



## Cisco Annual Report 2008 Shareholder Video Transcript

Hello, this is John Chambers, Chairman and CEO of Cisco Systems, Inc. And I want to thank our shareholders for joining us for this video.

When you think about Cisco, don't think about us in an individual quarter or year, because we make very few decisions based upon that. We think of where the industry is going to go with or without Cisco, what we call the vision of how the industry is going to evolve, thinking 5 to 10 years out. Then we think about what role Cisco can have in that. And what we can do from a differentiated strategy to achieve not just our growth, but our profitability goals and then bring it down to execution: What we are going to do this fiscal year, if you will.

On the big picture literally the network is moving from plumbing, where Cisco has been very successful, to really intelligence throughout the network. As you put intelligence in the network, it can change the way you work, live, learn, and play. But it can also bring a different level of productivity, different business models, different forms of entertainment. As we think about where the industry is going to go, we then think about what is our differentiated strategy within that industry. That is driven by our customers off of what we call market transitions. They can be product generations from one generation to the next; they can be economic. They can be either how our business customers or our consumers purchase things differently than they did before.

But perhaps the biggest transition going on a global basis is around collaboration. Collaboration enabled by networking technologies and tools called Web 2.0. We think that will drive the next generation of productivity, but also the next generation of entertainment. The ability to identify those transitions and innovate internally to develop the products, acquire products, or to partner to achieve those products is what innovation is about. Build by partnering, if you will.

And we have been pretty successful, although there is always room for improvement in each of those categories. We invested \$5.2 billion in R&D this last year, and you saw the results come out with a number of emerging technologies, advanced technologies, and expansion of our existing routing and switching. TelePresence is probably my favorite, the ability to literally have virtual meetings around the world without ever getting on an airplane. And to change collaboration forever. We saw major improvements in our switching area, especially in the data center with the Nexus 5000 and the Nexus 7000 industry-leading products. And we saw the expansion of our CRS-1, which is the high-end routing platform for the future. The ability to literally build the capability to handle the tens of millions of videos for the future, as well as combining data and video together with voice in terms of an architecture.

No one can do all the products themselves internally. So as we look at market adjacencies, we often acquire to either complement what we are doing or to move into new market adjacencies. You saw us active in this last year in the area of wireless, unified communications, and security as an example. And you will continue to see us active in terms of acquisitions for the future, as well as partnerships.

By doing this we arrive at a balanced portfolio that our peers have had trouble matching. The ability to do this not just across routing and switching and advanced technologies and emerging technologies, but also across seven major geographies around the world as well as the capability across key customer segments. The ability to literally think of these customer segments in terms of the home, commercial marketplace, the enterprise, and the service provider. It is this balance that allows Cisco to be successful, and over time we think these products and these capabilities across these market segments will be loosely and then tightly coupled together.

I have always believed that the most successful in the world should also be the best at giving back. First, it is the right thing to do. Secondly, being very candid, it is just good for business. Cisco's commitment to corporate social responsibility is something we have all been very proud of, often winning many of the awards around the world. Our ability to focus in terms of our Networking Academy, literally with 2.5 million students through the program over the years; 700,000 students currently in the program in over 160 countries around the world. The ability for an eco-board to think about how everything that is connected to the network can be green. A good business opportunity for us, but also the right thing to do in terms of the environment. Continued expansion in terms of our global education initiatives with what grew out of the Jordan Education Initiative expanding to the global education initiative and partnership with the World Economic Forum. Our 21st-century school systems down in Louisiana and Mississippi that could be the model for the rest of the country. And our ability to respond to the terrible earthquake that occurred in China, focusing again on education and healthcare.

It is the ability perhaps to make a difference in the world both on building the next-generation company from a productivity point of view, moving from command to control, to collaboration and teamwork. But also the ability to do the same thing in terms of corporate social responsibility that is allowing Cisco to set what many people consider not just a broad aspirational goal but one that is almost unattainable.

Our goal here is to become the best company in the world, but also the best company for the world. What many people would consider impossible. But it is the ability to set these aspirational goals and then look at how we think out of the box to achieve them that has enabled Cisco to navigate through the challenges over the last two decades. The ability to outline a vision for the future, a differentiated strategy and then to focus on execution over the next 12 to 18 months on how we develop and implement this strategy.

I want to thank you for your confidence in Cisco and want to state that we are completely committed to continue to earn your confidence for the future.

Thank you once again. Have a great day.