

**Press Release**



**Cisco Systems to Acquire V-Bits, Inc.**

Advanced Video Technologies Solve Distribution Challenges on Broadband Networks

SAN JOSE, Calif. -- November 11, 1999 -- Cisco Systems, Inc. today announced a definitive agreement to acquire privately-held V-Bits, Inc. of San Jose, CA. V-Bits is a leading provider of standards-based digital video processing systems for cable television service providers. Underscoring Cisco's New World strategy, this acquisition enhances Cisco's solutions for streamlined broadband networks supporting data, voice and video services.

Under the terms of the agreement, Cisco common stock worth \$128 million will be exchanged for all outstanding shares, warrants and options of V-Bits. The acquisition will be accounted for as a pooling of interests and is expected to close in the second quarter of Cisco's fiscal year 2000. This acquisition has been approved by the board of directors of each company and is subject to various closing conditions.

V-Bits's products will enable service providers to offer digital video services over cable television networks. Using V-Bits's technology, service providers can create customized programming packages and channel lineups tailored to audience demographics. V-Bits's technology enhances digital video distribution and programming by adding or dropping specific channels, inserting local content and advertising, and enabling next-generation services such as video on demand. V-Bits's core product is a cable headend device that processes video streams from different satellite and broadcast sources and dynamically optimizes the encoded video bandwidth demands to meet the capacity of a carrier's local network. V-Bits is currently conducting product field trials with leading cable operators worldwide.

V-Bits's technology expands Cisco's broadband vision to deliver next-generation solutions and give cable operators the ability to offer a complete suite of data, voice and video services delivered over a single streamlined multiservice digital cable network infrastructure. Today, Cisco delivers carrier class solutions including optical transmission and distribution systems; multigigabit routing and switching platforms; multiservice digital access and aggregation products; and standards based provisioning middleware to the cable industry.

V-Bits was founded in 1997. The 30 employees will be lead by V-Bits CEO Mike Moone and will become part of the Cable Products and Solutions group in the Service Provider line of business.

Cisco Systems

Cisco Systems, Inc. (NASDAQ:CSCO) is the worldwide leader in networking for the Internet.