

Cisco Systems to Acquire Sheer Networks

Enhances Service Provider Network Management Offerings

SAN JOSE, Calif., July 26, 2005 - Cisco Systems, Inc., today announced a definitive agreement to acquire privately held Sheer Networks of San Jose, Calif. Sheer Networks is a pioneer in the development of intelligent network and service management products for service providers and large enterprises. Sheer's technology can adapt to network changes easily, scale to large networks, and help extend new technologies and services to simplify the difficult task of monitoring and maintaining complex networks.

Under the terms of the agreement, Cisco will pay approximately \$97 million in cash and assumed options for Sheer Networks. In addition, the acquisition price may be increased by as much as \$25 million depending on the degree to which certain development and product milestones are met after close. The acquisition of Sheer is subject to various standard closing conditions and is expected to close in the first quarter of Cisco's fiscal year 2006.

"We are continuously investing in our business to meet our customers' needs and the Sheer Networks acquisition will strengthen our ability to provide innovative and effective network management solutions," said Cliff Meltzer, senior vice president for Cisco's Network Management Technology Group. "Our blueprint for Cisco network management includes a common services platform on which applications are delivered and the ability to support management applications from Cisco and other vendors. Sheer has a similar philosophy and parallel architecture which will accelerate our delivery of Cisco's next generation management platform and advanced applications to our Service Provider customers."

Sheer's virtual network model hides the complexity of physical networks in a way that makes them accessible to a variety of management applications. This Dynamic Network Abstraction layer makes them transparent and accessible to a broad range of management applications. Building on the Sheer Networks technology and platform, Cisco will develop and sell device, network and service-level management applications enabling intelligent management across multi-vendor networks and network-based services. Cisco will also enable other hardware and software vendors to develop and deliver applications that can easily interoperate with Cisco applications through standards-based APIs. These same APIs enable easy integration into service provider OSS/BSS environments.

Upon close of the acquisition, the Sheer Networks team will report into the Network Management Technology Group headed by Cliff Meltzer, senior vice president. Sheer Networks was founded in 1999 and has 100 employees in San Jose, Calif. and Petach Tikva, Israel.