

Cisco Systems, Inc. (CSCO)

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Business Summary

Cisco Systems, Inc. (CSCO) is a worldwide leader in Internet networking and manufactures and sells Internet Protocol (IP)-based networking communication products. Products are installed at corporations, public institutions and telecommunication companies. The company's networking installations allow customers to communicate with business partners, suppliers and employees.

The company, headquartered in San Jose, CA, employs more than 66,000 people worldwide. Major competitors include Juniper Networks, Alcatel-Lucent and Hewlett-Packard.

In November 2009, CSCO launched its Cisco® Unified Communications System Release 8.0. The Unified Communications platform enables organizations to communicate with partners, suppliers and customers through integrated voice, video, presence, instant messaging and Web sessions. The company also announced its entrance into two new markets, enterprise social software and hosted email, with the goal of bringing the collaborative power of online social communities to businesses. Among the new unified communications products offered are technologies which help enable secure business-to-business communications over any IP network offering differentiated capabilities for Service Providers. The new product introductions are offered to customers as on-premise, on-demand or software-as-a-service solutions and can be deployed on a sliding scale of consumption based on business process needs.

Financial Overview as of 11/6/09

Fiscal Year Ends 7/31	
Market Cap	\$137.4 billion
Price/Earnings (This Fiscal Year)	17.6x
EPS (Last Fiscal Year)	\$1.56
EPS Estimate (This Fiscal Year)	\$1.35
Total Debt /Capital (Most Recent Quarter)	21%
Sales Growth (3 Yr)	4%
Earnings Growth (3 Yr)	3%
L-T Estimated Earnings Growth	10%

Subsidiaries Include: Cisco-Linksys, LLC, Cisco Systems Canada, Co., and Cisco Systems Argentina. Detailed information is available upon request.

Relevant Issues

- Two *women* serve on the company's thirteen-member board of directors.
- The *Cisco Foundation* supports the company's efforts to team with non-profit/non-governmental organizations (NGOs) around the world to develop public investment programs that improve access to basic human needs, education, and economic opportunities.
- CSCO is one of several leading technology companies engaged in an educational experiment to see how information and communications technologies (ICTs) might be able to *help improve primary and secondary education in Africa*. Called *e-Schools*, the ambitious project aims to provide each of Africa's 600,000 schools access to ICT-based education within 10 years. CSCO will provide power generation and stabilization, Internet connectivity via satellite and a full wireless PC lab environment with student devices and teacher laptops.
- CSCO has appeared repeatedly on *Fortune* magazine's "100 Best Places to Work" list, including the 2009 list. The company offers a generous array of benefits, including stock awards for all employees and a demonstrable commitment to employee involvement. Notably, the company has also avoided layoffs in recent years.
- CSCO participates in the EPA's *Green Power Partnership* program. As of July 2008, the company was listed as number seven on its list of the 25 largest U.S. purchasers of renewable energy. The EPA recognized the company for its efforts with the *Green Power Leadership Award* in October of that year. For FY 2008, CSCO reported that 100% of the energy used by its operations in France, Germany, Ireland, Italy, the Netherlands, and the U.K. came from renewable sources. Overall, 80% of the energy used by the company's European operations was renewable. In the U.S., renewable energy accounted for about 32% of the company's power.

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Relevant Issues, continued

- CSCO's 2008 Corporate Social Responsibility (CSR) Report is available on the company's website. The CSR report discusses CSCO's **Connected Urban Development initiative**, which focuses on providing solutions that address the many factors contributing to carbon emissions in urban environments, including the use of energy and natural resources and transportation. The initiative demonstrates how to reduce carbon emissions by introducing fundamental improvements in the efficiency of the urban infrastructure using information and communications technology.
- As part of the *Connected Urban Development Initiative*, the San Francisco Municipal Transportation Agency (Muni) and CSCO have been working together on a pilot project to encourage citizens to use the city's bus system. Touch screens on the bus provide real-time information about schedules and wait times. Riders enjoy free wireless Internet access, while signs on the exterior of the bus inform motorists and pedestrians of its benefits. **The "Connected Bus" is a hybrid-powered vehicle that is 95% emissions free, eliminating 270 tons of carbon from the air per year compared with a standard bus.** Future network-enabled enhancements may include smart technology for avoiding collisions, traffic signal priority, onboard entertainment, "Find-It" services for locating points of interest, and security systems.
- CSCO is a supporter of the *United Nations Universal Declaration of Human Rights and Global Compact*. CSCO's codes of conduct, employee policies, and guidelines substantially incorporate laws and ethical principles including those pertaining to freedom of association, nondiscrimination, privacy, collective bargaining, compulsory and child labor, immigration, and wages and hours.
- As of May 2009, **25 of CSCO's facilities, including its headquarters, were ISO 14001 certified.** The company reported that these facilities represented about 65% of its employees. The *International Organization for Standardization (ISO)* addresses environmental management based on five best practices listed under the 14001 standard.
- CSCO endorses the *Electronic Industry's Supplier Code of Conduct*, which addresses human rights, health and safety, environmental safety, company ethics and supplier management systems.
- CSCO has faced persistent criticism from human rights groups for its involvement in the development of China's internet and for selling products that have been used by the Chinese government for censorship and human rights violations. **In September 2008, CSCO stated that it sold the same products worldwide, that it did not customize products for customers including the Chinese government, and that it did not develop specialized filtering capabilities for governments to block their citizens' access to information on the Internet.**