that are higher than those available in the current market. In the event that we become committed to purchase components at prices in excess of the current market price when the components are actually used, our gross margins could decrease. In addition, vendors may be under pressure to allocate product to certain customers for business, regulatory or political reasons, and/or demand changes in agreed pricing as a condition of supply. Although we have generally secured additional supply or taken other mitigation actions when significant disruptions have occurred, if similar situations occur in the future, they could materially harm our business, results of operations, and financial condition.

Our growth and ability to meet customer demands depend in part on our ability to obtain timely deliveries of parts from our suppliers and contract manufacturers. We have experienced component shortages in the past, including shortages caused by manufacturing process issues, that have affected our operations, including longer than normal lead times. Additionally, we may in the future experience a shortage of certain component parts as a result of our own manufacturing issues, manufacturing issues at our suppliers or contract manufacturers, capacity problems experienced by our suppliers or contract manufacturers including capacity or cost problems resulting from industry consolidation, or strong demand for those parts. Growth in the economy is likely to create greater pressures on us and our suppliers to accurately project component demand and to establish optimal component levels and manufacturing capacity, especially for labor-intensive components, components for which we purchase a substantial portion of the supply, or the re-ramping of manufacturing capacity for highly complex products. During periods of shortages or delays the price of components may increase, or the components may not be available at all, and we may also encounter shortages if we do not accurately anticipate our needs. We may not be able to secure enough components at reasonable prices or of acceptable quality to build new products in a timely manner in the quantities or configurations needed. Accordingly, our revenue and gross margins could suffer until other sources can be developed.

Although in many cases we use standard parts and components for our products, certain components are presently available only from a single source or limited sources, and a global economic downturn and related market uncertainty could negatively impact the availability of components from one or more of these sources, especially during times when there are supplier constraints based on labor and other actions taken during economic downturns. We may not be able to diversify sources in a timely manner, which could harm our ability to deliver products to customers and seriously impact present and future sales.

We believe that we may be faced with the following supply chain challenges in the future: new markets in which we participate may grow quickly, which may make it difficult to quickly obtain significant component capacity; as we acquire companies and new technologies, we may be dependent on unfamiliar supply chains or relatively small supply partners; and we face competition for certain components that are supply-constrained from existing competitors and companies in other markets.

Manufacturing capacity and component supply constraints, as we saw with memory in the first six months of fiscal 2026, could be significant issues for us as they have been in certain prior periods. We have been and expect to continue to be adversely impacted by an increase in the cost of certain memory components which are currently constrained. We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to improve manufacturing lead-time performance and to help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. In recent periods, we have increased our efforts in procuring components in order to meet customer expectations, such as we have done in past periods due to supply constraints, which in turn contributes to an increase in inventory and purchase commitments. For example, in fiscal 2025 and in the first six months of fiscal 2026, we entered into additional purchase commitments with contract manufacturers and suppliers related to manufacturing Cisco Silicon One, memory components and other products to meet demand from hyperscalers and other customers. We expect to continue entering into these additional purchase commitments in fiscal 2026. These past efforts and additional purchase commitments significantly increased our supply chain exposure, which resulted in negative impacts to our product gross margin in recent periods and may result in further negative impacts in future periods. For example, on August 26, 2025, we settled a legal dispute with a supplier relating to purchase obligations arising under long-term supply arrangements, which resulted in a charge to product cost of sales in the fourth quarter of fiscal 2025. These supply chain exposures include potential material excess and obsolete or other charges if product demand significantly decreases for a sustained duration, we are unable to generate demand for certain products planned for development, or we are otherwise unable to mitigate these supply chain exposures. Product demand conditions for future periods can be difficult to predict or may persist longer than anticipated. For additional information and a further discussion of impacts and risks related to our inventory commitments and our purchase commitments with contract manufacturers and suppliers, see “Results of Operations—Product Gross Margin—Supply Chain Impacts and Risks”, “Liquidity and Capital Resources—Inventory Supply Chain” and Note 14 to the Consolidated Financial Statements.

***We expect gross margin to vary over time, and our level of product gross margin may not be sustainable.***

Our level of product gross margins has declined in certain prior periods, including in the first quarter of fiscal 2026, and could decline in future periods due to adverse impacts from various factors, including:

- Changes in customer, geographic, or product mix, including the mix of hardware and software sales (including mix of cloud-based and on-premise software sales)
- Increases in material, labor or other manufacturing-related costs (i.e., component costs, broker fees, expedited freight and overtime) or higher supply chain logistics costs, any of which could be significant, especially during periods of supply constraints for certain costs, such as those that have impacted the market for components, including semiconductors (as we have seen in past periods) and memory (as we saw in the first six months of fiscal 2026 and expect to continue seeing), and which costs have in the past and may continue to be exacerbated by inflation
- Introduction of new products, including products with price-performance advantages, and new business models (including continuing to increase the use of business models where revenue is recognized over multiple periods)
- Our ability to reduce production costs
- Entry into new markets or growth in lower margin markets, including markets with different pricing and cost structures, through acquisitions or internal development
- Sales discounts
- Excess inventory, inventory holding charges, and obsolescence charges
- Changes in shipment volume
- The timing of revenue recognition and revenue deferrals
- Increased costs (including those caused by tariffs or economic conditions, including inflation), loss of cost savings or dilution of savings due to changes in component pricing or charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates
- Lower than expected benefits from value engineering
- Increased price competition, including competitors from Asia, especially from China
- Changes in distribution channels
- Increased warranty or royalty costs
- Increased amortization of purchased intangible assets, especially from acquisitions
- How well we execute on our strategy and operating plans

Changes in service gross margin may result from various factors such as changes in the mix between technical support services and advanced services, as well as the timing of technical support service contract initiations and renewals, the addition of personnel and other related costs, and other resources to support higher levels of service business in future periods.

***Sales to the service provider and cloud market are especially volatile, and weakness in orders from this industry may harm our operating results and financial condition.***

Sales to the service provider and cloud market have been characterized by large and sporadic purchases. Although service provider and cloud product orders increased during the first and second quarters of fiscal 2026, at various times in the past we have experienced significant weakness in product orders from the service provider and cloud market. Product orders from the service provider and cloud market could decline in the future and, as has been the case in the past, such weakness could persist over extended periods of time given fluctuating market conditions. Products in the service provider and cloud market could also face a high degree of customer concentration, with bespoke product designs and features that would be difficult to sell to alternate customers should the primary customer reduce its product orders with Cisco. Sales activity in this industry depends upon the stage of completion of expanding network infrastructures; the availability of funding; and the extent to which service provider and cloud customers are affected by regulatory, economic, and business conditions in the country of operations. Weakness in orders from this industry, including as a result of any slowdown in capital expenditures by service providers (which may be more prevalent during a global economic downturn, or periods of economic, political or regulatory uncertainty), could materially harm our business, operating results, and financial condition. Such slowdowns may continue or recur in future periods. Orders from this industry could decline for many reasons other than the competitiveness of our products and services within their respective markets. For example, in the past, many of our service provider and cloud customers have been negatively impacted by slowdowns in the general economy, by overcapacity, by changes in the service provider and cloud market, by regulatory developments, and by constraints on capital availability, resulting in business failures and substantial

reductions in spending and expansion plans. These conditions have negatively impacted our business and operating results in the past, and could materially harm our business and operating results in any future period. Finally, service provider and cloud customers typically have longer implementation cycles; require a broader range of services, including design services; demand that vendors take on a larger share of risks; often require acceptance provisions, which can lead to a delay in revenue recognition; and expect financing from vendors. All these factors can add further risk to business conducted with service providers.

***Disruption of or changes in our distribution model could harm our sales and margins.***

If we fail to manage distribution of our products and services properly, or if our distributors' financial condition or operations weaken, our revenue and gross margins could be negatively impacted. A substantial portion of our products and services is sold through our channel partners, and the remainder is sold through direct sales. Our channel partners include systems integrators, service providers, other third-party resellers, and distributors. Systems integrators and service providers typically sell directly to end users and often provide system installation, technical support, professional services, and other support services in addition to network equipment sales. Systems integrators also typically integrate our products into an overall solution, and a number of service providers are also systems integrators. Distributors stock inventory and typically sell to systems integrators, service providers, and other third-party resellers. We refer to sales through distributors as our two-tier system of sales to the end user. If sales through indirect channels increase, this may lead to greater difficulty in forecasting the mix of our products and, to a degree, the timing of orders from our customers.

Historically, we have seen fluctuations in our gross margins based on changes in the balance of our distribution channels. There can be no assurance that changes in the balance of our distribution model in future periods would not have an adverse effect on our gross margins and profitability. Some factors could result in disruption of or changes in our distribution model, which could harm our sales and margins, including the following: competition with some of our channel partners, including through our direct sales, which may lead these channel partners to use other suppliers that do not directly sell their own products or otherwise compete with them; some of our channel partners may demand that we absorb a greater share of the risks that their customers may ask them to bear; some of our channel partners may have insufficient financial resources and may not be able to withstand changes and challenges in business conditions; and revenue from indirect sales could suffer if our distributors' financial condition or operations weaken. In addition, we depend on our channel partners globally to comply with applicable regulatory requirements. To the extent that they fail to do so, that could materially harm our business, operating results, and financial condition. Further, sales of our products outside of agreed territories can result in disruption to our distribution channels.

***The markets in which we compete are intensely competitive, which could negatively impact our achievement of revenue growth.***

The markets in which we compete are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages. These market factors represent a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in newer product areas, and in key priority areas. For example, as products related to network programmability, such as software-defined networking (SDN) products, have become more prevalent, we have faced increased competition from companies that develop networking products based on commoditized hardware, referred to as "white box" hardware, to the extent customers decide to purchase those product offerings instead of ours. In addition, the growth in demand for technology delivered as a service enables new competitors to enter the market. As we continue to expand globally, we may see new competition in different geographic regions. In particular, we have experienced price-focused competition from competitors in Asia, especially from China, and we anticipate this will continue.

Some of our competitors compete across many of our product lines, while others are primarily focused in a specific product area. Barriers to entry are relatively low, and new ventures to create products that do or could compete with our products are regularly formed. In addition, some of our competitors may have greater resources, including technical and engineering resources, than we do. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets. We also sometimes face competition from resellers and distributors of our products. Companies with which we have strategic alliances in some areas may be competitors in other areas, and this trend may increase. For example, the enterprise data center is undergoing a fundamental transformation arising from the convergence of technologies, including computing, networking, storage, and software, that previously were segregated. Due to several factors, including the availability of highly scalable and general purpose microprocessors, application specific integrated circuits offering advanced services, standards based protocols, cloud computing and virtualization, the convergence of technologies within the enterprise data center is spanning multiple, previously independent, technology segments. Also, some of our current and potential competitors for enterprise data center business have made acquisitions, or announced new strategic alliances, designed to position them to

provide end-to-end technology solutions for the enterprise data center. As a result of all of these developments, we face greater competition in the development and sale of enterprise data center technologies, including competition from entities that are among our long-term strategic alliance partners. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us.

We also face competition from customers to which we license or supply technology and suppliers from which we transfer technology. The inherent nature of networking requires interoperability. As such, we must cooperate and at the same time compete with many companies. Any inability to effectively manage these complicated relationships with customers, suppliers, and strategic alliance partners could materially harm our business, operating results, and financial condition and accordingly affect our chances of success.

***Inventory management relating to our sales to our two-tier distribution channel is complex, and excess inventory may harm our gross margins.***

We must manage inventory relating to sales to our distributors effectively, because inventory held by them could affect our results of operations. Our distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high, or delay orders in anticipation of new products. They also may adjust their orders in response to the supply of our products and the products of our competitors that are available to them, and in response to seasonal fluctuations in end-user demand. Our distributors are generally given business terms that allow them to return a portion of inventory, receive credits for changes in selling price, and participate in various cooperative marketing programs. Inventory management remains an area of focus as we balance the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology and customer requirements. When facing component supply-related challenges, we have in the past and may in the future increase our efforts in procuring components or enter additional purchase commitments with contract manufacturers and suppliers in order to meet customer expectations. If we ultimately determine that we have excess inventory, we may have to reduce our prices and write down inventory, which in turn could result in lower gross margins.

***Issues related to the development and use of artificial intelligence (AI) could give rise to legal and/or regulatory action, damage our reputation or otherwise materially harm our business.***

We currently incorporate AI technology in certain of our commercial offerings and in our business operations. Our research and development of AI technology remains ongoing. AI presents risks and challenges and may result in unintended consequences, including inadvertent disclosure or misuse of intellectual property, confidential, personal, and/or competitive information, that could affect our reputation, our further AI development or our and our customers' adoption and use of this technology. AI algorithms and training methodologies may be flawed. Additionally, AI technologies are complex and rapidly evolving, and we face significant competition in the market and from other companies regarding such technologies. Leveraging AI capabilities to potentially improve our internal functions and operations also presents risks, costs, and challenges. While we aim to develop and use AI responsibly and attempt to identify and mitigate ethical and legal issues and risks presented by its use, we may be unsuccessful in identifying or resolving issues and risks before they arise. The AI-related legal and regulatory landscape is complex and constantly evolving and therefore remains uncertain and may be inconsistent from jurisdiction to jurisdiction. Our obligations to comply with this complex and evolving legal and regulatory landscape could entail significant compliance or other costs or limit our ability to incorporate certain AI capabilities into our offerings. AI-related issues, deficiencies and/or failures could also give rise to legal and/or regulatory action (including with respect to proposed legislation regulating AI in jurisdictions such as the European Union and others, and as a result of new and different applications of existing and new data protection, privacy, cybersecurity, intellectual property, and other laws and regulations); damage our reputation; or otherwise materially harm our business.

***Our financial performance may be negatively impacted by demand for, and costs to deliver, our software subscription offerings; and interruptions or performance problems associated with these offerings, including interruptions or performance problems caused by third-party providers on which we rely, may negatively impact our business and financial results.***

In recent years, we have shifted our business model to deliver more recurring software and subscription offerings. This shift in our business model was accelerated by recent acquisitions, including our acquisition of Splunk in the third quarter of fiscal 2024. Market acceptance of our software subscription offerings, which includes our as-a-service solutions, can be affected by a variety of factors, including: security, reliability, performance, terms of service, support terms, customer preference, community engagement, concerns regarding data privacy or data protection, and the enactment of laws or regulations in jurisdictions in which we operate. To generate sales growth for our software subscription offerings, we need to convince potential customers to purchase new licenses or subscriptions and generate timely renewals and additional purchases from existing customers. Any failure to do so could result in decreased revenue, reduced sales, increased churn or otherwise negatively impact our results of operations and financial condition. Further, growth of our software subscription offerings depends, in part, on the ability of

customers to use and access these solutions. We have experienced, and may in the future experience, interruptions in service, storage failures, and other performance-related problems due to a variety of factors, such as infrastructure and software changes, human or software errors, capacity constraints, unauthorized access, denial of service or other cyber attacks. In some instances, we may not be able to timely identify the cause or causes of these performance problems and, even if timely identified, we may be unable to timely remediate the underlying cause. It may become increasingly difficult to maintain and improve our performance for our software subscription offerings, especially during peak usage times and as our solutions become more complex and our user traffic increases. Performance-related issues of our software subscription offerings may result in increased operational costs, delays in new feature rollouts, customer loss, reputational damage, and legal or regulatory liability, including liability under customer contracts or for losses suffered by our customers.

To deliver our software subscription offerings, we have incurred and will continue to incur substantial costs to implement and maintain this business. We make significant investments to increase or maintain capacity and to develop and implement new technologies in our infrastructure and operations, including those provided by third-party providers on which we rely. We may not be successful in developing or implementing these technologies. To the extent that we do not effectively scale our operations to meet the needs of our customers and to maintain performance as our customers expand their use of our solutions, we may not be able to grow this business as quickly as we anticipate, our customers may reduce or cancel use of our solutions, and we may be unable to compete as effectively and our business and results of operations may be harmed. Additionally, if our costs associated with our software subscription offerings were to significantly increase, our business, results of operations and financial condition may be negatively impacted. We are also subject to the risk of performance-related problems or interruption of the services provided by third-party providers on which we rely, which could cause revenues for software subscription offerings to decline, damage to our reputation, legal liability exposure, and/or increased expenses, all of which could negatively impact our business, results of operations, and financial condition.

***We depend upon the development of new products and services, and enhancements to existing products and services, and if we fail to predict and respond to emerging technological trends and customers' changing needs, our operating results and market share may suffer.***

The markets for our products and services are characterized by rapidly changing technology, evolving industry standards, new product and service introductions, and evolving methods of building and operating networks. Our operating results depend on our ability to develop and introduce new products and services into existing and emerging markets and to reduce the production costs of existing products. If customers do not purchase and/or renew our offerings our business could be harmed.

The process of developing new technology, including more programmable, flexible and virtual networks, and technology related to other market transitions — such as AI, security, observability, and cloud— is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends our business could be harmed. We must commit significant resources, including the investments we have been making in our strategic priorities to developing new products and services before knowing whether our investments will result in products and services the market will accept. In particular, if our model of the evolution of networking, security, or observability does not emerge as we believe it will, or these industries do not evolve as we believe they will, or if our strategy for addressing this evolution is not successful, many of our strategic initiatives and investments may be of no or limited value. For example, if we do not timely introduce products related to these markets, or if such products or offerings that ultimately succeed in these markets are based on technology, or an approach to technology, that differs from ours, our business could be harmed. In addition, our business could be negatively impacted in periods surrounding our new product introductions if customers delay purchasing decisions to qualify or otherwise evaluate the new product offerings. We have also been seeking to meet the evolving needs of customers which include offering our products and solutions in the manner in which customers wish to consume them. As a part of these efforts, we continue to make changes to how we are organized and how we build and deliver our technology, including changes in our business models with customers. If our strategy for addressing our customer needs, or the architectures and solutions we develop do not meet those needs, or the changes we are making in how we are organized and how we build and deliver our technology is incorrect or ineffective, our business could be harmed.

Furthermore, we may not execute successfully on our vision or strategy because of challenges with regard to product planning and timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors, some of which may also be our strategic alliance partners, providing those solutions before we do and loss of market share, revenue, and earnings. In addition, the growth in demand for technology delivered as a service enables new competitors to enter the market. The success of new products and services depends on several factors, including proper new product and service definition, component costs, timely completion and introduction of these products and services, differentiation of new products and services from those of our competitors, and market acceptance of these products and services. There can be no assurance that we will successfully identify new product and services opportunities, develop and bring new products and services to market in a timely manner, or achieve market acceptance of our products and services or that products, services and technologies developed by others will not render our products, services or technologies obsolete or

noncompetitive. The products and technologies in our other product categories and key priority areas may not prove to have the market success we anticipate, and we may not successfully identify and invest in other emerging or new products and services.

***Changes in industry structure and market conditions could lead to charges related to discontinuances of certain of our products or businesses, asset impairments and workforce reductions or restructurings.***

In response to changes in industry and market conditions, we may be required to strategically realign our resources and to consider restructuring, disposing of, or otherwise exiting businesses. Any resource realignment, or decision to limit investment in or dispose of or otherwise exit businesses, may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction or restructuring costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our supply agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed, our loss contingencies may include liabilities for contracts that we cannot cancel with contract manufacturers and suppliers. Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances, and future goodwill impairment tests may result in a charge to earnings. From time to time we initiate restructuring plans. Our business may not be more efficient or effective than prior to implementation of such plans. Our restructuring activities, including any related charges and the impact of the related headcount restructurings, could materially harm our business, operating results, and financial condition.

***Over the long term we intend to invest in engineering, sales, service and marketing activities, and in key priority areas, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results.***

While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, service and marketing functions as we realign and dedicate resources on key priority areas, such as AI, cloud, and cybersecurity. We also intend to focus on maintaining leadership in core networking and services. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments (including if our selection of areas for investment does not play out as we expect), or if the achievement of these benefits is delayed, our operating results may be negatively impacted.

***We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results.***

Our growth depends upon market growth, our ability to enhance our existing products, and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel. Acquisitions involve numerous risks, including the following:

- Difficulties or delays in integrating the operations (including IT security), systems, technologies, products, and personnel of the acquired companies, particularly with companies that have large and widespread operations and/or complex products (such as Splunk)
- Diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions
- Potential difficulties in completing projects associated with in-process research and development intangibles
- Difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions
- Initial dependence on unfamiliar supply chains or relatively small supply partners
- Insufficient revenue to offset increased expenses associated with acquisitions
- The potential loss of key employees, customers, distributors, vendors and other business partners of the companies we acquire following and continuing after announcement of acquisition plans

Acquisitions have in the past and may in the future also cause us to:

- Issue common stock that would dilute our current stockholders' percentage ownership
- Use a substantial portion of our cash resources, or incur debt
- Significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition
- Assume liabilities
- Record goodwill and intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges
- Incur amortization expenses related to certain intangible assets
- Incur tax expenses related to the effect of acquisitions on our legal structure
- Incur large write-offs and restructuring and other related expenses
- Become subject to intellectual property or other litigation

Mergers and acquisitions of high-technology companies are inherently risky and subject to many factors outside of our control, and no assurance can be given that our previous or future acquisitions will be successful and will not materially harm our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. Prior acquisitions have resulted in a wide range of outcomes, from successful introduction of new products and technologies to a failure to do so. Even when an acquired company has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that pre-acquisition due diligence will have identified all possible issues that might arise with respect to such products. In addition, our effective tax rate for future periods is uncertain and could be impacted by mergers and acquisitions. Risks described with respect to new product development also apply to acquisitions.

***Entrance into new or developing markets exposes us to additional competition and will likely increase demands on our service and support operations.***

As we focus on new market opportunities and key priority areas, such as AI, cloud, and cybersecurity, we compete with companies of all sizes. Several of our competitors may have greater resources, including technical and engineering resources, than we do. Additionally, as customers complete infrastructure deployments, they may require greater levels of service, support, and financing than we have provided in the past, especially in emerging countries. Demand for these types of service, support, or financing contracts may increase in the future. There can be no assurance that we can provide products, service, support, and financing to effectively compete for these market opportunities. Further, entry into other markets has subjected and will subject us to additional risks, particularly to those markets, including the effects of general market conditions and reduced consumer confidence. For example, as we add direct selling capabilities globally to meet changing customer demands, we will face increased legal and regulatory requirements.

***If we do not successfully manage our strategic alliances, we may not realize the expected benefits from such alliances, and we may experience increased competition or delays in product development.***

We have several strategic alliances with large and complex organizations and other companies with which we work to offer complementary products and services. These arrangements are generally limited to specific projects, the goal of which is generally to facilitate product compatibility and adoption of industry standards. There can be no assurance we will realize the expected benefits from these strategic alliances or from joint ventures. If successful, these relationships may be mutually beneficial and result in industry growth. However, alliances carry an element of risk because, in most cases, we must compete in some business areas with a company with which we have a strategic alliance and, at the same time, cooperate with that company in other business areas. Also, if these companies fail to perform or if these relationships fail to materialize as expected, we could suffer delays in product development or other operational difficulties. Joint ventures can be difficult to manage, given the potentially different interests of joint venture partners.

***Product quality problems could lead to reduced revenue, gross margins, and net income.***

We produce highly complex products that incorporate leading-edge technology, including both hardware and software. Software typically contains bugs or other quality or reliability problems that can unexpectedly interfere with its intended operations or the intended operation of the systems in which our software is installed. There can be no assurance that our pre-shipment or pre-release testing programs will be adequate to detect all defects, either ones in individual products or ones that could affect numerous shipments, which might interfere with customer satisfaction, reduce sales opportunities, or affect gross margins. From time to time, we have had to replace certain components and provide remediation in response to the discovery of defects or bugs in products that we had shipped. There can be no assurance that such remediation, depending on the product involved, would not have a material impact. An inability to cure a product defect or bug could result in the failure of a product

line, temporary or permanent withdrawal from a product or market, damage to our reputation, inventory costs, product reengineering expenses or legal liability, any of which could materially harm our revenue, margins, and net income.

***Due to the global nature of our operations, political or economic changes or other factors in a specific country or region could harm our operating results and financial condition.***

We conduct significant sales and customer support operations in countries around the world. As such, our growth depends in part on our increasing sales into emerging countries. We also depend on non-U.S. operations of our contract manufacturers, component suppliers and distribution partners. Our business in emerging countries in the aggregate experienced a decline in orders in certain prior periods. We continue to assess the sustainability of any improvements in our business in these countries and there can be no assurance that our investments in these countries will be successful. Our future results could be negatively impacted by a variety of political, economic or other factors relating to our operations inside and outside the United States, any or all of which could materially harm our operating results and financial condition, including the following: impacts from global central bank monetary policy; issues related to the political relationship between the United States and other countries that can affect regulatory matters, affect the willingness of customers in those countries to purchase products from companies headquartered in the United States or affect our ability to procure components if a government body were to deny us access to those components; government-related disruptions or shutdowns; the challenging and inconsistent global macroeconomic environment; foreign currency exchange rates; geopolitical tensions (including China-Taiwan relations); political or social unrest; economic instability or weakness or natural disasters in a specific country or region, including economic challenges in China and global economic ramifications of Chinese economic difficulties; environmental protection regulations (including new laws and regulations related to climate change); trade protection measures, such as tariffs; other legal and regulatory requirements, some of which may affect our ability to import our products to, export our products from, or sell our products in various countries or affect our ability to procure components; political considerations that affect service provider and government spending patterns; health or similar issues, including pandemics or epidemics; difficulties in staffing and managing international operations; and adverse tax consequences, including imposition of withholding or other taxes on our global operations.

***We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets, which could result in material losses.***

Most of our sales are on an open credit basis, with typical payment terms of 30 days in the United States, and, because of local customs or conditions, longer in some markets outside the United States. Beyond our open credit arrangements, we have also experienced demands for customer financing and facilitation of leasing arrangements. Our loan financing arrangements may include not only financing the acquisition of our products and services but also providing additional funds for other costs associated with network installation and integration of our products and services. Our exposure to the credit risks relating to our financing activities may increase if our customers are negatively impacted by a global economic downturn or periods of economic uncertainty. There can be no assurance that programs we have in place to monitor and mitigate credit risks will be effective. In the past, there have been significant bankruptcies among customers both on open credit and with loan or lease financing arrangements, particularly among Internet businesses and service providers, causing us to incur economic or financial losses. There can be no assurance that additional losses will not be incurred. Although these losses have not been material to date, future losses, if incurred, could materially harm our business, operating results, or financial condition. Additionally, to the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could materially harm our business, operating results, and financial condition.

***We are exposed to fluctuations in the market values of our portfolio investments and in interest rates; impairment of our investments could harm our earnings.***

We maintain an investment portfolio of various holdings, types, and maturities. Our portfolio includes available-for-sale debt investments and equity investments, the values of which are subject to market price volatility. If such investments suffer market price declines, as we experienced with some of our investments in the past, we may recognize in earnings the decline in the fair value of our investments below their cost basis. Our privately held investments are subject to risk of loss of investment capital. These investments are inherently risky because the markets for the technologies or products they have under development are typically in the early stages and may never materialize. We could lose our entire investment in these companies. For information regarding the market risks associated with the fair value of portfolio investments and interest rates, refer to the section titled "Quantitative and Qualitative Disclosures About Market Risk."

***We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.***

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates, including emerging market currencies which can have extreme currency volatility. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the United States

where we sell in dollars and a weakened dollar could increase the cost of local operating expenses and procurement of raw materials to the extent that we must purchase components in foreign currencies. These exposures may change over time as business practices evolve, and they could materially harm our financial results and cash flows.

***Failure to retain and recruit key personnel would harm our ability to meet key objectives.***

Our success has always depended in large part on our ability to attract and retain highly skilled technical, managerial, sales, and marketing personnel. Competition for such personnel is intense, especially in the Silicon Valley area of Northern California and other major United States locations. Stock incentive plans are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. Volatility or lack of positive performance in our stock price or equity incentive awards, or changes to our overall compensation program, including our stock incentive program, resulting from the management of share dilution and share-based compensation expense or otherwise, may also negatively impact our ability to retain key employees. As a result of one or more of these factors, we may increase our hiring in geographic areas outside the United States, which could subject us to additional geopolitical and exchange rate risk. The loss of services of any of our key personnel; the inability to retain and attract qualified personnel in the future; or delays in hiring required personnel, particularly in engineering and sales fields, could make it difficult to meet key objectives, such as timely and effective product introductions. In addition, companies in our industry whose employees accept positions with competitors frequently claim that competitors have engaged in improper hiring practices. We have received these claims in the past and may receive additional claims in the future.

***Adverse resolution of claims, litigation or governmental investigations may harm our operating results or financial condition.***

We are a party to a variety of claims, litigation and governmental investigations in the normal course of our business. Claims, litigation and governmental investigations may arise from a wide variety of business practices and initiatives, including major new product releases, significant business transactions, warranty or product claims, employment practices, and regulation. Any claim, litigation or governmental investigation can be costly, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict, and management's view of these matters may change in the future. An unfavorable resolution of claims, litigation or governmental investigations could materially harm our business, operating results, or financial condition. For additional information regarding certain of the matters in which we are involved, see Note 14 to the Consolidated Financial Statements, subsection (f) "Legal Proceedings."

***Our operating results may be negatively impacted and damage to our reputation may occur due to the production and sale of counterfeit versions of our products.***

As is the case with leading products around the world, our products are subject to efforts by third parties to produce counterfeit versions of our products. While we work diligently with law enforcement authorities in various countries to block the manufacture of counterfeit goods and to interdict their sale, and to detect counterfeit products in customer networks, and have succeeded in prosecuting counterfeiters and their distributors, resulting in fines, imprisonment and restitution to us, there can be no guarantee that such efforts will succeed. While counterfeiters often aim their sales at customers who might not have otherwise purchased our products due to lack of verifiability of origin and service, such counterfeit sales, to the extent they replace otherwise legitimate sales, could negatively impact our operating results.

***Changes in our provision for income taxes or adverse outcomes resulting from examination of our income tax returns could negatively impact our results.***

Our provision for income taxes is subject to volatility and could be negatively impacted by earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; by changes in the valuation of our deferred tax assets and liabilities; by changes to foreign-derived intangible income, global intangible low-tax income and base erosion and anti-abuse tax, research and development capitalization and amortization, and corporate alternative minimum tax laws, regulations, or interpretations thereof; by expiration of or lapses in tax incentives; by transfer pricing adjustments, including the effect of acquisitions on our legal structure; by tax effects of nondeductible compensation; by tax costs related to intercompany realignments; by changes in accounting principles; or by changes in tax laws and regulations, treaties, or interpretations thereof, including changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, and the foreign tax credit rules. Significant judgment is required to determine the recognition and measurement attribute prescribed in the accounting guidance for uncertainty in income taxes. The Organisation for Economic Co-operation and Development (OECD), an international association comprised of 38 countries, including the United States, has made changes, including a Pillar Two framework that imposes a minimum tax rate of 15% in each taxing jurisdiction, and is contemplating additional changes to numerous long-standing tax principles. There can be no assurance that these changes and any contemplated changes if finalized, once adopted by countries, will not have an adverse impact on our provision for income taxes. Further, as a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries was subject to reduced tax rates. Our failure to meet these commitments could

adversely impact our provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition.

***Our business and operations are especially subject to the risks of earthquakes, floods, and other natural catastrophic events (including as a result of global climate change).***

Our corporate headquarters, including certain of our research and development operations are located in the Silicon Valley area of Northern California, a region known for seismic activity. Additionally, a certain number of our facilities are located near rivers that have experienced flooding in the past. Also certain of our customers, suppliers and logistics centers are located in regions that have been or may be affected by earthquake, tsunami and flooding or other weather-related activity which in the past has disrupted, and in the future could disrupt, the flow of supply chain components and delivery of products. In addition, global climate change may result in significant natural disasters occurring more frequently and/or with greater intensity, such as drought, wildfires, storms, sea-level rise, changing precipitation, and flooding. We have not to date experienced a material event as a result of these kinds of natural disasters; however, the occurrence of any such event in the future could materially harm our business, operating results, and financial condition.

***Terrorism, war, and other events may harm our business, operating results and financial condition.***

The continued threat of terrorism and heightened security and military action in response thereto, or any other current or future acts of terrorism, war (such as the ongoing Russia-Ukraine war and Middle East conflicts and wars), and other events (such as economic sanctions, trade restrictions and reactions of the governments, markets and the general public, including the sanctions and restrictions related to the ongoing Russia-Ukraine war) may cause further disruptions to the economies of the United States and other countries and create further uncertainties or could otherwise negatively impact our business, operating results, and financial condition. Likewise, events such as loss of infrastructure and utilities services such as energy, transportation, or telecommunications could have similar negative impacts. To the extent that such disruptions or uncertainties result in delays or cancellations of customer orders or the manufacture or shipment of our products, our business, operating results, and financial condition could be materially harmed.

***There can be no assurance that our operating results and financial condition will not be negatively impacted by our incurrence of debt.***

As of the end of the second quarter of fiscal 2026, we have senior unsecured notes outstanding in an aggregate principal amount of \$24.8 billion that mature at specific dates from calendar year 2026 through 2064. We have also established a commercial paper program under which we may issue short-term, unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of \$15.0 billion, and we had \$5.5 billion in commercial paper notes outstanding under this program as of January 24, 2026. There can be no assurance that our incurrence of this debt or any future debt, including any additional debt to refinance maturing debt, will be a better means of providing liquidity to us than would our use of our existing cash resources. Further, we cannot be assured that our maintenance of this indebtedness or incurrence of future indebtedness will not negatively impact our operating results or financial condition. In addition, changes by any rating agency to our credit rating can negatively impact the value and liquidity of both our debt and equity securities, as well as the terms upon which we may borrow under our commercial paper program or future debt issuances.

***Our reputation and/or business could be negatively impacted by matters relating to environmental, social, and governance and/or our reporting of such matters.***

We are subject to evolving and sometimes conflicting, laws, regulations, policies, and investor and other stakeholder expectations concerning environmental, social, and governance matters both in the United States and internationally. Any initiatives, goals, or commitments we disclose in this regard involve risks and uncertainties and could be difficult to achieve and costly to implement. For example, in September 2021, we announced our goal to achieve net zero across all scopes of greenhouse gas emissions by 2040, the achievement of which relies, in large part, on the accuracy of our estimates and assumptions around the enhanced power efficiency of our products, the adoption of renewable energy at customer and supplier sites, and the adoption of certain of our products and services by our customers. We could fail to achieve, or be perceived to fail to achieve, our 2040 net zero goal or other initiatives, goals, or commitments. In addition, in a climate where there are changing and increasingly divergent views on where our focus should be on these matters, our initiatives, goals, or commitments, or any revisions to them, are often criticized and the accuracy, adequacy, or completeness of such disclosures challenged. Our actual or perceived failure to achieve our initiatives, goals, or commitments, or otherwise successfully manage investor or other stakeholder expectations on these matters, could negatively impact our reputation or otherwise harm our business.

## **Risks Related to Intellectual Property**

### ***Our proprietary rights may prove difficult to enforce.***

We generally rely on patents, copyrights, trademarks, and trade secret laws to establish and maintain proprietary rights in our technology and products. Although we have been issued numerous patents and other patent applications are currently pending, there can be no assurance that any of these patents or other proprietary rights will not be challenged, invalidated, or circumvented or that our rights will, in fact, provide competitive advantages to us. Furthermore, many key aspects of our technology are governed by industry-wide standards, which are usable by all market entrants. In addition, there can be no assurance that patents will be issued from pending applications or that claims allowed on any patents will be sufficiently broad to protect our technology. Additionally, some U.S. governmental entities and courts have expressed a position that U.S. copyright and patent protection should be limited to protecting inventions and works of authorship created by humans. Therefore, U.S. copyright or patent protection for inventions or works developed in part or wholly by generative AI tools may be limited, or not available at all. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States. The outcome of any actions taken in these foreign countries may be different than if such actions were determined under the laws of the United States. Although we are not dependent on any individual patents or group of patents for particular segments of the business in which we compete, if we are unable to protect our proprietary rights to the totality of the features (including aspects of products protected other than by patent rights) in a market, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time, and effort required to create innovative products that have enabled us to be successful.

### ***We may be found to infringe on intellectual property rights of others.***

Third parties, including customers, have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth, trends in patent policy and at the United States Patent and Trademark Office, and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the information technology field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. The asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers, or customers, alleging infringement of their proprietary rights with respect to our existing or future products or components of those products. Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to develop a non-infringing technology or enter into license agreements. Where claims are made by customers, resistance even to unmeritorious claims could damage customer relationships. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards, including injunctive relief, that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially harmed. For additional information regarding our indemnification obligations, see Note 14(e) to the Consolidated Financial Statements contained in this report. Our exposure to risks associated with the use of intellectual property may be increased as a result of acquisitions, as we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks. Further, in the past, third parties have made infringement and similar claims after we have acquired technology that had not been asserted prior to our acquisition.

### ***We rely on the availability of third-party licenses.***

Many of our commercial offerings are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that the necessary licenses would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could materially harm our business, operating results, and financial condition. Moreover, the inclusion in our commercial offerings of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to protect our proprietary rights in our products.

**Risks Related to Cybersecurity, Privacy, and Regulatory Requirements**

***Cyber attacks, data breaches or other incidents impacting our solutions and IT environment may disrupt our operations, harm our operating results and financial condition, and damage our reputation or otherwise materially harm our business; and cyber attacks, data breaches or other incidents on our customers' or third-party providers' networks, or in third-party products we use, could result in claims of liability against us, give rise to legal and/or regulatory action, damage our reputation or otherwise materially harm our business.***

We experience cyber attacks and other attempts to gain unauthorized access on a regular basis to (i) our products and services (together, our "solutions") and (ii) the servers, data centers, networks, systems, and cloud-based services operated or enabled by us, or by third parties upon which we rely, on or through which our and third-party data are stored, processed, or can be accessed (collectively, our "IT environment"). We anticipate continuing to be increasingly subject to such attempts as cyber attacks become more sophisticated and difficult to predict and protect against. Furthermore, the emergence and maturation of AI capabilities has led to new and/or more effective methods of cyber attacks. Despite our active implementation of security and other measures, our solutions and IT environment have been, and continue to be, vulnerable to cyber attacks, incidents, data breaches, malware, inadvertent error, disruptions, failures, physical security breaches, tampering or other theft or misuse, including by malicious actors (including criminals and activists) and by insider threats (including employees and contingent workers). Additionally, nation-state actors or their agents have in the past successfully attacked our IT environment and have also exploited vulnerabilities in our solutions to carry out attacks, and we anticipate that these attacks and the exploitation of vulnerabilities in our solutions will continue and may intensify during periods of diplomatic or armed conflict or other geopolitical tensions. Further, a cyber attack, vulnerability exploitation, or other incident could go undetected and persist in our environments, or those of our customers or third-party providers upon which we rely, for extended periods. Cyber-related events have caused, and in the future could result in, compromise to, or the disruption of access to, the operation of our solutions and IT environment or those of our customers or third-party providers upon which we rely, or result in confidential, private or otherwise sensitive information stored on our systems or our customers' or other third-party systems being improperly accessed, processed, disclosed now (or in the future), or being lost or stolen. Efforts to limit the ability of malicious actors to disrupt the operations of the Internet or undermine our security efforts are costly to implement and may not be successful. Breaches of security in our IT environment, our customers' or third-party providers' networks, or in third-party products we use, regardless of whether the breach is attributable to a vulnerability in our solutions, a failure by us to timely mitigate or apply a security fix for products we use that are found vulnerable, or a failure to maintain the digital security infrastructure or security tools that protect the integrity of our solutions and IT environment, could, in each case, result in claims of legal and/or regulatory action against us, damage our reputation or otherwise materially harm our business. The occurrence of a cyber attack, data breach or other incident could subject us to direct or indirect liability to our customers, data subjects, suppliers, business partners, employees, and others, give rise to legal and/or regulatory action, could damage our reputation or could otherwise negatively impact our business, any of which could materially harm our business, operating results, and financial condition.

***Vulnerabilities and critical security defects, prioritization decisions regarding remedying vulnerabilities or security defects, failure of third-party providers to remedy vulnerabilities or security defects, or customers not deploying security updates in a timely manner or deciding not to upgrade our solutions to those with security updates or security enhancements applied could result in claims of liability against us, damage our reputation, or otherwise materially harm our business.***

The products and services (together, our "solutions") we sell to customers, and the cloud-based services operated or enabled by us, or by third parties upon which we rely, inevitably contain vulnerabilities or security defects (despite our efforts to prevent and detect them through secure development lifecycle practices, testing, or other means), which have not been remedied or cannot be disclosed without compromising security. We also make prioritization decisions in determining which vulnerabilities or security defects to fix and the timing of these fixes. Even when we prioritize a vulnerability or security defect, in certain instances it has taken, and in the future could take, time for us to develop and test a remedy and the remedy may ultimately be insufficient to fully fix the issue or may be found to create other issues. In addition, workarounds or other mitigation efforts in certain instances have not been, and in the future may not be, available or sufficient to protect customers prior to a security update being made available. Vulnerabilities can persist even after we have issued security updates if we have not identified and addressed the root cause of a particular vulnerability, if customers have not installed the most recent updates, if the attackers exploited the vulnerabilities before a security update is applied (such as to install additional malware to further compromise customers' systems), or if a previously patched vulnerability is inadvertently reintroduced due to a security regression during future development or a changed deployment. Additionally, customers may also desire to test security updates before they can be deployed which can delay implementation. When customers do not deploy security updates in a timely manner, use solutions that are end of life and no longer receive security updates, decide not to upgrade to the latest versions of our solutions containing security updates or security enhancements, configure our solutions in insecure ways, or fail to sufficiently monitor activity on those solutions, they are left vulnerable. In addition, we rely on third-party providers of software (including open source) and cloud-based services on which our and third-party data is stored or processed, and we cannot control the timing at

which third-party providers remedy vulnerabilities, which could leave us vulnerable. Failure to comply with internal security policies and standards, including secure development lifecycle practices, failure to prevent or promptly mitigate vulnerabilities and security defects, prioritization errors in remediating vulnerabilities or security defects, failure of third-party providers to remedy vulnerabilities or security defects, or customers not deploying security updates in a timely manner, deciding not to upgrade solutions, or configuring our solutions in insecure ways could, in each case, result in claims of legal and/or regulatory action against us, damage our reputation, or otherwise materially harm our business.

***Our actual or perceived failure to adequately protect and appropriately use data could result in claims of legal and/or regulatory action against us, damage our reputation, or otherwise materially harm our business.***

Global privacy and data related laws and regulations, including cybersecurity laws, are evolving, extensive, and complex. Compliance with these laws and regulations is difficult and costly. In addition, evolving legal requirements restricting or controlling the collection, processing, use, sharing, access or cross-border transmission of data, including regulation of cloud-based services, could materially affect our customers' ability to use, and our ability to sell, our products and services. The interpretation and application of these laws in some instances are uncertain, and our legal obligations and customer requirements are subject to frequent changes. For example, the European Union's ("EU") General Data Protection Regulation ("GDPR") and Data Act apply to our activities conducted from an establishment in the EU or related to products and services offered in the EU and imposes a range of compliance obligations regarding the handling of personal and industrial data for both ourselves and our customers. Additionally, we are subject to the California Privacy Rights Act, Singapore's Personal Data Protection Act, and other laws, regulations, and obligations around the world that govern the handling of data. Our actual or perceived failure to comply with applicable laws and regulations or other obligations relating to the use of data and protecting data from unauthorized access, use, or other processing, could subject us to claims of liability, give rise to legal and/or regulatory action, damage our reputation, and/or otherwise negatively impact our business, any of which could materially harm our operating results and financial condition.

***Our business, operating results, and financial condition could be materially harmed by evolving regulatory uncertainty or obligations applicable to our products and services.***

Changes in regulatory requirements applicable to the industries and sectors in which we operate, in the United States and in other countries, could materially affect our operations and the sales and use of our products and services. In particular, economic sanctions and changes to export and import control requirements have impacted and may continue to impact our ability to sell and support our products and services in certain jurisdictions. In addition, changes in telecommunications regulations could impact our service provider customers' purchase of our products and services, and they could also impact sales of our own regulated offerings. Government and other customers' procurement policies, priorities, regulations, technology initiatives and/or other obligations often give rise to evolving privacy, cybersecurity, operational resilience, data governance, sourcing, or other requirements; the failure or delay in meeting and maintaining compliance with such requirements could negatively impact our business, including by limiting our ability to sell products and services, directly or indirectly, to public sector, critical infrastructure, and other customers. Additional areas of uncertainty that could impact sales of our products and services include laws, regulations, or customer procurement requirements related to encryption technology, data, AI, privacy, cybersecurity, sovereignty, localization, operational resilience, environmental sustainability (including climate change), human rights, product certification, product and digital accessibility, country of origin, sourcing, national security, and other security controls applicable to our offerings and supply chain. Changes in regulatory requirements or our actual or perceived failure to comply (or to enable our customers to comply when using our offerings) with applicable laws, regulations, or other obligations could materially harm our business, operating results, and financial condition.

#### **Risks Related to Ownership of Our Stock**

***Our stock price may be volatile.***

Historically, our common stock has experienced substantial price volatility, particularly as a result of variations between our actual financial results and the published expectations of analysts and as a result of announcements by our competitors and us. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business, security of our products, or significant transactions can cause changes in our stock price. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many technology companies, in particular, and that have often been unrelated to the operating performance of these companies. These factors, as well as general economic and political conditions and the announcement of proposed and completed acquisitions or other significant transactions, or any difficulties associated with such transactions, by us or our current or potential competitors, may materially harm the market price of our common stock in the future. Additionally, volatility, lack of positive performance in our stock price or changes to our overall compensation program, including our stock incentive program, may negatively impact our ability to retain key employees, virtually all of whom are compensated, in part, based on the performance of our stock price.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

- (a) None.
- (b) None.
- (c) Issuer Purchases of Equity Securities (in millions, except per-share amounts):

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs</b>
October 26, 2025 to November 22, 2025	4	\$ 72.52	4	\$ 11,887
November 23, 2025 to December 20, 2025	8	\$ 79.18	8	\$ 11,292
December 21, 2025 to January 24, 2026	6	\$ 75.19	6	\$ 10,823
Total	18	\$ 76.29	18	

On September 13, 2001, we announced that our Board of Directors had authorized a stock repurchase program. As of January 24, 2026, the remaining authorized amount for stock repurchases under this program is approximately \$10.8 billion with no termination date.

For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of shares withheld to meet applicable tax withholding requirements. Although these withheld shares are not issued or considered common stock repurchases under our stock repurchase program, and therefore are not included in the preceding table, they are treated as common stock repurchases in our financial statements as they reduce the number of shares that would have been issued upon vesting.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

*Rule 10b5-1 Trading Arrangements*

On December 16, 2025, Deborah L. Stahlkopf, Cisco's Executive Vice President and Chief Legal Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Ms. Stahlkopf's trading plan provides for the sale of approximately 149,243 gross shares (with any shares underlying performance-based equity awards being calculated at target), plus any related dividend-equivalent shares earned with respect to such shares and excluding, as applicable, any shares withheld to satisfy tax withholding obligations in connection with the net settlement of the equity awards. Ms. Stahlkopf's trading plan is scheduled to terminate on December 19, 2026, subject to early termination for certain specified events set forth therein.

On December 17, 2025, Oliver Tuszik, Cisco's Executive Vice President, Global Sales and Chief Sales Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Mr. Tuszik's trading plan provides for the sale of approximately 44,768 gross shares (with any shares underlying performance-based equity awards being calculated at target), plus any related dividend-equivalent shares earned with respect to such shares and excluding, as applicable, any shares withheld to satisfy tax withholding obligations in connection with the net settlement of the equity awards. Mr. Tuszik's trading plan is scheduled to terminate on December 19, 2026, subject to early termination for certain specified events set forth therein.

On December 19, 2025, Jeetendra I. Patel, Cisco's President and Chief Product Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Mr. Patel's trading plan provides for the sale of approximately 163,293 gross shares (with any shares underlying performance-based equity awards being calculated at target), plus any related dividend-equivalent shares earned with respect to such shares and excluding, as applicable, any shares withheld to satisfy tax withholding obligations in connection with the net settlement of the equity awards. Mr. Patel's trading plan is scheduled to terminate on December 19, 2026, subject to early termination for certain specified events set forth therein.

On December 19, 2025, Mark Patterson, Cisco's Executive Vice President and Chief Financial Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Mr. Patterson's trading plan provides for the sale of approximately 87,228 gross shares (with any shares underlying performance-based equity awards being calculated at target), plus any related dividend-equivalent shares earned with respect to such shares and excluding, as applicable, any shares withheld to satisfy tax withholding obligations in connection with the net settlement of the equity awards. Mr. Patterson's trading plan is scheduled to terminate on December 19, 2026, subject to early termination for certain specified events set forth therein.

**Item 6. Exhibits**

The following documents are filed as exhibits to this report:

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1*	<a href="#">Cisco Systems, Inc. 2005 Stock Incentive Plan (including related form agreements)</a>	8-K	001-39940	10.1	12/17/2025	
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</a>					X
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</a>					X
32.1	<a href="#">Section 1350 Certification of Principal Executive Officer</a>					X
32.2	<a href="#">Section 1350 Certification of Principal Financial Officer</a>					X
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

\* Indicates a management contract or compensatory plan or arrangement.

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cisco Systems, Inc.

Date: February 17, 2026

By /s/ Mark Patterson

Mark Patterson  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer and duly authorized signatory)