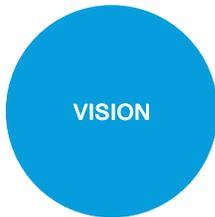




TO OUR SHAREHOLDERS

All around the world, people are accomplishing extraordinary things with the power of the network. Today's executives are meeting face to face without ever leaving their desks. Consumers are able to experience the action of and connect with a favorite sports team or music group without leaving their home. Classrooms and students are connected regardless of geography, nationality, or culture. The human network is changing the way we bring big ideas to life—and share them with the world.



— The Network as the Platform

The network is squarely at the center of innovation and is capable of changing the way people work, live, play, and learn. The rapid proliferation of Internet-enabled devices is fueled by more and more services and tasks being handled online, from phone calls to personalized searches to downloading videos, games, and other forms of entertainment.

The role of the network has evolved beyond that of infrastructure to a secure platform for delivering the customized and personalized experience that 21st-century users expect—whether that means delivering new services as a carrier; boosting productivity for businesses of any size; or consumers looking for real-time, personalized entertainment and services. Our vision of tomorrow's network is one of abundant bandwidth; exciting collaboration models; sophisticated yet easy-to-deploy solutions; and the convergence of voice, data, and video on every device.

Advancing the visionary change for tomorrow's network requires major investment. Cisco invested \$5.2 billion in research and development during fiscal 2008. This commitment expands the breadth of products, applications, and services that we offer, which we believe will enable our customers and partners to reach the next level of innovation with their customers and partners. Customers tell us that we have earned our competitive advantage because we actively listen, share, and explore ways to innovate with them in order to develop the best solutions to meet their needs.

Innovation is at the foundation of Cisco culture. In fiscal 2008, we brought more than 250 new products to market, including the Cisco Nexus switches and the aggregation services routers. Cisco TelePresence systems continue to gain market share and exemplify the power of the network to change business models and improve visual communications across geographic and cultural boundaries. At Cisco, we believe that companies that build business models on collaboration enabled by networked IT will gain recognizable competitive advantages. Many of our customers have begun to recognize the power of Web 2.0 technologies to allow quick, safe, and effective interaction across devices, operating systems, wired and wireless networks, and business applications around the world.



Capturing Market Transitions

We believe that Cisco's success also comes from recognizing and capitalizing on market transitions before they occur. Our goal is to capture these market transitions faster than our competitors by recognizing major technologies and markets that will play a crucial role in the future of communications and IT. By setting our sights on a minimum three- to five-year horizon for innovation and development, we are able to make strategic decisions, investments, and organizational moves to support the future. Acting on this differentiated strategy, we made multiple acquisitions in fiscal 2008, including wireless, unified communications, and security technologies. Look for us to continue to grow through internal development, acquisitions, our global partnerships, and cross-functional teamwork.

One area of our differentiated strategy includes a goal of growing each product category in our advanced technologies to capture \$1 billion-plus in annual revenue and the number-one market position. As an example, Cisco TelePresence—one of our "emerging technology" products—is beginning to gain meaningful adoption in the enterprise and service provider customer segments. On many occasions, we have observed that when our customers experience the power of this technology, their reaction proceeds from "wow" to "I want to have it now." Our customers have begun to understand firsthand the power they can gain by implementing video and visual networking solutions in their corporate network ecosystem.

Cisco grew revenue across all product categories and geographic theaters in fiscal 2008. Routing revenue increased 14%, led by 119% revenue growth in our Cisco CRS-1 Carrier Routing System product line. Our switching portfolio revenue grew 7%, consistent with slower enterprise business growth in the United States and Canada, our largest theater. Revenue growth in our advanced technology product category was 21%, led by Unified Communications revenue growth of 51%, including WebEx. Our four largest geographic theaters demonstrated solid growth in fiscal 2008 despite certain areas of economic challenge.

Providing customer satisfaction is one of Cisco's core values. Creating sustainable customer partnerships is a crucial part of our strategy and provides invaluable insight into market transitions. In addition to our technology, Cisco's knowledge of government, education, healthcare, public safety, economic development, and national security issues has increased customer trust in our presence at the core of their networks. Being close to our customers is, we believe, the best way to uncover opportunity for the next market transition, long before the next market transition becomes obvious to others.



A Portfolio Management Approach

Our market leadership is based on a balanced portfolio of products and services that address the technology and business requirements of our customers around the world. Cisco products, applications, and solutions offer an architecture advantage by which customers can structure, customize, and deploy complex IT and communications systems that have the opportunity to grow with their business. Our product portfolio is built on a scalable open architecture with technology that delivers real value to customers.

We are proud of our fiscal 2008 financial performance. Revenue was a record \$39.5 billion, an increase of 13% year over year. Especially notable, Cisco achieved the first \$10 billion quarter during the fourth quarter of fiscal 2008, despite a particularly challenging global economy during the second half of fiscal 2008. For fiscal 2008, revenue growth for our products

Letter to Shareholders >

“Collaboration is the way we combine processes, networked IT, and our culture to deliver results that are founded on the principles of shared goals, a common vision, and an environment of trust.”

–John Chambers, Chairman & CEO

was approximately 12%, driven by balanced results across our geographic theaters, customer segments, and product portfolios. We continued to develop the strategic nature of our customer relationships, as evidenced by service revenue growth of 18% to surpass \$6.4 billion for fiscal 2008.

We added over 4,500 employees throughout fiscal 2008, bringing the Cisco “family” to just over 66,000. We continue to emphasize innovation and collaboration as part of our internal culture as we build a next-generation company. Our strategic investments contributed to net income growth of 10% on a year-over-year basis to reach \$8.1 billion in fiscal 2008. Earnings per share on a fully diluted basis for fiscal 2008 were \$1.31. Cash generated from operations was \$12.1 billion.

We remain committed to our stock repurchase program, and we believe that this is an efficient way to return cash to shareholders. We repurchased 372 million shares of our common stock during fiscal 2008. Since the inception of the repurchase program in fiscal 2002 through the end of fiscal 2008, Cisco has repurchased approximately 2.6 billion shares.

One of Cisco’s competitive advantages is our ability to quickly and effectively integrate acquisitions that enhance our product offering, which allows us to move quickly into market adjacencies. In fiscal 2008, we completed several acquisitions, including Cognio, Inc., a leader in wireless spectrum analysis and management for wireless networks; Latigent, LLC, a leading provider of web-based business intelligence and analytics reporting solutions focused on contact centers; Nuova Systems, Inc., a developer of next-generation products for the data center market; Securent, Inc., a leading provider of policy management software for enterprises; Navini Networks, Inc., a leader in the mobile WiMAX broadband wireless industry; and DiviTech, A/S, a leader in the digital-service management market.

The network, coupled with widespread broadband Internet access, has created a platform that eliminates time and distance as obstacles to working together toward common goals, such as an acquisition. This ability to collaborate across geographies and time zones has the power to transform business models forever.

Corporate Citizenship and Social Responsibility

One thing that is clear to us as members of the “human network” is the importance of environmental sustainability. Cisco’s EcoBoard is made up of key senior leaders. This group is chartered with developing Cisco’s green vision and strategy and with overseeing our environmental policies and practices.

We believe that we can affect the environment in a positive way through the use of technology. Our view is that everything connected to the network can be green. Cisco endeavors to build products that have optimized functionality, accessibility, and performance for the network, while reducing the amount of power consumed and, ultimately, our carbon footprint. We use internally developed metrics to measure our progress as we work closely with our suppliers to define and implement “green” goals and initiatives.

Another area of passion for Cisco is the power of the network to improve education. The coming together of the Internet and education has opened significant opportunities for current and future generations of students, companies, and countries. Technology provides greater access to educational opportunities through the Internet, enabling students to learn more with less. Workers have greater access to e-learning opportunities to enhance and increase their skills. And companies and schools can decrease costs by using technology for greater productivity.

The Cisco Networking Academy program has provided more than two and a half million students around the world with critical IT and networking skills, educating the architects of the networked economy of today and of tomorrow. And because education is a global initiative for our company, the Cisco Networking Academy forges alliances with socially responsible businesses, development agencies, and nonprofit organizations to deliver the services needed to help build the global IT workforce and promote socioeconomic development around the world.



CLOSING
THOUGHTS

———— **Building a Next-Generation Company**

Using Cisco virtualization technology, businesses and service providers can scale their operations and extend the capabilities of their data centers to deliver innovative new experiences more quickly, more efficiently, and with fewer resources. Our collaboration and video products turn what was once a solitary user experience on a lone device into an experience that is shared, used, expanded, enhanced, rich, fulfilling—the list goes on and on—and it is being increasingly delivered on multiple devices.

Cisco will continue to innovate to capture market transitions and to better address the needs of our customers. In order to realize the opportunity ahead, we will transform our own business and change the way our company is structured. At Cisco, this is an organizational and cultural revolution, moving from a hierarchical command-and-control model to a collaborative leadership approach, governed by councils, boards, and working groups. We are pioneering this new and strategic approach, enabled by collaboration technologies, to accomplish our goals and fulfill our dreams.

We believe that we are at one of the greatest market transitions in recent history. Time will tell if we are right. As a company, our opportunity is to build a connected, global, human network enabling us to work collectively to address the social, economic, and political issues of our time. As leaders, it is our responsibility to lead by inclusion and collaboration, to encourage and reward these behaviors, and to welcome the innovations that will enable a world that is more connected than ever before. We are limited not by technology, but only by our own imaginations and willingness to embrace this exciting new era.

In closing, let me say that I am personally more excited and humbled than I have ever been during my tenure at Cisco. I am surrounded by a passionate team of over 66,000 employees who are helping our customers and partners recognize the potential of collaborative business models and network-enabled Web 2.0 technologies to enhance their businesses and their lives, all made possible by leading technologies running on intelligent networks. I believe that Cisco is a company that can be “best in the world and best for the world.” I look forward to sharing this journey with you.



John T. Chambers
Chairman & CEO