JUNIPER NETWORKS, INC.
1194 N. Mathilda Avenue
Sunnyvale, California 94089
www.juniper.net
(408) 745-2000

2007 Annual Report

Letter to Stockholders

Notice of 2008 Annual Meeting of Stockholders and Proxy Statement

Report on Form 10-K

To Our Stockholders:

2007 was a very successful year for Juniper Networks on many fronts, both financially and strategically. First, the financial success: the Company posted $2.84 billion in revenue, ahead of our expectations and 23% above 2006. Our revenue growth rates compared to the prior year accelerated in each successive quarter during the year, and our fourth quarter marked the highest single revenue quarter in Juniper history. We delivered on the bottom line as well, posting $360.8 million, or $0.62 per diluted share, in GAAP net earnings, as we demonstrated improved leverage in our business model exiting 2007. We ended the year with over $2 billion in cash and cash equivalents.

These results demonstrated that Juniper executed on its two key strategic goals for 2007:

- build revenue momentum in the high-performance segment of the networking market; and,
- begin to expand operating margins as we focus on establishing operating excellence and progress toward our targeted profitability model.

In 2008 we are poised to make further gains on both of those objectives.

We are in this position because Juniper is pursuing a strategy that is aligned closely with the evolution in global network infrastructure. Our business is no longer so much about the individual pieces – core, edge, aggregation, access – nor is it about building specific products to the needs of customer verticals – service providers, enterprises and public sector agencies. We serve all these customers with customized solutions, but each solution is built with an underlying focus on total network performance, supported by an infrastructure footprint that provides fast, reliable and secure access to applications and services at global scale. Underlying those capabilities is JUNOS, our single-source network operating system that runs across our network infrastructure. We call our approach high-performance networking – and it is the DNA of our company.

In fact, it is also our core strength in the marketplace, and the market itself has helped validate that assertion. We serve each of the top 65 network service providers around the world. We serve 96 of the Fortune 100 enterprises. We serve the U.S. government and many NATO governments, as well as others around the globe.

Many of these customers are taking advantage of our broad portfolio of high-performance networking infrastructure offerings, including the MX-series family of Ethernet service and multi-service edge routers. The MX-series established itself upon its introduction in 2007 as one of our fastest ramping new product families ever and is at the forefront of efficient and cost-effective

Ethernet networks and services, providing the performance and scalability to such applications as Internet Protocol TV (IPTV) and video-on-demand. Products like the MX960, the largest capacity and highest density Ethernet platform for carriers available today, and the recently introduced MX480 and MX240 play right into our high-performance focus.

We also continue to win customer acceptance and industry accolades for products like our T1600 multi-terabit core router, the industry's highest throughput and most energy efficient core router, and recipient of *Internet Telephony's* 2007 product of the year designation. Revenue from our T-series products grew 55% in the fourth quarter compared to Q4 of the prior year and the product group is now deployed in more than 200 production networks globally.

In addition to the momentum we've established with these new key product lines, at the conclusion of 2007 we achieved quarterly profitability on a non-GAAP basis in our Service Layer Technology (SLT) segment. We crossed the half-billion dollar revenue mark in this business in 2007 as our products continued to gain market share. We believe our firewall, SSL VPN and WAN Optimization solutions will continue to be well-received by our customers.

So, our technology, our market position and our recognition as a leader by customers and industry followers are all as strong as they ever have been for Juniper. However, we also need to turn the opportunities these positions create into increasing value for stockholders. Juniper performed well in 2007, but it can perform better. And our team is hard at work on making that happen.

During 2007 we began implementing a series of company-wide operating initiatives---we call them our 4 Ps, for planning, productivity, processes and people. Collectively our efforts are focused on supporting the scalability of our business in a number of ways: optimally aligning our resources – human and financial -- with our R&D and marketing activities; finding and executing on productivity improvement opportunities in our sales and service organizations; leveraging the capabilities of our engineering organization across all product groups; and transforming core systems and processes to create efficiencies in areas like product design, customer support and enterprise resource planning.

These initiatives underpin a business focus on strengthening our operating profit margins. The later part of 2007 yielded initial results that give us a good start on that path, but much remains to be done. We will continue to focus relentlessly on execution and operational excellence as we progress toward our performance goals.

Along the way, we will continue to build on our position as the leader in high performance networking. Juniper is only a 12-year old company, yet it has and continues to play a critical role in defining how to deliver optimal network performance in a global information environment demanding ever-increasing bandwidth and speed. The good news is that seeing and meeting these challenges happens to be our organization's underlying strength. By focusing on the open architecture that we believe will drive optimal network performance, and tailoring our solutions to customers whether they are operators or users of those networks, we expect to continue leading the way.

Our confidence in these goals is made stronger by the more than 6,000 talented people throughout Juniper's global organizations who embody our high-performance DNA approach. I want to thank them for their great work, as well as our partners, customers, suppliers, and stockholders for their support of Juniper Networks.

Sincerely,

Scott Kriens
Chairman and Chief Executive Officer

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JUNIPER NETWORKS, INC.

1194 North Mathilda Avenue
Sunnyvale, California 94089
www.juniper.net
(408) 745-2000

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

Time and Date	9:00 a.m., Pacific time, on Wednesday, May 21, 2008 Juniper Networks, Inc.
Place	1220 North Mathilda Avenue Building 3, Pacific Conference Room Sunnyvale, CA 94089
Items of Business	(1) To elect two Class III directors; (2) To approve the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan (3) To ratify the appointment of Ernst & Young LLP, an independent registered public accounting firm, as auditors for the fiscal year ending December 31, 2008; and (4) To consider such other business as may properly come before the meeting.
Adjournments and Postponements	Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.
Record Date	You are entitled to vote only if you were a Juniper Networks stockholder as of the close of business on March 24, 2008.

This notice of annual meeting and proxy statement and form of proxy are being distributed on or about April 18, 2008.

Meeting Admission

You are entitled to attend the annual meeting only if you were a Juniper Networks stockholder as of the close of business on March 24, 2008 or hold a valid proxy for the annual meeting. You should be prepared to present valid government-issued photo identification for admittance. In addition, if you are a stockholder of record, your ownership will be verified against the list of stockholders of record on the record date prior to being admitted to the meeting. If you are not a stockholder of record but hold shares through a broker or nominee (i.e., in street name), you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to March 24, 2008, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the annual meeting.

The annual meeting will begin promptly at 9:00 a.m., Pacific time. Check-in will begin at 8:30 a.m., Pacific time, and you should allow ample time for the check-in procedures.

Voting

Your vote is very important. Whether or not you plan to attend the annual meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. You may submit your proxy or voting instructions for the annual meeting by completing, signing, dating and returning your proxy or voting instruction card in the pre-addressed envelope provided, or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled *Questions and Answers* beginning on page 1 of this proxy statement and the instructions on the proxy or voting instruction card.

By Order of the Board of Directors,

Mitchell L. Gaynor
Vice President, General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 21, 2008

The proxy statement, form of proxy and our 2007 Annual Report on Form 10-K are available at www.proxyvote.com

2008 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these materials?

A: The Board of Directors (the "Board") of Juniper Networks, Inc., a Delaware corporation ("we", "Juniper Networks" or the "Company"), is providing these proxy materials to you in connection with Juniper Networks' annual meeting of stockholders, which will take place on May 21, 2008. As a stockholder as of March 24, 2008, the record date, you are invited to attend the annual meeting and are entitled to and requested to vote on the items of business described in this proxy statement.

Q: What information is contained in this proxy statement?

A: The information included in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of directors and executive officers, and certain other required information.

Q: How may I obtain Juniper Networks' 10-K?

A: A copy of our 2007 Annual Report on Form 10-K is enclosed.

Stockholders may request another free copy of the 2007 Form 10-K from our principal executive offices at**:**

Juniper Networks, Inc.
Attn: Investor Relations
1194 North Mathilda Avenue
Sunnyvale, CA 94089
(408) 745-2000

A copy of our 2007 Annual Report on Form 10-K is also available on the website of the Securities and Exchange Commission. You can reach this website by going to the Investor Relations Center on our Website, and clicking on the drop-down menu labeled "SEC Filings". The address of the Investor Relations Center is:

http://www.juniper.net/company/investor_relations/

We will also furnish any exhibit to the 2007 Annual Report on Form 10-K if specifically requested in writing.

Q: What items of business will be voted on at the annual meeting?

A: The items of business scheduled to be voted on at the annual meeting are:

- The election of two Class III directors;
- To approve the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan (the "2008 ESPP");
- The ratification of Ernst & Young LLP, an independent registered public accounting firm, as auditors for the fiscal year ending December 31, 2008; and

We will also consider other business that properly comes before the annual meeting.

Q: How does the Board recommend that I vote?

A: Our Board recommends that you vote your shares "FOR" each of the nominees to the Board, "FOR" the approval of the 2008 ESPP, and "FOR" the ratification of Ernst & Young LLP, an independent registered public accounting firm as auditors for the fiscal year ending December 31, 2008.

Q: What shares can I vote?

A: Each share of Juniper Networks common stock issued and outstanding as of the close of business on March 24, 2008, (the "Record Date"), is entitled to be voted on all items being voted upon at the annual meeting. You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the *stockholder of record* and (2) shares held for you as the *beneficial owner* through a broker, trustee or other nominee such as a bank. More information on how to vote these shares is contained in this proxy statement. On the Record Date we had approximately 524,225,748 shares of common stock issued and outstanding.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most Juniper Networks stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially, which may affect your ability to vote your shares.

Stockholder of Record

If your shares are registered directly in your name with Juniper Networks' transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, the *stockholder of record*, and these proxy materials are being sent directly to you by Juniper Networks. As the *stockholder of record*, you have the right to grant your voting proxy directly to Juniper Networks or to vote in person at the meeting. We have enclosed or sent a proxy card for you to use.

Beneficial Owner

If your shares are held in a brokerage account or by another nominee, you are considered the *beneficial owner* of shares held *in street name*, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the annual meeting.

Since a beneficial owner is not the *stockholder of record*, you may not vote these shares in person at the meeting unless you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

Q: How can I attend the annual meeting?

A: You are entitled to attend the annual meeting only if you were a Juniper Networks stockholder as of the close of business on March 24, 2008 or you hold a valid proxy for the annual meeting. You should be prepared to present valid government-issued photo identification for admittance. In addition, if you are a stockholder of record, your name will be verified against the list of stockholders of record on the record date prior to your being admitted to the annual meeting. If you are not a stockholder of record but hold shares through a broker or nominee (i.e., in street name), you should provide proof of beneficial ownership on the record date, such as your most recent account statement prior to March 24, 2008, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. If you do not provide valid government-issued photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the annual meeting.

The meeting will begin promptly at 9:00 a.m., Pacific time. Check-in will begin at 8:30 a.m., and you should allow ample time for the check-in procedures.

Q: How can I vote my shares in person at the annual meeting?

A: Shares held in your name as the stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. *Even if you plan to attend the annual meeting, you may also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.*

Q: How can I vote my shares without attending the annual meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, trustee or nominee.

By Internet — Stockholders of record of Juniper Networks common stock with Internet access may submit proxies by following the "Vote by Internet" instructions on their proxy cards. Most Juniper Networks stockholders who hold shares beneficially in street name may vote by accessing the website specified on the voting instruction cards provided by their brokers, trustee or nominees. Please check the voting instruction card for Internet voting availability.

By Telephone — Stockholders of record of Juniper Networks common stock who live in the United States or Canada may submit proxies by following the "Vote by Phone" instructions on their proxy cards. Most Juniper Networks stockholders who hold shares beneficially in street name and live in the United States or Canada may vote by phone by calling the number specified on the voting instruction cards provided by their brokers, trustee or nominees. Please check the voting instruction card for telephone voting availability.

By Mail — Stockholders of record of Juniper Networks common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Juniper Networks stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided and mailing them in the accompanying pre-addressed envelopes.

Q: Can I change my vote or otherwise revoke my proxy?

A: You may change your vote at any time prior to the vote at the annual meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to the Juniper Networks Corporate Secretary prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Q: How many shares must be present or represented to conduct business at the annual meeting?

A: The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of shares of Juniper Networks common stock entitled to vote must be present in person or represented by proxy. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

Q: Will my shares be voted if I do not return my proxy card?

A: If your shares are held in street name, your broker may, under certain circumstances, vote your shares. Brokerage firms have authority to vote client's unvoted shares on some "routine" matters. If you do not give a proxy to vote your shares, your broker may either (1) vote your shares on "routine" matters or (2) leave your shares unvoted. In addition, the terms of the agreement with your broker may grant your broker discretionary authority to vote your shares.

Q: How are votes counted?

A: In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees.

For the other items of business, you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," the abstention has the same effect as a vote "AGAINST."

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board ("FOR" all of Juniper Networks' nominees to the Board, "FOR" approval of the 2008 ESPP and "FOR" ratification of the independent registered public accounting firm) and in the discretion of the proxy holders as to any other matters that may properly come before the annual meeting.

Q: What is the voting requirement to approve each of the proposals?

A: In the election of directors, the two nominees receiving the highest number of "FOR" votes at the annual meeting will be elected. The proposals for the approval of the 2008 ESPP and the ratification of the independent registered public accounting firm requires the affirmative "FOR" vote of a majority of those shares present in person or represented by proxy and entitled to vote on each proposal at the annual meeting. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions have the same effect as votes against the matter.

Q: Is cumulative voting permitted for the election of directors?

A: No. Each share of common stock outstanding as of the close of business on the Record Date is entitled to one vote.

Q: What happens if additional matters are presented at the annual meeting?

A: Other than the three items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxyholders, Robyn Denholm and Mitchell Gaynor, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board of Directors.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: How may I obtain a separate set of voting materials?

A: If you share an address with another stockholder, you may receive only one set of proxy materials (including our letter to stockholders, 2007 Annual Report on Form 10-K and proxy statement) unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now or in the future, you may write or call us to request a separate copy of these materials from:

Juniper Networks, Inc.
Attn: Investor Relations
1194 North Mathilda Avenue
Sunnyvale, CA 94089
(408) 745-2000
http://www.juniper.net/company/investor_relations/

Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may write or call us at the above address and phone number to request delivery of a single copy of these materials.

Q: Who will bear the cost of soliciting votes for the annual meeting?

A: Juniper Networks is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to

vote by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We also have hired Morrow & Co. to assist us in the distribution of proxy materials and the solicitation of votes described above. We will pay Morrow & Co. a fee of $5,000 plus customary costs and expenses for these services. Upon request, we will also reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to stockholders.

Q: Where can I find the voting results of the annual meeting?

A: We intend to announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of 2008.

Q: What is the deadline to propose actions for consideration or to nominate individuals to serve as directors?

A: Although the deadline for submitting proposals or director nominations for consideration at the 2008 annual meeting has passed, you may submit proposals, including director nominations, for consideration at future stockholder meetings.

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in Juniper Networks' proxy statement for the annual meeting next year, the written proposal must be received by the Corporate Secretary of Juniper Networks at our principal executive offices no later than December 19, 2008. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in Juniper Networks' proxy statement is instead a reasonable time before Juniper Networks begins to print and mail its proxy materials. Such proposals also will need to comply with Securities and Exchange Commission regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Juniper Networks, Inc.
Attn: Corporate Secretary
1194 North Mathilda Avenue
Sunnyvale, CA 94089
Fax: (408) 745-2100

For a stockholder proposal that is not intended to be included in Juniper Networks' proxy statement under Rule 14a-8, the stockholder must deliver a proxy statement and form of proxy to holders of a sufficient number of shares of Juniper Networks common stock to approve that proposal, provide the information required by the bylaws of Juniper Networks and give timely notice to the Corporate Secretary of Juniper Networks in accordance with our bylaws, which, in general, require that the notice be received by the Corporate Secretary of Juniper Networks not less than 120 days prior to the date of Juniper Networks proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders, or by December 19, 2008 for the 2009 annual meeting.

Recommendation and Nomination of Director Candidates: The Nominating and Corporate Governance Committee will consider both recommendations and nominations for candidates to the Board of Directors from Qualifying Stockholders. A "Qualifying Stockholder" is a stockholder that has owned for a period of one year prior to the date of the submission of the recommendation through the time of submission of the recommendation at least 1% of the total common stock of the Company outstanding as of the last day of the calendar month preceding the submission. A Qualifying Stockholder that desires to recommend a candidate for election to the Board of Directors must direct the recommendation in writing to Juniper Networks, Inc., Corporate Secretary, 1194 North Mathilda Avenue, Sunnyvale, California 94089-1206, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years, written evidence that the candidate is willing to serve as a director of the Company if nominated and elected and evidence of the nominating person's ownership of Company stock.

A stockholder that instead desires to nominate a person directly for election to the Board of Directors must meet the deadlines and other requirements set forth in Section 2.5 of the Company's bylaws and the rules and regulations of the Securities and Exchange Commission. To be timely, such stockholder's notice must be delivered to or mailed and received by the Corporate Secretary of the Company not less than one hundred twenty (120) days prior to the date of the Company's proxy statement released to stockholders in connection with the Company's previous year's annual meeting of stockholders. To be in proper form, a stockholder's notice to the Secretary shall set forth:

(i) the name and address of the stockholder who intends to make the nominations and the name and address of the person or persons to be nominated;

(ii) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

(iii) if applicable, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

(iv) such other information regarding each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated by the Board of Directors; and

(v) if applicable, the consent of each nominee to serve as director of the Company if so elected.

Copy of Bylaws: You may contact the Juniper Networks Corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Juniper Networks is committed to having sound corporate governance principles. Having such principles is essential to running our business efficiently and to maintaining our integrity in the marketplace. Juniper Networks' Corporate Governance Standards and Worldwide Code of Business Conduct and Ethics applicable to all Juniper Networks employees, officers, directors, contractors and agents are available at http://www.juniper.net/company/investor_relations/. Our Worldwide Code of Business Conduct and Ethics complies with the rules of the SEC, the listing standards of the NASDAQ Global Select Market and Rule 406 of the Sarbanes-Oxley Act of 2002. Juniper Networks has also adopted procedures for accounting and auditing matters in compliance with the listing standards of the NASDAQ Global Select Market. Concerns relating to accounting, internal controls or auditing matters may be brought to the attention of either the Company's Concerns Committee (comprised of the Company's Chief Financial Officer, General Counsel, Executive Vice President of Human Resources, Corporate Controller and the Senior Director of Global Audit Services), or to the Audit Committee directly. Concerns are handled in accordance with procedures established with respect to such matters. For information on how to contact the Audit Committee directly, please see the section entitled "Stockholder Communications with the Board" below.

Board Independence

Our Board of Directors (the "Board") has determined that, except for Scott Kriens and Pradeep Sindhu, each of whom is an executive officer of the company, each of the current directors has no material relationship with Juniper Networks (either directly or as a partner, stockholder or officer of an organization that has a material relationship with Juniper Networks) and is independent within the meaning of the NASDAQ Stock Market, Inc. ("NASDAQ") director independence standards. Furthermore, the Board has determined that each of the members of each of the committees of the Board has no material relationship with Juniper Networks (either directly or as a partner, stockholder or officer of an organization that has a material relationship with Juniper Networks) and is "independent" within the meaning of the NASDAQ director independence standards, including in the case of the members of the Audit Committee, the heightened "independence" standard required for such committee members set forth in the applicable SEC rules. In making the determination of the independence of our directors, the Board considered all transactions in which Juniper Networks and any director had any interest, including transactions involving Juniper Networks and payments made to or from companies and entities in the ordinary course of business where our directors serve as partners, directors or as a member of the executive management of the other company. In particular, the Board considered transactions between Juniper Networks and each of Ariba, Inc., where Mr. Robert Calderoni serves as President and Chief Executive Officer, and Pillsbury Winthrop Shaw Pittman LLP, where Ms. Mary Cranston serves as Firm Senior Partner. We lease office space from Ariba, approximately two-thirds of which is pursuant to an agreement originally entered into by NetScreen Technologies, Inc. and Ariba prior to our acquisition of NetScreen in 2004. This agreement was negotiated and is maintained at arms-length, and we do not believe it is material to the results of operations or business of Juniper Networks. In addition, Pillsbury was retained by our Audit Committee as counsel to the Audit Committee in connection with their independent investigation into our historical stock option practices, which investigation was substantially completed in December 2006. Ms. Cranston joined our board in November 2007 and was not involved in Pillsbury's representation of Juniper Networks. In each case, the Board determined that the nature, size and circumstances of the relationships between Juniper Networks and each of Ariba and Pillsbury did not preclude a determination of independence of Mr. Calderoni or Ms. Cranston under applicable SEC and NASDAQ rules.

Board Structure and Committee Composition

As of December 31, 2007, our Board had 10 directors divided into three classes — Class I, Class II and Class III — with a three-year term for each class. As of December 31, 2007, the classes were comprised as follows:

Class I (Term Expires in 2009)	Class II (Term Expires in 2010)	Class III (Term Expires this Year)
Scott Kriens	Pradeep Sindhu	Mary B. Cranston
Stratton Sclavos	Robert M. Calderoni	Kenneth Goldman*
William R. Stensrud	Michael Rose	William R. Hearst III**
		J. Michael Lawrie

* In January 2008, Mr. Goldman resigned from the Board. Mr. Goldman's decision to resign was due to his appointment in 2007 as an executive officer of a competitor of Juniper Networks, and was not due to any disagreement with Juniper Networks on any matters relating to our operations, policies or practices.

** In addition, in February 2008, Mr. Hearst informed the Board that he would retire from and not stand for re-election to the Board effective upon the expiration of his current term in 2008. Mr. Hearst's decision was not due to any disagreement with Juniper Networks on any matters relating to our operations, policies or practices. As such, he will not stand for re-election at the 2008 annual meeting.

The Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The membership during the last fiscal year and the function of each of the committees are described below. Each of these committees operates under a written charter adopted by the Board. All of those committee charters are available on Juniper Networks' website at http://www.juniper.net/company/investor_relations/. In addition, the Board has a Stock Committee comprised of the Chief Executive Officer, Chief Financial Officer and beginning in February 2007, a non-employee director, currently Mr. Stensrud. The Stock Committee has authority to grant stock options and restricted stock awards to employees who are not executive officers. During 2007, the Stock Committee held ten meetings, and took action by written consent twice. The Board has also established special litigation, securities pricing and stock repurchase committees for specific purposes, such as oversight of, litigation matters the issuance of securities or repurchases of our common stock. During 2007, the Special Litigation Committee, consisting of Messrs. Lawrie and Rose, met four times and the Stock Repurchase Committee, consisting of Messrs. Kriens, Calderoni, Goldman and Stensrud, met once. During 2007, each incumbent director attended at least 75% of all Board and applicable committee meetings.

Name of Director	Board	Audit	Compensation	Nominating and Corporate Governance
Non-Employee Directors:				
Robert M. Calderoni(1)	X	X		
Mary B. Cranston(2)	X			X
Kenneth Goldman(3)	X	X		X
William R. Hearst III(4)	X	X		X
J. Michael Lawrie(5)	X		X	
Frank Marshall(6)	X		X	
Kenneth Levy(7)	X		X	X
Michael Rose	X	X		
Stratton Sclavos	X			X
William R. Stensrud(8)	X	X	X	X
Employee Directors:				
Scott Kriens	X			
Pradeep Sindhu	X			
Number of Meetings in Fiscal 2007	7	14	6	5

X = Committee member

(1) The Board has determined that Mr. Calderoni is an "audit committee financial expert" within the meaning of the rules promulgated by the Securities and Exchange Commission.

(2) Ms. Cranston was appointed to the Nominating and Corporate Governance Committee in February 2008.

(3) Mr. Goldman resigned from the Board in January 2008 and was replaced on the Audit Committee by Mr. Stensrud.

(4) Mr. Hearst stepped down from the Audit Committee in August 2007 and was replaced on the committee by Mr. Rose.

(5) Mr. Lawrie is the Board's Lead Independent Director.

(6) Mr. Marshall resigned from the Board in February 2007.

(7) Mr. Levy's term as a director expired on May 17, 2007 and he did not seek re-election to the Board.

(8) Mr. Stensrud stepped down from the Nominating and Corporate Governance Committee in August 2007 and was replaced on the committee by Mr. Hearst.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of Juniper Networks' financial statements, Juniper Networks' compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, the performance of Juniper Networks' internal audit function and independent registered public accounting firm, and risk assessment and risk management. The Audit Committee works closely with management as well as our independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from Juniper Networks for, outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

The report of the Audit Committee is included herein on page 47. The charter of the Audit Committee is available at http://www.juniper.net/company/investor_relations/.

Compensation Committee

The Compensation Committee discharges the Board's responsibilities relating to compensation of our executive officers, including evaluation of the CEO; produces an annual report on executive compensation, including compensation discussion and analysis, for inclusion in Juniper Networks' proxy statement and has overall responsibility for approving and evaluating executive officer compensation plans. The Compensation Committee also has responsibility for reviewing the overall equity award practices of the Company. The report of the Compensation Committee is included herein beginning on page 39. The charter of the Compensation Committee is available at http://www.juniper.net/company/investor_relations/.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, consistent with criteria approved by the Board; oversees the organization of the Board to discharge the Board's duties and responsibilities properly and efficiently; and identifies best practices and recommends corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance. The charter of the Nominating and Governance Committee is available at http://www.juniper.net/company/investor_relations/.

Identification and Evaluation of Nominees for Directors

The Nominating and Corporate Governance Committee's criteria and process for evaluating and identifying the candidates that it selects, or recommends to the full Board for selection, as director nominees, are as follows:

- The Committee regularly reviews the current composition and size of the Board.
- The Committee reviews the qualifications of any candidates who have been properly recommended or nominated by a stockholder, as well as those candidates who have been identified by management, individual members of the Board or, if the Committee determines, a search firm. Such review may, in the Committee's discretion, include a review solely of information provided to the Committee or may also include discussions with persons familiar with the candidate, an interview with the candidate or other actions that the Committee deems proper.
- The Committee evaluates the performance of the Board as a whole and evaluates the qualifications of individual members of the Board eligible for re-election at the annual meeting of stockholders.
- The Committee considers the suitability of each candidate, including the current members of the Board, in light of the current size and composition of the Board. In evaluating the qualifications of the candidates, the Committee considers many factors, including, issues of character, judgment, independence, age, expertise,

diversity of experience, length of service, other commitments, ability to serve on committees of the Board and the like. The Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. The Committee considers each individual candidate in the context of the current perceived needs of the Board as a whole. While the Committee has not established specific minimum qualifications for director candidates, the Committee believes that candidates and nominees must reflect a Board that is comprised of directors who (i) are predominantly independent, (ii) are of high integrity, (iii) have qualifications that will increase overall Board effectiveness and (iv) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members.

- In evaluating and identifying candidates, the Committee has the authority to retain and terminate any third party search firm that is used to identify director candidates, and has the authority to approve the fees and retention terms of any search firm.

- After such review and consideration, the Committee selects, or recommends that the Board of Directors select, the slate of director nominees, either at a meeting of the Committee at which a quorum is present or by unanimous written consent of the Committee.

J. Michael Lawrie was appointed to the Board as a Class III director in February 2007. The recommendation that Mr. Lawrie be considered for appointment to the Board was submitted to the Nominating and Corporate Governance Committee by Mr. Kriens.

Michael J. Rose was appointed to the Board as a Class II director in July 2007. The recommendation that Mr. Rose be considered for appointment to the Board was submitted to the Nominating and Corporate Governance Committee by Mr. Kriens.

Mary B. Cranston was appointed to the Board as a Class III director in November 2007. The recommendation that Ms. Cranston be considered for appointment to the Board was submitted to the Nominating and Corporate Governance Committee by Mr. Sclavos.

Each of the nominees for re-election at the 2008 annual meeting was evaluated by the Nominating and Corporate Governance Committee, recommended by the Committee to the Board for nomination and nominated by the Board for re-election. In February 2008, Mr. Hearst informed the Board that he will retire from the Board upon the expiration of his current term and will not stand for re-election at the 2008 annual meeting.

Stockholder Communications with the Board

Stockholders of Juniper Networks, Inc. and other parties interested in communicating with the Board may contact any of our directors by writing to them by mail or express mail c/o Juniper Networks, Inc., 1194 North Mathilda Avenue, Sunnyvale, California 94089-1206. The Nominating and Corporate Governance Committee of the Board has approved a process for handling stockholder communications received by the Company. Under that process, the General Counsel receives and logs stockholder communications directed to the Board and, unless marked "confidential", reviews all such correspondence and regularly (not less than quarterly) forwards to the Board a summary of such correspondence and copies of such correspondence. Communications marked "confidential" will be logged as received by the General Counsel and then will be forwarded to the addressee(s).

Policy on Director Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the Board at our annual meetings of stockholders, directors are encouraged to attend annual meetings of Juniper Networks stockholders. Seven of our eight incumbent directors attended the 2007 annual meeting of stockholders.

DIRECTOR COMPENSATION

Non-Employee Director Meeting Fee and Retainer Information

The following table provides information on Juniper Networks' compensation and reimbursement practices during fiscal 2007 for non-employee directors.

Item	Amount
Annual retainer for all Non-employee Directors (payable quarterly)	$30,000
Additional annual retainer for Audit Committee members (payable quarterly)	$10,000
Additional annual retainer for Compensation Committee members (payable quarterly)	$ 5,000
Additional annual retainer for Nominating and Corporate Governance Committee members (payable quarterly)	$ 5,000
Additional annual retainer for Audit Committee Chairman (payable quarterly)	$20,000
Additional annual retainer for Compensation Committee Chairman (payable quarterly)	$ 5,000
Additional annual retainer for Nominating and Corporate Governance Committee Chairman (payable quarterly)	$ 5,000
Stock options granted upon initial appointment or election to the Board(1)	50,000
Stock options granted annually(2)	20,000(3)
Payment for each Board meeting attended in person	$ 1,250
Payment for each Board meeting attended by phone or video conference	$ 625
Payment for each committee meeting attended in person	$ 625
Payment for each committee meeting attended by phone or video conference	$312.50
Payment for each Audit Committee meeting relating to the stock option investigation or each meeting of the Special Litigation Committee attended in person or by phone or video conference	$ 1,250
Reimbursement for expenses attendant to Board membership	Yes

(1) Vests monthly over three years commencing on the date of grant with the last 1/36th vesting on the day prior to our annual stockholder meeting in the third calendar year following the date of grant.

(2) Vests monthly over twelve months commencing on the date of grant.

(3) Each non-employee director who was not a non-employee director on the date of the prior year's annual stockholder meeting receives an option covering the number of shares of Common Stock determined by multiplying 20,000 shares by a fraction, the numerator of which is the number of days since the non-employee director received his/her option upon initial appointment to the Board, and the denominator of which is 365, rounded down to the nearest whole share.

Non-Employee Director Compensation Table For Fiscal 2007

The following table shows compensation information for our current and former non-employee directors for fiscal 2007. Neither Mr. Kriens nor Dr. Sindhu received any separate compensation for their Board activities.

Non-Employee Director Compensation for Fiscal 2007

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards(1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Robert M. Calderoni(2)	$52,813	—	$137,993	—	—	—	$190,806
Mary Cranston(3)	—	—	$ 24,863				$ 24,863
Kenneth Goldman(4)	$77,188	—	$137,993	—	—	—	$215,181
William R. Hearst III(5)	$53,438	—	$137,993	—	—	—	$191,431
J. Michael Lawrie(6)	$47,500	—	$114,944	—	—	—	$162,444
Kenneth Levy(7)	$14,688	—	$ 43,275	—	—	—	$ 57,963
Frank Marshall(8)	$10,313	—	$ 92,014	—	—	—	$102,327
Michael Rose(9)	$29,375	—	$ 68,943				$ 98,318
Stratton Sclavos(10)	$44,063	—	$137,993	—	—	—	$182,056
William R. Stensrud(11)	$56,250	—	$137,993	—	—	—	$194,243

(1) Amounts shown do not reflect compensation actually received by the director. Instead, the amounts shown are the compensation costs recognized by Juniper Networks in fiscal 2007 for option awards as determined pursuant to FAS 123R disregarding forfeiture assumptions. These compensation costs reflect option awards granted in 2007 and years prior to fiscal 2007. The assumptions used to calculate the value of option awards are set forth under Note 9 of the Notes to Consolidated Financial Statements included in Juniper Networks Annual Report on Form 10-K for 2007 filed with the SEC on February 29, 2008.

(2) As of December 31, 2007, Mr. Calderoni held outstanding options to purchase 112,300 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Calderoni on May 17, 2007 was $152,048.

(3) As of December 31, 2007, Ms. Cranston held outstanding options to purchase 50,000 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Ms. Cranston on November 14, 2007 was $579,775.

(4) As of December 31, 2007, Mr. Goldman held outstanding options to purchase 144,508 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Goldman on May 17, 2007 was $152,048.

(5) As of December 31, 2007, Mr. Hearst held outstanding options to purchase 109,445 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Hearst on May 17, 2007 was $152,048.

(6) As of December 31, 2007, Mr. Lawrie held outstanding options to purchase 54,712 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Lawrie on February 20, 2007 was $348,685. The aggregate grant date fair value for the stock option award granted to Mr. Lawrie on May 17, 2007 was $35,823.

(7) As of December 31, 2007, Mr. Levy held no outstanding options. Mr. Levy did not receive any new option awards in 2007.

(8) As of December 31, 2007, Mr. Marshall held no outstanding options. Mr. Marshall did not receive any new option awards in 2007.

(9) As of December 31, 2007, Mr. Rose held outstanding options to purchase 50,000 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Rose on July 17, 2007 was $452,465.

(10) As of December 31, 2007, Mr. Sclavos held outstanding options to purchase 220,000 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Sclavos on May 17, 2007 was $152,048.

(11) As of December 31, 2007, Mr. Stensrud held outstanding options to purchase 200,000 shares of the Company's common stock. The aggregate grant date fair value for the stock option award granted to Mr. Stensrud on May 17, 2007 was $152,048.

PROPOSALS TO BE VOTED ON

PROPOSAL NO. 1

ELECTION OF DIRECTORS

There are two nominees for election to Class III of the Board this year — Mary B. Cranston and J. Michael Lawrie. Each of the nominees is presently a member of the Board. Information regarding the business experience of each nominee and the other members of the Board is provided below. Each of the Class III directors are elected to serve a three-year term until the Company's annual meeting in 2011 and until their respective successors is elected. There are no family relationships among our executive officers and directors.

In February 2008, William R. Hearst III informed the Board that he will retire from the Board upon the expiration of his current term and will not stand for re-election at the 2008 annual meeting. As of the date of this proxy statement, we had not identified a suitable nominee to replace Mr. Hearst on the Board. Accordingly, at the 2008 annual meeting there will be fewer persons nominated for election as Class III directors than are authorized to be elected under our current bylaws and no other nominations were submitted by the deadline for nominations. Votes may not be cast in person or by proxy at the 2008 annual meeting for greater than two nominees to the Board.

If you sign your proxy or voting instruction card but do not give instructions with respect to the voting of directors, your shares will be voted for the two persons recommended by the Board. If you wish to give specific instructions with respect to the voting of directors, you may do so by indicating your instructions on your proxy or voting instruction card.

Our Board recommends a vote "FOR" the election to the Board of Mary B. Cranston and J. Michael Lawrie.

Vote Required

The two persons receiving the highest number of "FOR" votes represented by shares of Juniper Networks common stock present in person or represented by proxy and entitled to be voted at the annual meeting will be elected.

Nominees for Election

Mary B. Cranston ....
Director since 2007
Age 60

Ms. Cranston is currently the Firm Senior Partner of Pillsbury Winthrop Shaw Pittman LLP, an international law firm. She was the Chair and Chief Executive Officer of Pillsbury from January 1999 until April 2006, and continued to serve as Chair of Pillsbury until December 2006. She also serves as a member of the board of directors of Visa, Inc., a financial services company, and GrafTech International, Ltd., a manufacturer of carbon and graphite products.

J. Michael Lawrie ....
Director since 2007
Age 54

Mr. Lawrie has served as Chief Executive Officer of Misys plc, a UK-based provider of industry-specific software products and solutions, since November 2006. From October 2005 to November 2006, Mr. Lawrie served as a partner of ValueAct Capital. From May 2004 to April 2005 Mr. Lawrie served as Chief Executive Officer of Siebel Systems, Inc. From May 2001 to May 2004, Mr. Lawrie served as Senior Vice President and Group Executive at IBM responsible for sales and distribution of all IBM products and services worldwide. Mr. Lawrie also serves as a National Trustee for the Ohio University board of trustees.

Continuing Directors

Scott Kriens . . . .
Director since 1996
Age 50

Mr. Kriens has served as Chief Executive Officer and Chairman of the Board of Directors of Juniper Networks since October 1996. From April 1986 to January 1996, Mr. Kriens served as Vice President of Sales and Vice President of Operations at StrataCom, Inc., a telecommunications equipment company, which he co-founded in 1986. Mr. Kriens also serves on the boards of directors of Equinix, Inc. and VeriSign, Inc.

Robert M. Calderoni . . . .
Director since 2003
Age 48

Mr. Calderoni has served as President and Chief Executive Officer and a member of the board of directors of Ariba, Inc., a provider of spend management solutions, since October 2001. From January 2001 to October 2001, Mr. Calderoni served as Ariba's Executive Vice President and Chief Financial Officer. From November 1997 to January 2001, he served as Chief Financial Officer at Avery Dennison Corporation, a manufacturer of pressure-sensitive materials and office products. From June 1996 to November 1997, Mr. Calderoni served as Senior Vice President of Finance at Apple Computer, a provider of hardware and software products and Internet-based services.

Michael J. Rose . . . .
Director since 2007
Age 55

Mr. Rose is the retired Executive Vice President and Chief Information Officer of Royal Dutch Shell plc where he served from 2001 to December 2005. Prior to Royal Dutch Shell, Mr. Rose worked for 23 years in a wide range of positions at Hewlett Packard, including controller for various business groups. In 1997, he was named Hewlett Packard's Chief Information Officer, and in 2000 he was elected an officer by the Board of Directors of Hewlett Packard. He was named the company's Controller in 2001. Mr. Rose also serves on the board of directors of Brocade Communications Systems, a storage area network equipment company.

Stratton Sclavos . . . .
Director since 2000
Age 46

Mr. Sclavos has served as a General Partner of Radar Partners LLC, a venture capital firm, since November 2007. From July 1995 to May 2007, Mr. Sclavos served as President and Chief Executive Officer of VeriSign, Inc., a provider of digital infrastructure solutions, and Chairman of its board of directors from December 2001 to May 2007. From October 1993 to June 1995, he was Vice President, Worldwide Marketing and Sales of Taligent, Inc., a software development company that was a joint venture among Apple Computer, Inc., IBM and Hewlett-Packard. Prior to that time, he served in various sales, business development and marketing capacities for GO Corporation, MIPS Computer Systems, Inc. and Megatest Corporation. Mr. Sclavos also serves on the boards of directors of Salesforce.com and Intuit, Inc.

Pradeep Sindhu . . . .
Director since 1996
Age 55

Dr. Sindhu co-founded Juniper Networks in February 1996 and served as Chief Executive Officer and Chairman of the Board of Directors until September 1996. Since then, Dr. Sindhu has served as Vice Chairman of the Board of Directors and Chief Technical Officer of Juniper Networks. From September 1984 to February 1991, Dr. Sindhu worked as a Member of the Research Staff, and from March 1987 to February 1996, as the Principal Scientist, and from February 1994 to February 1996, as Distinguished Engineer at the Computer Science Lab, Xerox Corporation, Palo Alto Research Center, a technology research center.

William R. Stensrud . . . .
Director since 1996
Age 57

Mr. Stensrud is an independent investor. From January 2007 to March 2007, he served as Chairman and CEO of Muze, Inc., a provider of B2B digital commerce solutions and descriptive entertainment media information. Mr. Stensrud was a general partner with the venture capital firm of Enterprise Partners from January 1997 to December 2006. Mr. Stensrud was an independent investor and turn-around executive from March 1996 to January 1997. During this period, Mr. Stensrud served as President of Paradyne Corporation and as a director of Paradyne Corporation, GlobeSpan Corporation and Paradyne Partners LLP, all data networking companies. From January 1992 to July 1995, Mr. Stensrud served as President and Chief Executive Officer of Primary Access Corporation, a data networking company acquired by 3Com Corporation. From 1986 to 1992, Mr. Stensrud served as the Marketing Vice President of StrataCom, Inc., a telecommunications equipment company, which Mr. Stensrud co-founded.

PROPOSAL NO. 2

APPROVAL OF THE JUNIPER NETWORKS, INC. 2008 EMPLOYEE STOCK PURCHASE PLAN

The following is a summary of the principal provisions of the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan, or the 2008 ESPP. The 2008 ESPP was adopted to replace the 1999 Employee Stock Purchase Plan, which is due to expire in early 2009. The 2008 ESPP is generally similar to the expiring plan. This summary is qualified in its entirety by reference to the full text of the 2008 ESPP which is attached to this proxy statement as Appendix A.

Purchase Plan Background

In February 2008, the Board of Directors adopted the 2008 ESPP, subject to approval by our stockholders. Each offering under the 2008 ESPP will be for a period of six months and will consist of consecutive offering periods of approximately six months in length. Offering periods begin on February 1 and August 1, or if such date is not a "trading day" (as defined in the 2008 ESPP), the next trading day, with the first such offering period anticipated to commence on February 1, 2009 (assuming stockholders approve the 2008 ESPP). Each participant will be granted an option on the first day of the offering period and the option will be automatically exercised on the last day of each offering period during the offering period using the contributions the participant has made for this purpose. The purchase price for the common stock purchased under the 2008 ESPP is 85% of the lesser of the fair market value of the common stock on the first business day of the applicable offering period and on the last business day of the applicable offering period. The 2008 ESPP Administrator (as described below) has the power to change the duration of offering periods.

Our 1999 Employee Stock Purchase Plan is currently in effect, with the current offering period under that plan having commenced on February 1, 2008 and scheduled to end no later than July 31, 2008. If the 2008 ESPP is approved by our stockholders, we will terminate the 1999 Employee Stock Purchase Plan immediately following the conclusion of the offering period ending January 30, 2009, and the remaining shares reserved for issuance thereunder, which as of March 1, 2008 was 13,149,032 shares, would no longer be available under the 1999 Employee Stock Purchase Plan.

Shares Subject to the 2008 ESPP

The Board has reserved an aggregate of 12,000,000 shares of Juniper Networks common stock for issuance under the 2008 ESPP. In contrast to the 1999 Employee Stock Purchase Plan, which had automatic annual increases to the shares reserved under such plan, no further increases can be made to the shares reserved for issuance under the 2008 ESPP without the approval of our stockholders.

Administration

The 2008 ESPP may generally be administered by the Board or a committee of the Board (as applicable, the "Administrator"). The Administrator has the authority to construe and interpret any of the provisions of the 2008 ESPP.

International Stock Purchase Rights

To provide us with greater flexibility in structuring our equity compensation programs for our non-U.S. employees, the 2008 ESPP also permits us to grant our non-U.S. employees rights to purchase stock pursuant to rules or sub-plans adopted by the Administrator in order to achieve tax, securities law or other compliance objectives ("International Awards"). While the 2008 ESPP is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code ("Section 423"), these International Awards will

not qualify under Section 423. See "Federal Tax Consequences" below for a discussion of tax consequences under Section 423.

Eligibility

Employees generally are eligible to participate in the 2008 ESPP if they are customarily employed by Juniper Networks or by a participating subsidiary for more than twenty (20) hours per week and more than five (5) months in any calendar year. International Awards may be made to employees customarily employed for fewer hours or months Eligible employees may select a rate of payroll deduction between 1% and 10% of their compensation and are subject to certain maximum purchase limitations.

As of March 31, 2008, approximately 5,800 employees, including all of our executive officers, would be eligible to participate in the 2008 ESPP. For the offering period under our 1999 Employee Stock Purchase Plan that concluded on January 31, 2008, 3,540 employees actually participated in such offering.

Special Limitations

The 2008 ESPP imposes certain limitations upon a participant's rights to acquire common stock, including the following limitations:

- Purchase rights may not be granted to any individual who owns stock, including stock purchasable under any outstanding purchase rights, possessing 5% or more of the total combined voting power or value of all classes of stock of Juniper Networks or any of its affiliates;

- Purchase rights granted to a participant may not permit the individual to accrue the right to purchase our common stock at an annual rate of more than $25,000, valued at the time each purchase right is granted; and

- Unless otherwise approved by the Administrator in advance for future offering periods, no participant will be permitted to purchase during any twelve (12) month period more than six thousand (6,000) shares of the Common Stock (subject to any adjustment pursuant to stock splits, recapitalizations, dividends or other similar events).

Termination of Purchase Rights

A purchase right will terminate upon the participant's election to withdraw from the 2008 ESPP. Any payroll deductions that the participant may have made with respect to the terminated purchase right will be refunded to the participant if the election to withdraw from the 2008 ESPP is received by Juniper Networks prior to the end of an offering period. A participant's election to withdraw from the 2008 ESPP is irrevocable, and the participant may not rejoin the offering period for which the terminated purchase right was granted.

A purchase right will also terminate upon the participant's termination of employment. Any payroll deductions that the participant may have made during the offering period in which the termination occurs will be refunded to the participant.

In addition, Juniper Networks has specifically reserved the right, exercisable in the sole discretion of the Administrator to terminate the 2008 ESPP, or any offering period thereunder, at any time.

Stockholder Rights

No participant will have any stockholder rights with respect to the shares covered by his or her purchase rights until the shares are actually purchased on the participant's behalf. No adjustment will be made for dividends, distributions or other rights for which the record date is prior to the date of the purchase.

Assignability

No purchase rights will be assignable or transferable by the participant, except by will or the laws of inheritance following the participant's death. Each purchase right will, during the lifetime of the participant, be exercisable only by the participant.

Mergers, Consolidations and Change in Control

The 2008 ESPP provides that, in the event of the proposed dissolution or liquidation of Juniper Networks, the offering period will terminate immediately prior to the consummation of the proposed action, provided that the Administrator may, in its sole discretion, fix an earlier date for termination of the 2008 ESPP and provide each participant the opportunity to purchase shares under the 2008 ESPP prior to the termination. The 2008 ESPP also provides that, in the event of certain merger or "change-in-control" transactions, in the event that the successor corporation refuses to assume or substitute for the option under an ongoing offering period, the offering period with respect to which such option relates will be shortened by setting a new exercise date that occurs before the date of the Company's proposed merger or change in control.

Amendment of the Plan

The Administrator has the authority to amend, terminate or extend the term of the 2008 ESPP, except that stockholder approval is required to increase the number of shares that may be issued under the 2008 ESPP.

The 2008 ESPP will terminate in 2028, on the twentieth anniversary of the date of its adoption by our Board, unless terminated earlier under the terms of the 2008 ESPP. The effect of termination is that no new offering periods will commence under the 2008 ESPP, but any outstanding offering periods will continue according to their terms.

Federal Tax Consequences

Except with respect to International Awards, the 2008 ESPP is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code. Under such a plan, no taxable income will be reportable by a participant, and no deductions will be allowable to Juniper Networks, as a result of the grant or exercise of the purchase rights issued under the 2008 ESPP. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the 2008 ESPP or in the event the participant should die while still owning the purchased shares.

If the participant sells or otherwise disposes of the purchased shares within two years after commencement of the offering period during which those shares were purchased or within one year of the date of purchase, the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the fair market value of the shares on the purchase date exceeded the purchase price paid for those shares. If the participant sells or disposes of the purchased shares more than two years after the commencement of the offering period in which those shares were purchased and more than one year from the date of purchase, then the participant will recognize ordinary income in the year of sale or disposition equal to the lesser of the amount by which the fair market value of the shares on the sale or disposition date exceeded the purchase price paid for those shares or 15% of the fair market value of the shares on the date of commencement of such offering period. Any additional gain upon the disposition will be taxed as a capital gain.

If the participant still owns the purchased shares at the time of death, the lesser of the amount by which the fair market value of the shares on the date of death exceeds the purchase price or 15% of the fair market value of the shares on the date of commencement of the offering period during which those shares were purchased will constitute ordinary income in the year of death.

If the purchased shares are sold or otherwise disposed of within two years after commencement of the offering period during which those shares were purchased or within one year after the date of purchase, then Juniper Networks will be entitled to an income tax deduction in the year of sale or disposition equal to the amount of ordinary income recognized by the participant as a result of such sale or disposition. No deduction will be allowed in any other case.

New Benefits Under the 2008 ESPP

Because awards to employees under the 2008 ESPP are based on voluntary contributions in amounts determined by the participant, the benefits and amounts that will be received or allocated under the 2008 ESPP are not determinable at this time. Therefore, we have not included a table reflecting such benefits or awards.

Based on their stockholdings as of March 1, 2008, (determined in accordance with Section 423 of the Code) all of our named executive officers (as defined in "Compensation Discussion and Analysis" below) will be eligible to participate in our 2008 ESPP, except for Robert R.B. Dykes who resigned from the Company in 2007 and Stephen Elop who resigned from the Company in 2008. Only two of our named executive officers currently participate in our 1999 Employee Stock Purchase Plan. None of our non-employee directors will be eligible to participate in the 2008 ESPP.

The Board of Directors Recommends a Vote "FOR" Approval of the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan.

If you sign your proxy or voting instruction card but do not give specific voting instructions, your shares will be voted for the approval of the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan, as recommended by the Board.

Vote Required

Approval of the of the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan requires the affirmative vote of a majority of the shares of Juniper Networks common stock present in person or represented by proxy and entitled to be voted at the meeting.

PROPOSAL NO. 3

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed Ernst & Young LLP, an independent registered public accounting firm, to audit Juniper Networks' consolidated financial statements for the fiscal year ending December 31, 2008. During fiscal 2007, Ernst & Young served as Juniper Networks' independent registered public accounting firm and also provided certain tax and other audit related services. See "Principal Accountant Fees and Services" on page 46. Representatives of Ernst & Young are expected to attend the annual meeting, where they are expected to be available to respond to appropriate questions and, if they desire, to make a statement.

Our Board recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as Juniper Networks' auditors for the 2008 fiscal year. If the appointment is not ratified, the Audit Committee will consider whether it should select other independent auditors. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm as Juniper Networks' independent auditors at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests.

If you sign your proxy or voting instruction card but do not give specific voting instructions, your shares will be voted for the ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as Juniper Networks' auditors for the 2008 fiscal year, as recommended by the Board.

Vote Required

Ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as auditors for fiscal 2008 requires the affirmative vote of a majority of the shares of Juniper Networks common stock present in person or represented by proxy and entitled to be voted at the meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information, as of March 1, 2008, concerning:

- beneficial owners of more than 5% of Juniper Networks' common stock;
- beneficial ownership by Juniper Networks directors and the named executive officers set forth in the Summary Compensation table on page 40; and
- beneficial ownership by all Juniper Networks directors named in this proxy statement and Juniper Networks executive officers as a group.

The information provided in the table is based on Juniper Networks' records, information filed with the Securities and Exchange Commission and information provided to Juniper Networks, except where otherwise noted.

The number of shares beneficially owned by each entity, person, director or executive officer is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the sole or shared voting power or investment power and also any shares that the individual has the right to acquire as of April 30, 2008 (60 days after March 1, 2008) through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. In addition, unless otherwise indicated, all persons named below can be reached at Juniper Networks, Inc., 1194 N. Mathilda Avenue, Sunnyvale, California 94089.

BENEFICIAL OWNERSHIP TABLE

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(1)
Holders of Greater Than 5%		
FMR LLC. **82 Devonshire Street** **Boston, MA 02109**	**63,540,494(2)**	**12.1%**
T. Rowe Price Associates, Inc. **100 E. Pratt Street** **Baltimore, MD 21202**	**62,501,612(3)**	**11.9%**
Directors and Named Executive Officers:		
Robert M. Calderoni(4)	**110,633**	*
Mary Cranston(4)	**6,944**	*
Robyn Denholm	**0**	*
Robert Dykes	**874**	*
Stephen Elop	**421**	*
Kenneth Goldman(5)	**60,494**	*
William R. Hearst III(6)	**962,697**	*
Scott Kriens(7)	**14,888,215**	**2.8%**
J. Michael Lawrie(4)	**23,763**	*
Kenneth Levy	**0**	*
Frank Marshall(8)	**609,938**	*
Edward Minshull(4)	**155,892**	*
Kim Perdikou(9)	**397,979**	*
Michael Rose(4)	**12,500**	*
Stratton Sclavos(10)	**226,333**	*
Pradeep Sindhu(11)	**8,964,310**	**1.7%**
William R. Stensrud(12)	**1,367,834**	*
All Directors and Executive Officers as a Group (19 persons)(13)	**28,116,795**	**5.4%**

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* Represents holdings of less than one percent.

(1) The percentages are calculated using 524,020,999 outstanding shares of the Company's common stock on March 1, 2008 as adjusted pursuant to Rule 13d-3(d)(1)(i). Pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended, beneficial ownership information also includes shares subject to options exercisable within 60 days of March 1, 2008.

(2) Based on information reported on Schedule 13G filed with the Securities and Exchange Commission on February 14, 2008.

(3) Based on information reported on Schedule 13G filed with the Securities and Exchange Commission on February 13, 2008. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(4) Consists of shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(5) Includes 39,166 shares which are subject to options that may be exercised within 60 days of March 1, 2008. Mr. Goldman resigned from the Board in January 2008.

(6) Includes 107,778 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(7) Includes 9,481,672 shares held by the Kriens 1996 Trust, of which Mr. Kriens and his spouse are the trustees, and 4,951,457 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(8) Includes 192,582 shares held by Big Basin Partners, LP, 88,204 shares held by Timark, LP, of which Mr. Marshall is a general partner and 272,152 shares held by the Frank & Judith Marshall Trust. Mr. Marshall resigned from the Board in February 2007.

(9) Includes 384,875 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(10) Includes 218,333 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(11) Includes 1,618,780 shares held by the Sindhu Investments, LP, a family limited partnership; 3,563,370 shares held by the Sindhu Family Trust and 6,867 shares held by Dr. Sindhu's spouse. Also includes 2,167,082 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(12) Includes 983,101 shares held in a trust as community property and 198,333 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

(13) Includes an aggregate of 8,713,578 shares which are subject to options that may be exercised within 60 days of March 1, 2008.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of Juniper Networks Common Stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our securities. We believe that, during fiscal 2007, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements. In making this statement, we have relied upon examination of the copies of Forms 3, 4 and 5, and amendments thereto, provided to Juniper Networks and the written representations of its directors and executive officers.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's Worldwide Code of Business Conduct and Ethics (the "Code") requires that the Company's employees, officers and directors should avoid conducting Company business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role (as used in the Code, a "related party transaction"). If the related party transaction involves the Company's directors or executive officers or is determined by the Company's Chief Financial Officer to be material to the Company (or if applicable SEC or NASDAQ rules require approval by the Audit Committee), the Audit Committee of the Board, in accordance with the Code and its charter, must review and approve the matter in writing in advance of any such related party transactions.

The Company reimburses Mr. Kriens for ordinary operating costs relating to his use of his aircraft for business purposes up to a maximum amount of $650,000 per year. In 2007 Mr. Kriens received approximately $352,000 in such reimbursements.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Philosophy and Objectives

The Compensation Committee of the Board of Directors (the "Committee") recognizes that in order for the Company to successfully develop, introduce, market and sell products, the Company must be able to attract, retain and reward qualified executive officers who will be able to operate effectively in a high growth, complex environment. In that regard, the Company must offer compensation that (a) is competitive in the industry; (b) motivates executive officers to achieve the Company's strategic business objectives; and (c) aligns the interests of executive officers with the long-term interests of stockholders.

The Committee's intention is to adopt compensation programs that encourage creation of long-term value for stockholders, employee retention, and equity participation. The Committee's approach is based on the philosophy that a substantial portion of aggregate compensation for executive officers should be contingent upon the Company's overall performance and an individual's contribution to the Company's success in meeting certain critical objectives. In this regard, the Committee historically targeted base salary at approximately the 50th percentile, or median, relative to competitive market practices, although actual base salaries may be higher or lower than this targeted positioning. Incentive compensation and long term equity awards were intended to target overall compensation at approximately the 50th percentile, although the financial performance of the Company and changes in the market price of the Company's Common Stock can result in total compensation above or below the target.

Overview of Executive Compensation

Under the charter of the Compensation Committee, the Committee is comprised entirely of independent directors and has the responsibility for approving compensation for those officers who are designated as reporting officers under Section 16 of the Securities Exchange Act of 1934 ("Section 16 officers"). Generally, the types of compensation and benefits provided to the Section 16 officers are also provided to other non-Section 16 officers reporting to the Chief Executive Officer. Throughout this proxy statement, the individuals who served as the Company's Chief Executive Officer or Chief Financial Officer during 2007, as well as the other individuals included in the Summary Compensation Table on page 40, are referred to as the "named executive officers". All of the named executive officers are Section 16 officers.

The Committee approves all compensation decisions for the Section 16 officers. The Committee has the authority to engage its own advisors to assist it in carrying out its responsibilities and has approved the Company's retention of Mercer (US) Inc. ("Mercer") to provide analysis, advice and guidance from with respect to compensation. The Committee is free to replace its compensation advisors or retain additional advisors at any time. Mercer assists the Committee by providing compensation information, analyzing various compensation alternatives and data, and helping to develop recommendations regarding all awards to Section 16 officers. Mercer and Mercer affiliates also provide other services to the Company, including U.S. benefits administration, consulting services related to generally available Company benefit plans, and brokerage services for U.S. and international benefit plans.

Mercer generally works with the Company's Executive Vice President responsible for Human Resources and the Company's Senior Director of Compensation and Benefits. Mercer provides analysis to the Company and the Committee regarding the Section 16 officer's compensation relative to external market benchmarks. Mercer also provides information to the Company and the Committee regarding compensation trends, compensation strategy and structure of incentive programs.

The Chief Executive Officer annually reviews the performance of each Section 16 officer (other than the Chief Executive Officer whose performance is reviewed by the Committee). As Chief Executive Officer, Mr. Scott Kriens is responsible for making a recommendation regarding the salary, incentive target and equity awards for each individual Section 16 officer other than himself, based on the analysis and guidance provided by the Committee's advisors and on his assessment of the performance of the individuals. He is assisted by the Executive Vice President,

Human Resources and the Senior Director of Compensation and Benefits in these recommendations to the Committee regarding compensation for Section 16 officers. Performance factors considered in developing recommendations for the Committee include the applicable officer's leadership, strategic planning, delivery of financial results (if such officer is responsible for such results, such as a general manager of a business group), and succession planning. Mr. Kriens takes an active part in the discussions at Committee meetings at which compensation of his direct reports and the other Section 16 officers are discussed.

The Executive Vice President, Human Resources and the Senior Director of Compensation and Benefits make the recommendation regarding the Chief Executive Officer's compensation with the input and advice of the Committee's advisors. Performance factors considered in developing recommendations for the Committee include Mr. Kriens' leadership, strategic planning, delivery of financial results and succession planning. All decisions regarding Mr. Kriens compensation are made by the Committee in executive session, without Mr. Kriens present. The Committee considers, but is not in any way bound by, and frequently changes recommendations made by Company management. Similarly, the conclusions reached and recommendations made by outside advisors can also be accepted, rejected or modified by the Committee.

Assessing the Competitive Market for Talent

In making compensation decisions, the Committee takes into account many factors described below, including the competitive market for executive talent. The Committee uses competitive market data to establish reference points for evaluating compensation for Section 16 officers. As there is considerable variation in the compensation amounts and methodologies used among companies and because no two companies possess the exact same characteristics, size, structure, business, history and prospects, the Committee relies on a specific peer company analysis of publicly-available data on a group of publicly-traded networking equipment and other high technology companies (the "Peer Group") and "market data" composed of a broad technology company sample. The companies included in the Peer Group are ones which the Committee believes are similar in size and business scope to Juniper Networks and companies with which Juniper Networks competes for talent. This list is periodically reviewed and updated by the Committee to take into account changes in both the Company's business and the businesses of the peer companies. For 2007, the Peer Group consisted of the following companies: Adobe Systems, Inc.; Autodesk, Inc.; Avaya, Inc.; BEA Systems, Inc.; BMC Software, Inc.; CA, Inc.; Corning, Inc.; Earthlink, Inc.; eBay, Inc.; Intuit, Inc.; Network Appliance, Inc.; Symantec Corporation; Tellabs, Inc.; VeriSign, Inc.; and Yahoo, Inc. Because of the variations between companies as to which individuals and roles compensation is disclosed, there will not be available directly comparable information from each peer company with respect to each of our Section 16 officers or named executive officers.

For the 2007 annual compensation review completed by Mercer, the broad-based technology company data was drawn from several sources, including: the Buck *Executive High Technology Survey*, the Radford *Executive Survey,* the Watson Wyatt *Report on Top Executive Compensation,* and the Mercer *Benchmark Database.* For corporate positions, data was collected for companies between $1 billion and $6 billion in sales revenue. For the general managers who are compensated in part based on the performance of their respective business unit, the Committee received survey data for Top Business Unit Executives scoped to the sales revenue size of each respective business unit at the Company.

For 2008, the Peer Group was revised at the recommendation of Mercer to replace certain companies that were acquired or were deemed to engage in atypical pay practices compared to the other members of the group. The 2008 Peer Group consisted of the following companies: Adobe Systems, Inc.; Autodesk, Inc.; Avaya, Inc.; BMC Software, Inc.; CA, Inc.; Corning, Inc.; Earthlink, Inc.; eBay, Inc.; Harris Corporation; Intuit, Inc.; Network Appliance, Inc.; Symantec Corporation; Tellabs, Inc.; VeriSign, Inc.; and UTStarcom, Inc. The data on the compensation practices of the Peer Group is gathered through publicly available information. Because of the variations between companies as to which individuals and roles compensation is disclosed, there will not be available directly comparable information from each peer company with respect to each of our Section 16 officers or named executive officers.

For the 2008 annual compensation review completed by Mercer, the broad-based technology company data was drawn from several sources, including: the Buck *Executive High Technology Survey* and the Radford *Executive*

Survey. For corporate positions, data was collected for companies between $1 billion and $6 billion in sales revenue. For the general managers who are compensated in part based on the performance of their respective business unit, the Committee received survey data for Top Business Unit Executives scoped to the sales revenue size of each respective business unit at the Company.

In addition to the market data sources discussed above, the Committee also considers other information and factors in determining compensation for individual Section 16 officers including, internal consistency between Juniper Networks employees, job performance, skills, prior experience, competitive job offers made to Juniper Networks employees, recruiting offers made by Juniper Networks, and market conditions. Finally, in some cases, the compensation for newly hired Section 16 officers may be determined based on the recruitment negotiations with such individuals, and may reflect such factors as the amounts of compensation that the individual would forego by joining Juniper Networks or the costs of relocation.

Elements of Executive Compensation

The principal components of compensation for Section 16 officers are:

- Base salary
- Performance-based cash incentive compensation
- Long-term equity incentive compensation, such as stock options, restricted stock units and performance shares
- Employee benefits and perquisites
- Severance benefits

Juniper Networks has selected these elements of compensation because each is considered useful and/or necessary to meet one or more of the principal objectives of our compensation policy. Base salary and employee benefits are set with the goal of attracting employees by guaranteeing a minimum level of compensation for services performed. Performance-based cash incentives are provided to incentivize or reward achievement of short-term or annual performance goals. Long-term equity incentives are provided to align executive interests with those of our stockholders and to promote achievement of long-term business objectives and retention of key talent.

The Committee reviews the compensation program on an annual basis. The Committee's annual review is primarily focused on the structure of the performance based incentive plans overall and, with respect to individual Section 16 officers, on (i) base salary, (ii) total target cash compensation (base salary + performance based cash incentive) and (iii) long-term equity incentive compensation and total direct compensation (total target cash comp + long-term equity incentive). Except for the proposed Deferred Compensation Program and Executive Wellness Program described below, the Company does not typically offer perquisites or employee benefits to Section 16 officers that are not also made available to employees on a broad basis. Severance benefits have been approved either in connection with the negotiations to recruit individual executives or periodically as part of a program to extend such benefits to Section 16 officers as a group. Accordingly, severance benefits, employee benefits and perquisites are reviewed from time to time, but not annually, to ensure that benefit levels remain competitive and are reasonable and not excessive.

Base Salary

Salaries are used to provide a fixed amount of compensation for the executive's regular work. The Company targets base salary levels for each position, on average, at the 50th percentile of similar positions based on competitive market data. Some variation above or below the competitive median occurs when, in the judgment of management and/or the Compensation Committee, as appropriate, the factors described above influence a different positioning.

The salaries of the Section 16 officers are reviewed on an annual basis, as well as at the time of a promotion or other change in responsibilities. The effective date of annual increases typically is April 1st of each year.

Pursuant to the 2007 annual compensation review and based on the performance of the company in 2006, no changes were made to the base salaries of Mr. Edward Minshull, Mr. Robert Dykes. The Committee approved an increase in base salary for Mr. Kriens intended to make his salary more competitive with the market and to place his salary above that of our Chief Operating Officer. The Committee also approved an increase in salary and a decrease in annual target incentive for Ms. Kim Perdikou in order to rebalance her cash compensation between salary (which was below market) and annual cash incentive compensation (which was above market).

In January 2007, Mr. Stephen Elop joined the Company and in August 2007, Ms. Robyn Denholm joined the Company. Their respective base salaries and other compensation were determined with reference to the competitive market data discussed above and through negotiation.

Pursuant to the 2008 annual compensation review, no changes were made to the base salary of Mr. Minshull because his salary was above the median percentile of the competitive market data. The Committee noted that this was primarily due to the fact that Mr. Minshull is paid in British Pounds and exchange rates have impacted his compensation relative to the other named executive officers. The base salaries of Mr. Kriens, Ms. Denholm and Ms. Perdikou were increased by approximately 16.7%, 4.2% and 5%, respectively. The increases to the salaries of Mr. Kriens and Ms. Perdikou were intended to bring their salaries closer to the median of the Peer Group. Even after the adjustment, Mr. Kriens' salary is substantially below the median. However, the Committee concluded that it would continue to move his salary toward the median over multiple years rather than attempt to close this gap in one large step. The increase to Ms. Denholm's salary places her total target cash compensation slightly above the median for the Peer Group and the Committee determined this was appropriate in light of Ms. Denholm's performance in 2007.

Performance-Based Cash Incentive Compensation

Target Incentives as a Percentage of Salary

As discussed above, the Company's compensation objective is to have a significant portion of each Section 16 officer's compensation tied to performance. To this end, the Company has established a target annual performance-based cash incentive opportunity for each Section 16 officer expressed as a percent of base salary. In establishing the amount of target incentive, the Committee takes into account the competitive market data, a desired positioning at the market median, the individual's role and contribution to performance, and internal consistency among executives at a comparable level. The actual award earned may be higher or lower than this target incentive amount based on company, business unit, and/or individual performance factors.

For 2007, taking into account the changes made to base salary and other factors discussed above, the Committee determined that no changes be made to the target incentive (as a percentage of base salary) for Mr. Kriens, Mr. Minshull or Mr. Dykes and they remained at 150%, 100% and 100%, respectively. With respect to Ms. Perdikou, the Committee determined that in light of her review of total cash compensation market data, the mix of cash compensation between base salary and variable incentive should be rebalanced. As a result, the amount of target incentive was reduced from 100% to 75% of base salary for Ms. Perdikou.

In connection with their joining the Company, Mr. Elop's target incentive was established at 125% of base salary earned in 2007 and Ms. Denholm's target incentive was established at 100% of base salary earned in 2007. The Committee determined Mr. Elop's target based on two factors. First, the Committee concluded that it was desirable to use the 125% amount in order to weight Mr. Elop's total cash compensation more heavily on achievement of Company performance objectives than other executive officers (other than Mr. Kriens). Second, the Committee determined that the target incentive percentage was consistent with the general compensation objective of targeting Mr. Elop's total cash compensation at approximately the median percentile for his position based on competitive market data. The target incentive for Ms. Denholm placed her total cash compensation slightly above the median percentile for her position based on the competitive market data, but the Committee determined that this was necessary to recruit Ms. Denholm to join Juniper Networks, was consistent with the target incentive for the Company's prior Chief Financial Officer and was consistent with the opportunities for other senior executives with comparable positions.

In 2008, the Company's objective was to target total cash compensation at approximately the market median of the Peer Group. Taking into account the changes made to base salary discussed above and the Peer Group data for total cash compensation, the Committee determined that no changes be made to the target incentive percentages for the Company's named executive officers.

Annual Incentive Plans

Each year an annual incentive plan is established for Section 16 officers in order to reward those individuals based on performance against various business objectives for that year or for a portion of that year, as described below. For 2007, the Company altered its executive short-term incentive plan from a six month plan to an annual plan. The Company took this action to align its short-term incentive plan with market practice. In addition, the Company believes that achievement of the Company's business plan and near term business objectives are best effectuated through a cash incentive plan tied to performance goals established for a period of one year. Because of the rapidly changing industry in which the Company competes, the Company believes that by establishing goals that are measured over an annual basis, the goals can be established with greater specificity and linkage to the operating plan objectives and with less risk of subsequent revision than if objectives were based on longer measurement periods. The Committee also believes that goals that can be achieved over an annual period are more effective at motivating performance and promoting retention than goals which take a longer time to achieve and are therefore inherently less under the control of the individual to accomplish. Moreover, the Company also believes that establishing an annual plan provides the Company with the flexibility to adjust the structure and objectives of its plan to meet changes in the Company's business and competitive environment.

To promote achievement of longer term objectives, the Company relies on equity incentives discussed in more detail below.

2007 Annual Incentive Plan. For the 2007 fiscal year, the Committee approved the 2007 Annual Incentive Plan (the "2007 AIP") for Section 16 officers. Under the 2007 AIP, each participant is eligible to receive an annual incentive bonus once per year following the end of the year based on achievement of specified objectives established at the beginning of the year. The Company believes that the primary performance measurements should be based on achieving key financial targets tied to the Company's annual operating plan. The incentive is based 50% on the Company's revenue results, 30% on the Company's non-GAAP operating income results and 20% on achieving other specified strategic goals, such as employee engagement and leadership development. However, in the case of a general manager of a business group, such as Ms. Kim Perdikou, Executive Vice President and General Manager Infrastructure Products Group, the revenue and operating income factors are based half on achieving the Company's revenue and non-GAAP operating income targets and half on achieving the applicable business group's revenue and non-GAAP contribution margin targets. The incentive amounts are calculated and paid after the end of the year. The amounts paid depend on the level of achievement against the objectives and, with respect to the revenue and operating income objectives, range between zero and 200% of the target incentive. With respect to the specified strategic goals, payments range between zero and 100% of the target incentive. However, no payment is earned for any component if less than 80% of the operating income objective is achieved. At 80% of the objective, 30% of the applicable component is earned; achievement of 100% of the objective results in 100% of the component earned; and if 120% of the revenue or operating income objective is achieved, 200% of that component is earned. At the time the Committee set the performance goals for the participants under the 2007 AIP, it believed that they were achievable but only with significant effort.

Upon completion of the measurement period for 2007, the Committee reviewed the performance of the Company, each applicable business group and each Section 16 officer to verify and approve the calculations of the amounts to be paid under the 2007 AIP.

Payments to Section named executive officers under the 2007 Bonus Plan ranged between 109% and 117% of the individual's target bonus for year. The following table summarizes the payments for the Company's named executive officers:

2007 Annual Incentive Plan Payments

Name	Percentage of Fiscal 2007 Performance Target Achieved	2007 AIP Payment
Scott Kriens Chairman and Chief Executive Officer	109%	$981,000
Robyn Denholm Executive Vice President, Chief Financial Officer	109%	$218,000(1)
Robert Dykes(2) Executive Vice President, Chief Financial Officer	N/A	N/A
Stephen Elop Executive Vice President, Chief Operating Officer	109%	$735,750
Edward Minshull(3) Executive Vice President, Worldwide Field Operations	109%	$506,414
Kim Perdikou Executive Vice President and General Manager, Infrastructure Products Group	117%	$302,738

(1) Ms. Denholm's payment is based on her annual base salary, prorated from the commencement of her employment in August 2007.

(2) Mr. Dykes resigned from his position at the Company in 2007 and was not eligible for payment under the 2007 AIP.

(3) Mr. Minshull is paid in British Pounds (£). The 2007 compensation amounts for Mr. Minshull in this proxy statement are presented on an as-converted to U.S. Dollars ($) basis at a rate of $2.02 for each £1. This represents the exchange rate in effect for conversion of British Pounds to U.S. Dollars as of December 31, 2007.

2008 Annual Incentive Plan. For the 2008 fiscal year, the Committee approved the 2008 Annual Incentive Plan (the "2008 AIP") for Section 16 officers. Under the 2008 AIP, each participant is eligible to receive an annual incentive bonus once per year following the end of the year based on achievement of specified objectives established at the beginning of the year. The Company believes that the primary performance measurements should be based on achieving key financial targets tied to the Company's annual operating plan. The incentive is based 50% on the Company's revenue results, 30% on the Company's non-GAAP operating income results and 20% on achieving other specified strategic goals, such as employee engagement and leadership development. However, in the case of a general manager of a business group, the revenue and operating income factors are based half on achieving the Company's revenue and non-GAAP operating income targets and half on achieving the applicable business group's revenue and non-GAAP operating income targets. The incentive amounts are calculated and paid after the end of 2008. The amounts paid depend on the level of achievement against the objectives and, with respect to the revenue and operating income objectives, range between zero and 200% of the target incentive. With respect to the specified strategic goals, payments range between zero and 100% of the target incentive. However, no payment is earned for any component if less than 80% of the operating income objective is achieved. At 80% of the objective, 30% of the applicable component is earned; achievement of 100% of the objective results in 100% of the component earned; and if 120% of the revenue or operating income objective is achieved, 200% of that component

is earned. At the time the Committee set the performance goals for the participants under the 2007 AIP, it believed that they were achievable but only with significant effort.

Sign-on Incentive for Ms. Denholm

In connection with the hiring of Ms. Denholm in August 2007, the Committee approved the payment of a sign-on incentive to Ms. Denholm of $250,000, which is subject to repayment on a prorated basis if she is terminated with cause or voluntarily terminates her employment without good reason, each as defined in her offer letter, in the first year of her employment. The Committee determined that such bonus was reasonable and necessary to secure the services of Ms. Denholm in light of the expected incentive compensation from her prior employer that Ms. Denholm had forgone in connection with joining Juniper Networks.

Long-Term Equity Incentive Compensation

Juniper Networks provides long-term equity incentive compensation through awards of stock options, performance shares and restricted stock units. The Company's equity compensation programs are intended to align the interests of its employees with those of its stockholders by creating an incentive for our Section 16 officers to drive financial performance over time and maximize stockholder value. The equity compensation program also is designed to encourage our Section 16 officers to remain employed with the Company.

2007 Long-Term Incentive Program. For 2007, the Company reviewed its approach to equity awards and decided to increase the focus on pay-for-performance by introducing performance shares into the mix of equity awards, replacing the performance-awarded restricted stock unit grant opportunity provided to Section 16 officers in 2006. The Company retained stock options as a key element of its equity compensation program.

The performance shares are earned based on performance against specific financial goals and then vest over time. To the extent that specified performance goals are not met, shares are not earned. If an executive fails to satisfy the service requirement, any earned shares are forfeited. The Committee believes that this combination of performance and service requirements provides incentives to achieve both specified performance objectives and increases in the Company's stock price and also promotes retention.

For 2007, in determining the amount of long-term equity incentives to award each individual, the Committee evaluated the value of the proposed long-term equity awards and total direct compensation and compared those values to the market data discussed above. For 2007, to reflect the change in the Company's size and maturity, the Company's objective was to move total direct compensation towards the 50th percentile of the market. However, in making individual awards, the Committee took into account the individual executive's performance, previously granted awards, and in the case of executives other than the CEO, the CEO's recommendations for award levels.

In structuring the 2007 awards, the Committee sought to allocate approximately 50% of the value to stock options and 50% to performance shares. The Committee believed that the 50/50 split fairly balanced the need for focus on long-term stockholder value creation and on intermediate financial performance objectives. Stock option grants were valued using a risk-adjusted present value methodology, assuming an exercise price of $20.00 and resulting in an estimated option value of $9.52 per share. Performance shares were valued assuming target performance and at an assumed grant price of $20.00 per share.

The stock options were granted by the Company on March 9, 2007 and have an exercise price equal to the closing market price on the date of grant of $18.31 per share. The options have a seven year term and vest with respect to 25% of the shares on the first anniversary of grant and with respect to $1/48^{th}$ of the shares each month thereafter, assuming continued service to the Company.

The performance shares were granted on March 9, 2007 and vest based on achievement of specific performance objectives established for each year of a three-year period. The amount of performance shares earned for a particular year is based on the achievement of annual performance targets established for that year. For 2007 and 2008, the performance goals are based on revenue and non-GAAP operating margin. At the time the Committee set the target performance goals, it believed that they were achievable but only with significant effort. With respect to each year's performance, the individual can earn between 0% and 200% of the target number of shares for that year depending on the level of achievement against the goals established for that year. (The target

number of shares for each year is one third of the target number of shares for the entire three year period). Provided the employee is still employed on the date that the Committee approves the performance calculation for the third year, the employee is issued a number of fully paid and fully vested shares of common stock equal to the number "earned" over the three year period.

For example: an employee is granted performance shares for a maximum of 60,000 shares with a target number of 30,000 shares over a three year period. During the first year the Company achieves the target revenues and target operating margin, and the employee earns the target number of 10,000 shares for that year, or 1/3 of the total target number of shares for the full three year period. During the second year, the Company achieves target revenue but is below target operating margin and the employee earns 5,000 shares. During the third year, the Company exceeds its performance targets and the employee earns 20,000 shares. Accordingly, the employee is issued at the completion of the three year cycle a total of 35,000 fully vested shares. No shares are vested or issued prior to the completion of the third year, and any earned but unvested shares are forfeited if the employee leaves the Company before they are vested and paid. The following table reflects the performance shares earned by our named executive officers under the 2007 performance share award program for the awards granted on March 9, 2007:

2007 Performance Share Awards

Name	Original Total Target Performance Share Amount	Percentage of Fiscal 2007 Targets Achieved	Number of Performance Shares Earned for Fiscal 2007 Performance	Remaining Performance Share Target Amount
Scott Kriens	100,000	112%	37,334	66,666
Robyn Denholm	N/A	N/A	N/A	N/A(1)
Robert Dykes	N/A	N/A	N/A	N/A(2)
Stephen Elop	100,000	N/A	N/A	N/A(3)
Edward Minshull	33,000	112%	12,320	22,000
Kim Perdikou	33,000	112%	12,320	22,000

(1) Ms. Denholm was not employed by the Company at the time these awards were granted.

(2) Not applicable due to resignation of individual in 2007.

(3) Not applicable due to resignation of individual in 2008.

2007 Restricted Stock Unit Awards (Based on 2006 Results). Prior to 2006, the Company relied primarily on stock options to provide equity incentives to its Section 16 officers. In 2006, the Committee concluded that a combination of both stock options and performance-awarded restricted stock units would better address the Company's compensation strategy, especially the need to balance incentives to drive performance with the need to attract and retain executive talent.

In establishing the amount of long-term equity incentives to award each individual, the Committee evaluated the total value of the proposed long-term equity awards and compared it to the competitive market data discussed above. In 2006, the Company's objective was to target long term equity incentive compensation at approximately the 75th percentile of market data. In addition, the Committee also evaluated the retention value of prior equity awards granted to an individual based on the potential value of the unvested portion of those awards under various scenarios. In structuring the 2006 awards, the Committee sought to allocate 50% of the value to stock options and 50% to performance awarded restricted stock units. Performance awarded restricted stock grant guidelines were created by applying a ratio of one share subject to a restricted stock unit being equivalent to 2.5 shares subject to a stock option. This number was then increased by 20% to reflect the additional risk associated with the performance feature discussed below.

The restricted stock units were awarded under a program pursuant to which the number of restricted stock units issued to each officer was dependent on the achievement of earnings per share objectives for 2006. At the time the Committee set the target performance goals for the participants under the 2006 restricted stock unit program, it believed that they were achievable but only with significant effort. Depending on the level of performance against the objectives, participants could receive restricted stock units for as much as 150% of the target number of

restricted stock units or as few as 25% of the target number of restricted stock units. The restricted stock units were issued after the 2006 performance period vest as to 75% of the shares on February 27, 2008, 15% on February 27, 2009 and 10% on February 27, 2010.

The following table reflects the restricted stock units earned by our named executive officers under the 2006 restricted stock unit program and issued on February 27, 2007:

2007 Restricted Stock Unit Awards (Based on 2006 Results)

Name	Target Restricted Stock Unit Amount	Percentage of Targets Achieved	Number of Restricted Stock Units Issued	Number Vesting February 27, 2008	Number Vesting February 27, 2009	Number Vesting February 27, 2010
Scott Kriens	100,000	56%	56,000	42,000	8,400	5,600
Robyn Denholm	N/A	N/A	N/A	N/A	N/A	N/A
Robert Dykes	33,000	56%	18,480	0(1)	0(1)	0(1)
Stephen Elop	N/A	N/A	N/A	N/A	N/A	N/A
Edward Minshull	50,000	56%	28,000	21,000	4,200	2,800
Kim Perdikou	25,000	56%	14,000	10,500	2,100	1,400

(1) Due to resignation of individual, none of the amounts vested.

2007 Retention Equity Awards. On January 4, 2007, the Compensation Committee awarded restricted stock units to Mr. Minshull and Ms. Perdikou in the amount of 120,000 and 80,000 shares respectively. Such restricted stock units vest as to 25% of the shares on February 1, 2008, 25% on February 1, 2009 and 50% on February 1, 2010. The recommendation for these awards was made by the Chief Executive Officer. In determining whether to provide these awards and how many restricted stock units to award, the Compensation Committee considered several factors including the expected value of the awards currently and under various stock price scenarios, whether existing options were underwater, how critical are the contributions made by the individual, an assessment of retention risk and the employee's current target compensation before and after the award relative to market data and other executive officers in the Company. These equity awards were intended to promote the retention of the individuals by providing additional time-based equity awards.

2006 Promotion Equity Award Granted in 2007. In May 2006, Ms. Perdikou was promoted from acting General Manager to Executive Vice President Infrastructure Products Group and General Manager, Service Provider Business Team. However, due to the stock option pricing investigation being conducted by the Company, the Company did not grant her any stock options associated with that promotion until some time after the completion of the investigation. Accordingly, Ms. Perdikou was granted an option to purchase 300,000 shares of our common stock on February 27, 2007. The stock option award has an exercise price equal to the closing market price on the date of grant of $18.53 per share. The option has a seven year term and vests with respect to 25% of the shares on the first anniversary of grant and with respect to 1/48th of the shares each month thereafter, assuming continued service to the Company.

2008 Long-Term Incentive Program. For 2008, the Company reviewed its approach to equity awards, and the Committee decided to maintain the structure of long-term incentives similar to 2007 by providing a mix of stock option and performance shares to Section 16 officers. Like the 2007 awards, the performance shares approved by the Committee vest based on a combination of time and performance against specific objectives.

In determining the amount of long-term equity incentives to award each individual, the Committee evaluated the value of the proposed long-term equity awards and total direct compensation and compared those values to the competitive market data discussed above. For 2008, to reflect the growth in the Company's size and maturity, and based on the evaluation of its compensation practices relative to the Peer Group, the Company's objective was to continue to target total direct compensation near the 50th percentile of the Peer Group market data discussed above. However, within this general objective, the specific number of equity awards for each of the Section 16 officers was based on their respective roles and grade level. In structuring the 2008 awards, the Committee sought to allocate 50% of the value to stock options and 50% to the performance shares. Stock option grants were valued using a

Black-Scholes methodology, assuming an exercise price of $29.57 and resulting in an estimated option value of $11.03 per share. Performance shares were valued assuming target performance and at an assumed grant price of $29.57 per share for the purpose of establishing grant guidelines.

The stock options were granted by the Company on March 21, 2008 and have an exercise price equal to the closing market price in effect on the date of grant of $25.16 per share. The options have a seven year term and vest with respect to 25% of the shares on the first anniversary of grant and with respect to 1/48th of the shares each month thereafter, assuming continued service to the Company.

The performance shares were granted on March 21, 2008 and vest at the end of three years based on achievement of specific performance objectives established for each year of a three-year period. The amount of performance shares earned for a particular year is based on the achievement of annual performance targets established for that year. For 2008, the performance targets are based on revenue and non-GAAP operating margin. At the time the Committee set the target performance goals, it believed that they were achievable but only with significant effort. With respect to each year's performance, the individual can earn between 0% and 200% of the target amount for that year depending on the level of achievement against the targets established for that year (the target amount for each year is one third of the target amount for the entire three year period). The terms of the 2008 performance shares are otherwise substantially identical to the 2007 performance shares discussed above.

Equity Ownership Guidelines. The Company believes that the significant component of each Section 16 officer's overall compensation based on equity awards is sufficient to align the officer's interests with those of the stockholders. Moreover, the Company has also established limitations on the maximum amount of an officer's stock and option holdings that the officer can sell within any quarter or year without first obtaining the approval of the Board of Directors. Accordingly, the Company has not adopted any specific requirements as to a minimum number of shares that must be owned by an officer.

Stock Option Granting Policy. In 2007, the Board of Directors approved a policy for granting stock options and equity awards. New hire and ad hoc promotional and adjustment grants to non-executive employees are to be granted monthly on the third Friday of the month, except as discussed below. If a quorum of the Stock Committee (currently composed of the Chief Executive Officer, Chief Financial Officer and one outside director) is not available for a meeting on or prior to the third Friday of the month or in the four days preceding it, grants are to be approved by means of an action by written consent. Such consent shall by its terms provide that the options will be granted upon the later of (i) the third Friday of the month or (ii) the date of the last signature of the Stock Committee members. Annual performance grants to non-Section 16 officers will also be scheduled to occur on the same date as a monthly grant and shall be approved by the Stock Committee in the manner described above. Grants in connection with acquisitions shall, unless a date is specified in the acquisition agreement, occur to the extent practical on a date on which equity awards to Company employees are made by the Stock Committee. Annual equity awards to Section 16 officers will be generally scheduled to be approved at a meeting of the Compensation Committee in the first quarter after the Q4 earnings announcement and prior to March 1. The annual grants to Section 16 persons are also generally scheduled to be effective on the third Friday of the month if the meeting approving such grants occurs on or before such date. Notwithstanding the foregoing, if the Company is advised by outside counsel that the granting of equity awards on a particular date or to particular recipients, or prior to the disclosure of certain non-public information, could reasonably be deemed to be a violation of applicable laws or regulations, such grants may be delayed until such time as the granting of those awards would be not reasonably expected to constitute a violation. If doing a particular monthly grant would cause the Company to exceed any granting limitation imposed by the Board or Compensation Committee (such as an annual limit), the monthly grant shall be delayed until the first subsequent month in which the limitation would not be exceeded. If the making of a grant would cause the Company to violate the terms of any agreement approved by the Board or a Committee of the Board, such grant shall be delayed until it would not be in violation of such agreement. The exercise price of options granted will be the closing market price on the effective date of grant. The Company intends to grant options in accordance with the foregoing policy without regard to the timing of the release of material non-public information, such as a positive or negative earnings announcement.

Deferred Compensation Program. In addition to the long term incentive programs described above, the Company plans to adopt and implement a deferred compensation program for certain grade levels of Company

management, including Section 16 officers, beginning in June 2008. The Company plans to implement this program in order to offer benefits that are competitive with companies with which it competes for talent. This program, once implemented, would allow participants to elect to defer a certain amount of compensation earned into one or more investment choices. The participants would not be taxed on the compensation deferred into these investments until distribution of invested funds to the participant at a future date, which may be upon termination of employment with the Company or a designated "in-service" date elected by the participant.

Employee Benefits and Perquisites

Historically, the Company has made available to Section 16 officers the same employee benefits and perquisites that are available to employees broadly. The Company provides employee benefit programs and perquisites to employees, including Section 16 officers, that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain employees. Except for the Deferred Compensation Program described above and the Executive Wellness Program described below, there are no other special benefit plans or programs applicable to Section 16 officers. Accordingly, employee benefits and perquisites are reviewed from time to time generally to ensure that benefit levels remain competitive but are generally not included in the Committee's annual determination of a Section 16 officer's compensation package.

Section 16 officers are entitled to participate on the same basis and in the same medical, dental, vision, disability, life insurance and other plans and programs made available to other full time employees in the applicable country of residence. In addition, the Committee approved the adoption of an Executive Wellness Program (the "Wellness Program") beginning in June 2008. Under the Wellness Program, eligible executives, including Section 16 officers, will receive additional benefits focused on health care screening and wellness. The total value this benefit is limited to $10,000 per year for each eligible executive. The Committee believes that by promoting the health and wellness of its executives can result in a number of benefits to the Company, including increased productivity, better presenteeism and increased organizational stability, among others.

The Company has a 401(k) tax-qualified retirement savings plan pursuant to which all U.S. based employees are entitled to participate. Employees can make contributions to the plan on a before-tax basis to the maximum amount prescribed by the Internal Revenue Service. The Company will match 25% of the amount contributed by the employee. The Company matching contributions are fully-vested upon contribution. Mr. Minshull participates in the Group Personal Pension Plan which is a tax-qualified defined contribution retirement plan available to all full time employees in the United Kingdom. The Company contributes 7% of an employee's base salary to the plan following an initial period of service, which Mr. Minshull has satisfied. As such, Company contributions for Mr. Minshull are fully-vested upon contribution. The Company does not match employee contributions to this plan. Other than these generally available plans, there are no other deferred savings plans in which the Section 16 officers currently participate. The Company does not maintain or provide any defined benefit plans for its employees.

As is typical for the Company's managers in Europe, Mr. Minshull is given a car allowance. Mr. Minshull receives a car allowance of $2,424 per month in arrears, less deductions for tax and U.K. National Insurance taxes contributions. He is also entitled to reimbursement of fuel costs through the standard expense reimbursement process.

From time to time, the Company may agree to reimburse employees for relocation costs if the employee's job responsibilities require him or her to move a significant distance. In connection with Mr. Elop's joining the Company in January 2007, the Company agreed to reimburse Mr. Elop for relocation expenses to facilitate his move to a location near the Company's corporate headquarters. Mr. Elop was reimbursed $19,843 in connection with such expenses.

Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2007, are included in the column entitled "All Other Compensation" in the Summary Compensation Table on page 40.

Severance Benefits

In addition to compensation designed to reward employees for service and performance, the Company has approved certain severance and change of control provisions for certain employees, including named executive officers.

Basic Severance. In order to recruit executives to the Company and encourage retention of employees, the Company believes it is appropriate and necessary to provide assurance of certain severance payments if the Company terminates the individual's employment without cause, as described below. On January 4, 2007, the Committee approved severance benefits for several members of senior management, including Mr. Kriens, Mr. Elop, Mr. Minshull and Ms. Perdikou. In the event the employee is terminated involuntarily by Juniper Networks without cause, as defined in the agreement, and provided the employee executes a full release of claims, in a form satisfactory to Juniper Networks, promptly following termination, the employee will be entitled to receive the following severance benefits: (i) an amount equal to six months of base salary and (ii) an amount equal to half of the individual's annual target bonus for the fiscal year in which the termination occurs. Upon the commencement of her employment in August 2007, Ms. Denholm entered into a severance agreement with the Company that provided the aforementioned benefits upon substantially similar terms as the other named executive officers plus six months of Company-paid health, dental and vision insurance coverage. In addition, Ms. Denholm's severance agreement provides that in the event Ms. Denholm voluntarily terminates her employment with the Company within the first two (2) years of employment for good reason, as defined in the agreement, and provided she executes a full release of claims, promptly following termination Ms. Denholm shall receive the following severance benefits: (i) an amount equal to six months of base salary, (ii) an amount equal to half of her annual target bonus for the fiscal year in which the termination occurs, (iii) six months of Company-paid health, dental and vision insurance coverage, (iv) provided no shares have otherwise vested under the restricted stock unit award granted to Ms. Denholm in August 2007, acceleration of vesting of such restricted stock units equal to the total number of shares covered by such award, multiplied by the number of full months of service to the Company completed through the date of termination divided by 48, and (v) provided no shares have otherwise vested under the above stock option award granted to Ms. Denholm in August 2007, acceleration of vesting of such options equal to the total number of shares covered by such award, multiplied by the number of full months of service to the Company completed through the date of termination divided by 48. The Company believes that the size of the severance packages described is consistent with severance offered by other companies of the Company's size or in the Company's industry.

The Company had also entered into an agreement with Mr. Dykes on December 13, 2004, which provides that if Mr. Dykes is terminated involuntarily by the Company without cause, as defined in the agreement, promptly following termination Mr. Dykes will be entitled to receive the following severance benefits: (i) an amount equal to six months of his base salary, (ii) an amount equal to half of his annual at target bonus for the fiscal year in which termination occurs and (iii) and acceleration of six months of vesting of his initial grant of options to purchase shares of the Company's common stock. Mr. Dykes was provided the benefits described above after his employment terminated.

The following table describes the potential payments upon termination of employment without cause (assuming the change in control benefits discussed below do not apply) for each of the named executive officers as described above. Amounts payable is cash assume relevant salary, bonus and benefit values in effect as of December 31, 2007. The amounts in the following table for equity awards for Ms. Denholm represent the additional value of the awards that vest as a result of the resignation for good reason (as defined in the applicable agreement). For purposes of valuing the equity awards, the amounts below are based on a per share price of $33.20, which was the closing price as reported on the Nasdaq Global Select Market on December 31, 2007. The amounts in the following table related to benefits represent the amounts payable by the Company to maintain Ms. Denholm's benefits for the period following termination of employment as described above.

Potential Severance Payments for Termination Without Cause

Name	Cash Severance	Bonus	Value of Accelerated Equity Awards	Benefits
Scott Kriens	$300,000	$450,000	N/A	N/A
Robyn Denholm	$240,000	$240,000	$157,625(1)	$7,262
Robert Dykes(2)	N/A	N/A	N/A	N/A
Stephen Elop(3)	$270,000	$337,500	N/A	N/A
Edward Minshull	$232,300	$232,300	N/A	N/A
Kim Perdikou	$172,500	$129,375	N/A	N/A

(1) Vesting acceleration applicable only in connection with resignation for good reason as described above.

(2) Not applicable due to resignation of Mr. Dykes in 2007.

(3) Mr. Elop resigned from the Company in January 2008.

Change in Control Severance. The Committee considers maintaining a stable and effective management team to be essential to protecting and enhancing the best interests of Juniper Networks and its stockholders. To that end, Juniper Networks recognizes that the possibility of a change in control may exist from time to time, and that this possibility, and the uncertainty and questions it may raise among management, may result in the departure or distraction of management to the detriment of the Company and its stockholders. Accordingly, the Committee decided to take appropriate steps to encourage the continued attention, dedication and continuity of members of the Company's management to their assigned duties without the distraction that may arise from the possibility of a change in control. As a result, the Committee approved certain severance benefits for Mr. Kriens, Ms. Denholm, Mr. Dykes, Mr. Elop, Mr. Minshull and Ms. Perdikou, as well as for several members of senior management, in the event of a change in control. In approving these benefits the committee considered a number of factors, including the prevalence of similar benefits adopted by other publicly traded companies.

Under the benefits approved by the Committee, provided the employee signs a release of claims and complies with certain post termination non-solicitation and non-competition obligations, the employee will receive change in control severance benefits if either (i) the employee is terminated without cause within 12 months following the change in control or (ii) between 4 and 12 months following a change in control the employee terminates his or her employment with the Company (or any parent or subsidiary of the Company) for good reason" (both "cause" and "good reason" are defined in the agreement). For the purposes of this agreement, a reduction in duties, title, authority or responsibilities solely by virtue of the Company being acquired and made part of a larger entity (as, for example, when the Chief Financial Officer of the Company remains the Chief Financial Officer of the subsidiary or business unit substantially containing the Company's business following a change of control) does not by itself constitute grounds for "good reason".

The change in control severance benefits consist of: (i) a cash payment equal to the employee's annual base salary plus the employee's target bonus for the fiscal year in which the change of control or the employee's termination occurs, whichever is greater, (ii) acceleration of vesting of all of the employee's then unvested outstanding stock options, stock appreciation rights, restricted stock units and other Company equity compensation awards, and (iii) one year of Company-paid health, dental and vision insurance coverage.

The following table describes the potential payments upon termination of employment in connection with a change in control of Juniper Networks for each of the named executive officers. The amounts in the following table for equity awards represent the value of the awards that vest as a result of the termination without cause or a resignation for "good reason" (as defined in the applicable agreement) of the named executive officer's employment in connection with a change in control. For purposes of valuing the stock options, the amounts below are based on a per share price of $33.20, which was the closing price as reported on the Nasdaq Global Select Market on December 31, 2007. Other amounts payable assume relevant salary, bonus and benefit values in effect as of December 31, 2007. The amounts in the following table related to benefits represent the amounts payable by the Company to maintain the officer's benefits for the period following the termination of the named executive officer's employment in connection with a change in control as described above.

Potential Payments Upon Termination in Connection with a Change in Control

Name	Cash Severance	Bonus	Benefits	Value of Accelerated Equity Awards
Scott Kriens	$600,000	$900,000	$14,523	$11,546,608
Robyn Denholm	$480,000	$480,000	$14,523	$ 1,891,500
Robert Dykes(1)	N/A	N/A	N/A	N/A
Stephen Elop(2)	$540,000	$675,000	$14,523	$ 7,211,000
Edward Minshull	$464,600	$464,600	$14,523	$ 9,535,375
Kim Perdikou	$345,000	$258,750	$14,523	$10,828,576

(1) Not applicable due to resignation of Mr. Dykes in 2007.

(2) Mr. Elop resigned from the Company in January 2008.

Amendment of Certain Stock Options

On May 1, 2007, the Company increased the exercise price of certain unexercised stock options held by Ms. Perdikou that had original exercise prices per share that were less than the fair market value per share of the Company's common stock on the option's date of grant, as determined by the Company for financial accounting purposes in connection with its investigation into historical stock option practices. The options were amended to increase the exercise price for the unexercised portion of these affected options to the appropriate fair market value per share on the date of grant. The purpose of these amendments was to avoid unfavorable tax consequences for Ms. Perdikou under United States Internal Revenue Code Section 409A ("Section 409A") which would result upon the vesting of options that have an exercise price that is less than fair market value of the underlying common stock on the option's date of grant. All options covered by these amendments were granted to Ms. Perdikou prior to the dates upon which she was promoted to her role as a Section 16 officer. In exchange for Ms. Perdikou agreeing to increase the exercise price of these options, the Company agreed make a cash payment to Ms. Perdikou of $61,391.63 (less any applicable tax withholdings), an amount equal to the to the incremental per share exercise price increase multiplied by the corresponding number of shares subject to the affected options. In order to satisfy the provisions of Section 409A, this payment was made in January 2008.

The Impact of Favorable Accounting and Tax Treatment on Compensation Program Design

Favorable accounting and tax treatment of the various elements of our compensation program is a relevant consideration in their design. However, the Company and Committee have placed a higher priority on structuring flexible compensation programs to promote the recruitment, retention and performance of Section 16 officers than on maximizing tax deducibility. Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), places a limit of $1,000,000 on the amount of compensation that Juniper Networks may deduct in any one year with respect to each of its five most highly paid executive officers. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee has not adopted a policy requiring all compensation to be deductible.

There is an exception to the $1,000,000 limitation for certain performance-based compensation meeting certain requirements. The Company believes that the stock options and performance shares awarded under the Company's 2006 Equity Incentive Plan will meet the terms of the exception. Restricted stock units are not considered performance-based under Section 162(m) of the Tax Code and, as such, are generally not deductible by the Company. The Company has not sought stockholder approval of its annual cash incentive plans, and therefore, payments under those plans may not be fully deductible.

Beginning on January 1, 2006, the Company began accounting for stock-based payments including its Stock Option Program, Long-Term Stock Grant Program, Restricted Stock Program and Stock Award Program in accordance with the requirements of FASB Statement 123(R). Like many of the companies within our Peer Group, Juniper Networks has lowered both grant guidelines and option participation rates to ensure that the Company's equity granting practice remains competitive but also within acceptable cost limitations.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

William R. Stensrud (Chairman)
J. Michael Lawrie

Compensation Committee Interlocks And Insider Participation

No member of the Compensation Committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

Summary Compensation Table

The following table discloses compensation received by Juniper Networks' Chief Executive Officer and Chief Financial Officer during Fiscal 2006 and 2007 and Juniper Networks' three other most highly paid executive officers (together with those persons serving as CEO and CFO during 2007, the "named executive officers") as of December 31, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	Non Equity Incentive Plan Compensation	Change in Pension Value Nonqualified Deferred Compensation on Earnings	All Other Compensation	Total
Scott Kriens	2007	$568,750	$ —	$ 767,768	$2,945,118	$981,000(2)	$—	$ 6,367(4)	$5,269,003
Chairman and Chief Executive Officer	2006	$475,000	$ —	$ 182,482	$5,270,777	$591,376(3)	$—	$ 2,540(5)	$6,522,175
Robyn Denholm	2007	$183,637	$250,000(6)	$ 135,240	$ 264,207	$218,000(2)	$—	$ 2,954(7)	$1,054,038
Executive Vice President, Chief Financial Officer	2006	$ —	$ —	$ —	$ —	$ —	$—	$ —	$ —
Robert Dykes	2007	$143,939	$ —	$ 216,015	$1,303,805	$ —	$—	$ 441,275(9)	$2,105,034
Executive Vice President, Chief Financial Officer	2006	$400,000	$125,000(8)	$ 60,219	$1,933,599	$338,000(3)	$—	$ 4,257(5)	$2,861,075
Stephen Elop	2007	$529,772	$ —	$ 113,177	$ 530,369	$735,750(2)	$—	$ 24,609(10)	$1,933,677
Executive Vice President, Chief Operating Officer	2006	$ —	$ —	$ —	$ —	$ —	$—	$ —	$ —
Edward Minshull(11)	2007	$464,600	$ —	$ 943,233	$ 749,109	$506,414(2)	$—	$ 61,610(12)	$2,724,966
Executive Vice President, Worldwide Field Operations	2006	$440,789	$250,000(8)	$ 91,241	$ 792,476	$381,519(3)	$—	$174,262(13)	$2,130,287
Kim Perdikou	2007	$333,750	$ —	$586,722(14)	$ 824,833	$302,738(2)	$—	$ 64,562(15)	$2,112,605
Executive Vice President and General Manager, Infrastructure Products Group	2006	$290,861	$300,000(8)	$ 45,620	$ 394,553	$284,833(3)	$—	$ 3,250(5)	$1,319,118

(1) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation costs recognized by Juniper Networks in fiscal 2007 or fiscal 2006, as applicable for equity awards as determined pursuant to FAS 123R disregarding forfeiture assumptions. These compensation costs reflect option awards granted in and prior to fiscal 2007 or fiscal 2006, as applicable, as well as restricted stock unit awards earned in 2006 but issued in 2007 as described in "Compensation Discussion and Analysis" above. The assumptions used to calculate the value of option awards are set forth under Note 1 of the Notes to Consolidated Financial Statements included in Juniper Networks Annual Report on Form 10-K for 2007 filed with the SEC on February 29, 2008.

(2) Amounts reflect bonuses earned in 2007 but paid in 2008 under the 2007 Juniper Networks Annual Incentive Plan.

(3) Amounts reflect bonuses earned in 2006 but paid in 2007 under the 2006 Juniper Networks Executive Officer Bonus Plan.

(4) Consists of costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums and $5,125 in matching contributions paid under the Company's 401(k) plan.

(5) Consists of costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums and $2,000 in matching contributions paid under the Company's 401(k) plan.

(6) Amount paid reflects a $250,000 sign on bonus paid to Ms. Denholm upon commencement of employment with the Company.

(7) Consists of costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums and $2,500 in matching contributions paid under the Company's 401(k) plan.

(8) On January 4, 2007, the Compensation Committee approved discretionary cash bonuses for 2006 for Mr. Minshull, Ms. Perdikou and Mr. Dykes in the amounts of $250,000, $125,000 and $125,000, respectively. In determining the amount these bonuses, the Committee considered the additional responsibilities and projects assumed by the individuals, their performance in their roles, and their overall cash compensation. These amounts were in addition to incentives paid pursuant to the 2006 Executive Incentive Plan which provides variable compensation based primarily on financial performance. Based on the leadership and performance demonstrated in 2006 in new roles assumed by the individuals or in managing additional projects and responsibilities undertaken during the year, it was determined that discretionary bonuses be awarded to these individuals in recognition of those contributions in addition to amounts earned based on financial performance. In addition, in May 2006, Ms. Perdikou was promoted from acting General Manager to Executive Vice President Infrastructure Products Group and General Manager, Service Provider Business Team. However, due to the stock option pricing investigation being conducted by the Company, the Company did not grant her any stock options associated with that promotion until some time after the completion of the investigation. In recognition of Ms. Perdikou's service in the role for seven months without having received any equity awards in connection with this promotion, the Company approved in December 2006 a special cash bonus of $175,000.

(9) Consists of a severance payment of $400,000, $34,028 payment of paid time off accrual upon Mr. Dykes resignation from the Company, $1,000 related to a patent filing under a program generally available to all employees, $5,125 in matching contributions paid under the company's 401(k) plan; and $1,122 in costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums.

(10) Consists of costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums, $19,843 in reimbursed relocation expenses, $3,875 in matching contributions paid under the Company's 401(k) plan and a $374 gift received under an internal award program.

(11) Mr. Minshull is paid in British Pounds (£). The 2006 and 2007 compensation amounts for Mr. Minshull in this proxy statement are presented on an as-converted to U.S. Dollars ($) basis at a rate of $1.9515 and $2.02 for each £1, respectively. This represents the exchange rate in effect for conversion of British Pounds to U.S. Dollars as of December 31, 2006 and December 31, 2007, respectively.

(12) Amounts paid reflect $29,088 in car allowance and $32,522 in contributions paid by Juniper Networks under the Company's UK Group Personal Pension Plan, a defined contribution plan available to all full-time UK employees.

(13) Amount reflects $115,305 in commissions paid; $28,102 in car allowance and $30,855 in matching contributions paid under the Company's UK Group Personal Pension Plan, a defined contribution plan available to all full-time UK employees.

(14) Amount reflects incremental increase in fair value related to the stock option exercise price adjustment for Ms. Perdikou on May 1, 2007 as described in Compensation Discussion and Analysis. Because the applicable exercise prices were increased, there was no incremental increase in such fair value.

(15) Amount reflects $61,392 paid in January 2008 in relation to the stock option exercise price adjustment for Ms. Perdikou on May 1, 2007, costs related to the standard employee benefit portion paid by the Company for life and disability insurance premiums and $1,258 in matching contributions paid under the Company's 401(k) plan.

Grants of Plan Based Awards for Fiscal 2007

The following table shows all plan-based awards granted to our named executive officers during 2007. The option awards identified in the table below are also reported in the Outstanding Equity Awards at Fiscal 2007 Year-End Table on the following page.

Grants of Plan-Based Awards for Fiscal 2007

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units(3)	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value(4)
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum				
Scott Kriens	3/9/2007	$ 0	$900,000	$1,620,000							
	3/9/2007				0	100,000	200,000				$3,662,000
	2/27/2007							56,000			$1,037,680
	3/9/2007								185,000	$18.31	$1,199,022
Robyn Denholm . .	8/14/2007	$161,280(5)	$201,600	$ 362,880	—	—	—				
	8/14/2007										
	8/14/2007							45,000			$1,422,450
	8/14/2007								250,000	$31.61	$2,777,025
Robert Dykes	3/9/2007	$ 0	$400,000	$ 720,000	—	—	—	—	—	—	—
Stephen Elop	3/9/2007	$ 0	$675,000	$1,215,000							
	3/9/2007				0	100,000	200,000				$3,662,000
	1/8/2007								300,000	$20.23	$2,170,500
Edward Minshull . .	3/9/2007	$ 0	$464,600	$ 836,280							
	3/9/2007				0	33,000	66,000				$1,208,460
	1/4/2007							120,000(6)			$2,340,000
	2/27/2007							28,000			$ 518,840
	3/9/2007								70,000	$18.31	$ 453,684
Kim Perdikou	3/9/2007	$ 0	$258,750	$ 465,750							
	3/9/2007				0	33,000	66,000				$1,208,460
	1/4/2007							80,000(6)			$1,560,000
	2/27/2007							14,000			$ 259,420
	2/27/2007								300,000	$18.53	$1,926,600
	3/9/2007								70,000	$18.31	$ 453,684
	5/1/2007								12,500	$ 8.46	$ 0(7)
	5/1/2007								26,563	$ 7.70	$ 0(7)

(1) Amounts reflect potential cash bonuses payable under the Company's 2007 Annual Incentive Plan described in Compensation Discussion and Analysis above. Actual payment amounts under the 2007 Annual Incentive Plan for Mr. Kriens, Ms. Denholm, Mr. Dykes, Mr. Elop, Mr. Minshull and Ms. Perdikou were $981,000, $218,000, $0, $735,750, $506,414 and $302,738 respectively.

(2) Amounts reflect shares subject to performance share awards issuable under the Company's 2007 Long Term Incentive Program described in Compensation Discussion and Analysis above.

(3) Includes the restricted stock units earned by our named executive officers under the 2006 performance-awarded restricted stock unit program and issued on February 27, 2007.

(4) Represents an aggregate grant date fair value of each equity award granted in 2007 including the maximum shares issuable under the 2007 performance share awards, restricted stock units and non-qualified stock options.

(5) Ms. Denholm's offer letter guaranteed payment of at least 80% of her target bonus for 2007.

(6) On January 4, 2007, the Compensation Committee awarded restricted stock units for Mr. Minshull and Ms. Perdikou in the amount of 120,000 and 80,000 shares respectively. These awards were in addition to the awards made for the performance-awarded restricted stock unit plan as described above.

(7) Amount reflects incremental increase in fair value related to the stock option exercise price adjustment for Ms. Perdikou on May 1, 2007 as described in Compensation Discussion and Analysis above. Because the applicable exercise prices were increased, there was no incremental increase in such fair value.

Outstanding Equity Awards at Fiscal 2007 Year-End

The following table shows all outstanding equity awards held by our named executive officers at December 31, 2007.

Outstanding Equity Awards at Fiscal 2007 Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(12)
Scott Kriens	2,200,000			10.31	5/28/2012				
	550,000			5.69	7/1/2012				
	800,000		—	15.00	9/26/2013	—	—		
	734,375	15,625(1)		28.17	1/29/2014				
	397,395	147,605(2)		22.59	4/29/2015				
	49,999	50,001(3)		22.59	4/29/2015				
	84,791	100,209(4)		18.96	2/8/2013				
	0	185,000(5)		18.31	3/9/2014				
								200,000(11)	$6,640,000
								56,000	$1,859,200
Robyn Denholm . .	0	250,000(6)		31.61	8/14/2014				
								45,000	$1,494,000
Robert Dykes	—	—	—			—	—	—	—
Steven Elop	0	300,000(10)		20.23	1/8/2014				
								200,000(11)	$6,640,000
Edward Minshull . .	34,813	162,500(4)	—	18.96	2/8/2013	—	—		
	81,250	18,750(7)		24.14	9/17/2014				
	0	70,000(5)		18.31	3/9/2014				
								120,000	$3,984,000
								28,000	$ 929,600
								66,000(11)	$2,191,200
Kim Perdikou	3,938			10.31	5/28/2012	—	—		
	26,563			7.70	7/1/2012				
	12,500			8.46	3/12/2013				
	58,125			15.00	9/26/2013				
	90,000(7)			24.14	9/17/2014				
	23,333	11,667(4)		18.96	2/8/2013				
	59,583	70,417(8)		18.96	2/8/2013				
	0	300,000(9)		18.53	2/27/2014				
	0	70,000(5)		18.31	3/9/2014				
								80,000	$2,656,000
								14,000	$ 464,800
								66,000(11)	$2,191,200

(1) The option was granted on 1/29/2004. The shares became exercisable as to 25% of the shares on 1/29/2005 and vest monthly thereafter to be fully vested on 1/29/2008, assuming continued employment with Juniper Networks.

(2) The option was granted on 4/29/2005. The shares became exercisable as to 25% of the shares on 1/1/2006 and vest monthly thereafter to be fully vested on 1/1/2009 assuming continued employment with Juniper Networks.

(3) The option was granted on 4/29/2005. The shares became exercisable as to one-forty-eighth of the shares on 1/1/2006 and vest monthly thereafter to be fully vested on 1/1/2010 assuming continued employment with Juniper Networks.

(4) The option was granted on 2/8/2006. The shares became exercisable as to 25% of the shares on 2/8/2007 and vest monthly thereafter to be fully vested on 2/8/2010 assuming continued employment with Juniper Networks.

(5) The option was granted on 3/9/2007. The shares became exercisable as to 25% of the shares on 3/9/2008 and vest monthly thereafter to be fully vested on 3/9/2011 assuming continued employment with Juniper Networks.

(6) The option was granted on 8/14/2007. The shares become exercisable as to 25% of the shares on 8/14/2008 and vest monthly thereafter to be fully vested on 08/14/2011 assuming continued employment with Juniper Networks.

(7) The option was granted on 9/17/2004. The shares became exercisable as to 25% of the shares on 9/17/2005 and vested monthly thereafter. On December 16, 2005, the Board approved the acceleration of the vesting of certain unvested and "out-of-the-money" stock options that had an exercise price per share equal to or greater than $22.00, all of which were previously granted under its stock option plans and that were outstanding on December 16, 2005, including this option held by Ms. Perdikou. Options accelerated excluded options previously granted to certain employees, including all of the Company's executive officers and its directors. However, the acceleration occurred before Ms. Perdikou had been promoted to her role as an executive officer of the Company. The acceleration of the unvested and "out-of-the-money" options was accompanied by restrictions imposed on any shares purchased through the exercise of accelerated options. Those restrictions will prevent the sale of any such shares prior to the date such shares would have originally vested had the optionee been employed on such date, whether or not the optionee is actually an employee at that time.

(8) The option was granted on 2/8/2006. 7,292 of the shares became exercisable as on 2/8/2006 and vest monthly thereafter to be fully vested on 04/01/2009 assuming continued employment with Juniper Networks.

(9) The option was granted on 2/27/2007. The shares became exercisable as to 25% of the shares on 2/27/2008 and vest monthly thereafter to be fully vested on 2/27/2011 assuming continued employment with Juniper Networks.

(10) The option was granted on 1/08/2007. The shares became exercisable as to 25% of the shares on 1/8/2008 and vest monthly thereafter to be fully vested on 1/8/2011.

(11) Represents maximum shares issuable under performance share awards granted in 2007.

(12) The market value of the Stock Awards made is based on the closing market price of our common stock as of December 31, 2007, which was $33.20.

Option Exercises and Stock Vested For Fiscal 2007

The following table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting, by our named executive officers during 2007.

Option Exercises and Stock Vested For Fiscal 2007

	Option Awards		Stock Awards	
Name	Shares Acquired on Exercise	Value Realized	Shares Acquired on Vesting	Value Realized
Scott Kriens	—	$ —	—	$—
Robyn Denholm	—	$ —	—	$—
Robert Dykes	398,898	$1,310,341	—	$—
Stephen Elop	—	$ —	—	$—
Edward Minshull	145,605	$1,772,122	—	$—
Kim Perdikou	—	$ —	—	$—

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2007 about our common stock that may be issued under the Company's prior and existing equity compensation plans. The table does not include information with respect to shares subject to outstanding options assumed by the Company in connection with acquisitions of the companies that originally granted those options. Footnote (6) to the table sets forth the total number of shares of the Company's common stock issuable upon exercise of assumed options as of December 31, 2007 and the weighted average exercise price of those options. No additional options may be granted under those assumed plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options(3)	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders(1)	52,397,358(4)	$21.72	56,899,960(5)
Equity compensation plans not approved by security holders(2)	10,854,854	$16.78	0
Total	63,252,212	$20.87	56,899,960

(1) Includes the 2006 Equity Incentive Plan (the "2006 Plan"), Amended and Restated 1996 Stock Plan (the "1996 Plan") and the 1999 Employee Stock Purchase Plan (the "1999 Purchase Plan"). Effective May 18, 2006, additional equity awards under the 1996 Plan have been discontinued and new equity awards are being granted under the 2006 Plan. Remaining authorized shares under the 1996 Plan that were not subject to outstanding awards as of May 18, 2006 were canceled on May 18, 2006. The 1996 Plan will remain in effect as to outstanding equity awards granted under the plan prior to May 18, 2006.

(2) Includes the 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). No options were issued under this Plan to any directors or persons serving as executive officers at the time of grant. Effective May 18, 2006, additional equity awards under the 2000 Plan have been discontinued and new equity awards are being granted under the 2006 Plan. Remaining authorized shares under the 2000 Plan that were not subject to outstanding awards as of May 18, 2006 were canceled on May 18, 2006. The 2000 Plan will remain in effect as to outstanding equity awards granted under the plan prior to May 18, 2006.

(3) Excludes 6,289,843 shares subject to restricted stock units and performance share awards outstanding as of December 31, 2007 that were issued under the 1996 Plan and 2006 Plan.

(4) Excludes purchase rights accruing under the 1999 Purchase Plan, which had a remaining stockholder-approved reserve of 10,894,510 shares as of December 31, 2007. As of March 1, 2008, the remaining stockholder-approved reserve under the 1999 Purchase Plan was 13,149,032 shares. If the 2008 Employee Stock Purchase Plan (the "2008 ESPP") is approved on the terms set forth in this proxy statement, the 1999 Purchase Plan will be terminated immediately following the conclusion of the offering period ending January 30, 2009, and the remaining shares reserved for issuance thereunder would no longer be available for issuance.

(5) Consists of shares available for future issuance under the 2006 Plan and the 1999 Purchase Plan. As of December 31, 2007, an aggregate of 46,005,450 and 10,894,510 shares of Common Stock were available for issuance under the 2006 Plan and the 1999 Purchase Plan, respectively. Under the terms of the 2006 Plan, any shares subject to any options under the Company's 2000 Plan and 1996 Plan that are outstanding on May 18, 2006 and that subsequently expire unexercised**,** up to a maximum of an additional 75,000,000 shares will become available for issuance under the 2006 Plan**.** Under the terms of the 1999 Purchase Plan, an annual increase is added on the first day of each fiscal year equal to the lesser of (a) 3,000,000 shares, (b) 1% of the Company's outstanding shares on that date or (c) a lesser amount determined by the Board of Directors. The Board has reserved 12,000,000 shares of Common Stock for issuance under the 2008 ESPP and, in contrast to the 1999 Purchase Plan, which had automatic annual increases to the shares reserved under such plan, no further increases can be made to the shares reserved for issuance under the 2008 ESPP without the approval of the Company's stockholders.

(6) As of December 31, 2007, a total of 3,680,430 shares of the Company's Common Stock were issuable upon exercise of outstanding options under plans assumed in connection with acquisitions. The weighted average exercise price of those outstanding options is $11.60 per share. No additional options may be granted under those assumed plans.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee has appointed Ernst & Young LLP, an independent registered public accounting firm, as Juniper Networks' auditors for the fiscal year ending December 31, 2008. Representatives of Ernst & Young are expected to be present at the annual meeting and will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Fees Incurred by Juniper Networks for Ernst & Young LLP

Fees for professional services provided by the Company's independent registered public accounting firm in each of the last two years are:

	2007	2006
Audit fees:		
Core audit fees	$3,802,000	$3,808,000
Audit fees related to financial restatement and independent stock option investigation	—	2,615,000
Total audit fees	3,802,000	6,423,000
Audit-related fees	—	—
Tax fees	248,000	488,000
All other fees	—	—
Total	$4,050,000	$6,911,000

Audit fees are for professional services rendered in connection with the audit of the Company's annual financial statements and the review of its quarterly financial statements. Total audit fees in 2006 also include $2.6 million related to the audit of the Company's restated financial statements and the review of the independent investigation into the Company's historical stock option practices. Tax fees are for professional services rendered for tax compliance, tax advice and tax planning.

The Audit Committee pre-approves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee has delegated such pre-approval authority to the chairman of the committee. The Audit Committee pre-approved all services performed by the Company's independent registered public accounting firm in 2007.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for the audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit Committee held 14 meetings during fiscal year 2007, a majority of which were specifically associated with the independent investigation into the Company's historical stock option practices.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with the Company's management.

2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standard, AU 380), SAS 99 (Consideration of Fraud in a Financial Statement Audit) and Securities and Exchange Commission rules discussed in Final Releases Nos. 33-8183 and 33-8183a.

3. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committee") and has discussed with the independent registered public accounting firm its independence.

4. Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in Juniper Networks' Annual Report on Form 10-K for the fiscal year ended December 31, 2007, for filing with the Securities and Exchange Commission.

MEMBERS OF THE AUDIT COMMITTEE

Robert M. Calderoni (Chairman)
Michael Rose
William R. Stensrud

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Appendix A

JUNIPER NETWORKS, INC.

2008 EMPLOYEE STOCK PURCHASE PLAN

1. *Purpose*. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock through accumulated payroll deductions. The Company's intention is to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (the "423(b) Plan"), although the Company makes no undertaking nor representation to maintain such qualification. The provisions of the 423(b) Plan, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code. In addition, this Plan document authorizes the grant of rights to purchase stock that do not qualify under Section 423(b) of the Code ("Non-Section 423(b) Plan") pursuant to rules, procedures or sub-plans adopted by the Board or Committee designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States. Such references to the Plan include the 423(b) and the Non-Section 423(b) Plan components.

If grants are intended to be made under the Non-Section 423(b) Plan, they will be designated as such at the time of grant.

2. *Definitions*.

(a) *"Administrator"* means the Board or any Committee designated by the Board to administer the Plan pursuant to Section 14.

(b) *"Applicable Laws"* means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) *"Board"* means the Board of Directors of the Company.

(d) *"Change in Control"* means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; or

(iv) A change in the composition of the Board occurring within a two (2) year period, as a result of which less than a majority of the Directors are Incumbent Directors. "Incumbent Directors" means Directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of Directors to the Company).

(e) *"Code"* means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(f) *"Committee"* means a committee of the Board appointed in accordance with Section 14 hereof.

(g) *"Common Stock"* means the common stock of the Company.

(h) *"Company"* means Juniper Networks, Inc., a Delaware corporation.

(i) *"Compensation"* means an Employee's base straight time gross earnings and commissions, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, sales commission, and other compensation.

(j) *"Designated Subsidiary"* means any Parent or Subsidiary that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan.

(k) *"Director"* means a member of the Board.

(l) *"Employee"* means any individual who is a common law employee of an Employer and is customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year by the Employer, provided, however that under the Non-Section 423(b) Plan, the Board or Committee appointed by the Board may determine that Employees are eligible to participate in the Plan even if they are employed for less than twenty (20) hours per week or less than five (5) months in any calendar year by the Employer, if such Employee has a right to participate in the Plan under applicable law. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves. Where the period of leave exceeds ninety (90) days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated on the ninety-first (91st) day of such leave.

(m) *"Employer"* means any one or all of the Company and its Designated Subsidiaries.

(n) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

(o) *"Exercise Date"* means the last day of each Offering Period.

(p) *"Fair Market Value"* means, as of any date and unless the Administrator determines otherwise, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean of the closing bid and asked prices for the Common Stock on the date of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator; or

(q) *"Fiscal Year"* means the fiscal year of the Company.

(r) *"New Exercise Date"* means a new Exercise Date implemented by shortening any Offering Period then in progress.

(s) *"Non-Section 423(b) Plan"* shall mean an employee stock purchase plan which does not meet the requirements set forth in Section 423(b) of the Code, as amended.

(t) *"Offering Date"* means the first Trading Day of each Offering Period.

(u) *"Offering Period"* means a period of approximately six (6) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after February 1 and terminating on the last Trading Day in the period ending the following July 31, or commencing on the first Trading Day on or

after August 1 and terminating on the last Trading Day in the period ending the following January 31. The duration and timing of Offering Periods may be changed pursuant to Sections 4, 20 and 21.

(v) *"Parent"* means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(w) *"Plan"* means this Juniper Networks, Inc. 2008 Employee Stock Purchase Plan, which includes a Section 423(b) Plan and a Non-Section 423(b) Plan. Unless specified otherwise, references to the Plan herein shall refer to the Section 423(b) Plan.

(x) *"Purchase Price"* means an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Offering Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be determined for future Offering Periods pursuant to Section 20.

(y) *"Section 423(b) Plan"* means an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the 423(b) Plan shall be construed, administered and enforced in accordance with Section 423(b) of the Code.

(z) *"Subsidiary"* means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(aa) *"Trading Day"* means a day on which the national stock exchanges and the Nasdaq System are open for trading.

3. *Eligibility.*

(a) *Offering Periods.* Any individual who is an Employee on a given Offering Date will be eligible to participate in such Offering Period, subject to the requirements of Section 5.

(b) *Limitations.* Any provisions of the Plan to the contrary notwithstanding, no Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate which exceeds twenty-five thousand dollars ($25,000) worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. *Offering Periods.* The Plan will be implemented by consecutive Offering Periods with a new Offering Period commencing on the first Trading Day on or after February 1 and August 1 each year, or on such other date as the Administrator will determine. The Administrator will have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. *Participation.* An Employee may participate in the Plan pursuant to Section 3(a) by (i) submitting to the Company's payroll office (or its designee), on or before a date prescribed by the Administrator prior to an applicable Offering Date, a properly completed subscription agreement authorizing payroll deductions in the form provided by the Administrator (which may be similar to the form attached hereto as Exhibit A) for such purpose, or (ii) following an electronic or other enrollment procedure prescribed by the Administrator. Participants in the offering period under the Company's 1999 Employee Stock Purchase Plan ending on or about January 30, 2009 shall, on termination of such offering period, automatically be enrolled in the Offering Period under this Plan commencing on the first Trading Day on or after February 1, 2009 at the same contribution levels as last elected under the 1999 Employee Stock Purchase Plan.

6. *Payroll Deductions*.

(a) At the time a participant enrolls in the Plan pursuant to Section 5, he or she will elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding ten percent (10%) of the Compensation which he or she receives on each pay day during the Offering Period. The Administrator, in its discretion, may decide that an Employee may submit contributions to the Non-Section 423(b) Plan by means other than payroll deductions. A participant's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) Payroll deductions for a participant will commence on the first pay day following the Offering Date and will end on the last pay day prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

(c) All payroll deductions made for a participant will be credited to his or her account under the Plan and will be withheld in whole percentages only. A participant may not make any additional payments into such account.

(d) A participant may discontinue his or her participation in the Plan as provided in Section 10, or may decrease the rate of his or her payroll deductions during the Offering Period by (i) properly completing and submitting to the Company's payroll office (or its designee), on or before a date prescribed by the Administrator prior to an applicable Exercise Date, a new subscription agreement authorizing the change in payroll deduction rate in the form provided by the Administrator for such purpose, or (ii) following an electronic or other procedure prescribed by the Administrator. If a participant has not followed such procedures to change the rate of payroll deductions, the rate of his or her payroll deductions will continue at the originally elected rate throughout the Offering Period and future Offering Periods (unless terminated as provided in Section 10). The Administrator may, in its sole discretion, limit the nature and/or number of payroll deduction rate changes that may be made by participants during any Offering Period. Any change in payroll deduction rate made pursuant to this Section 6(d) will be effective as of the first full payroll period following five (5) business days after the date on which the change is made by the participant.

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b), a participant's payroll deductions may be decreased to zero percent (0%) at any time during an Offering Period. Subject to Section 423(b)(8) of the Code and Section 3(b) hereof, payroll deductions will recommence at the rate originally elected by the participant effective as of the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

(f) At the time the option is exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's or Employer's federal, state, or any other tax withholding liability payable to any authority, national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company or the Employer may, but will not be obligated to, withhold from the participant's compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to the sale or early disposition of Common Stock by the Employee.

7. *Grant of Option*. On the Offering Date of each Offering Period, each Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Employee's account as of the Exercise Date by the applicable Purchase Price; provided that in no event will an Employee be permitted to purchase during any twelve (12) month period more than six thousand (6,000) shares of the Common Stock (subject to any adjustment pursuant to Section 19), and provided further that such purchase will be subject to the limitations set forth in Sections 3(b) and 13. The Employee may accept the grant of such option with respect to any Offering Period under the Plan, by electing to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of Common Stock that each Employee may purchase during each Offering Period. Exercise of the

option will occur as provided in Section 8, unless the participant has withdrawn pursuant to Section 10. The option will expire on the last day of the Offering Period.

8. *Exercise of Option*.

(a) Unless a participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares of Common Stock will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option will be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares of Common Stock will be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share will be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in Section 10. Any other funds left over in a participant's account after the Exercise Date will be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares of Common Stock with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of shares of Common Stock available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Offering Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect or terminate all Offering Periods then in effect pursuant to Section 20. The Company may make a pro rata allocation of the shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Offering Date.

9. *Delivery*. As soon as reasonably practicable after each Exercise Date on which a purchase of shares of Common Stock occurs, the Company will arrange the delivery to each participant the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. No participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the participant as provided in this Section 9.

10. *Withdrawal*.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by (i) submitting to the Company's payroll office (or its designee) a written notice of withdrawal in the form prescribed by the Administrator for such purpose (which may be similar to the form attached hereto as Exhibit B), or (ii) following an electronic or other withdrawal procedure prescribed by the Administrator. All of the participant's payroll deductions credited to his or her account will be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions will not resume at the beginning of the succeeding Offering Period, unless the participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. *Termination of Employment*. Upon a participant's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period but not yet used to purchase shares of Common Stock under the Plan will be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such participant's option will be automatically terminated.

12. *Interest.* No interest will accrue on the payroll deductions of a participant in the Plan.

13. *Stock.*

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of Common Stock which will be made available for sale under the Plan will be twelve million (12,000,000) shares.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares of Common Stock to be delivered to a participant under the Plan will be registered in the name of the participant or, at the sole discretion of the Company, in the name of the participant and his or her spouse.

14. *Administration.* The Plan will be administered by the Board or a Committee appointed by the Board, which Committee will be constituted to comply with Applicable Laws. The Administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties. Notwithstanding any provision to the contrary in this Plan, and, with respect to the Section 423(b) Plan, to the extent permissible under Code Section 423 and proposed or final Treasury Regulations promulgated thereunder (and other Internal Revenue Service guidance), the Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding handling payroll deductions, making of contributions to the Plan, defining eligible Compensation, establishment of bank or trust accounts to hold payroll deductions, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates which vary with local requirements.

The Administrator may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Code Section 423. The rules of such sub-plans may take precedence over other provisions of this Plan, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. To the extent inconsistent with the requirements of Section 423, such sub-plan shall be considered part of the Non-Section 423(b) Plan, and rights granted thereunder shall not be considered to comply with Code Section 423.

15. *Designation of Beneficiary.*

(a) At the sole discretion of the Administrator, a participant may file a designation of a beneficiary who is to receive any shares of Common Stock and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by notice in a form determined by the Administrator. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time.

16. *Transferability.* Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. *Use of Funds.* The Company may use all payroll deductions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such payroll deductions. Until shares of Common Stock are issued, participants will only have the rights of an unsecured creditor with respect to such shares.

18. *Reports.* Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees at least annually, which statements will set forth the amounts of payroll deductions, the Purchase Price, the number of shares of Common Stock purchased and the remaining cash balance, if any.

19. *Adjustments, Dissolution, Liquidation, Merger or Change in Control.*

(a) *Adjustments.* In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Common Stock occurs, the Administrator, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Common Stock which may be delivered under the Plan, the Purchase Price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) *Dissolution or Liquidation.* In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) *Merger or Change in Control.* In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date and will end on the New Exercise Date. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. *Amendment or Termination.*

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason; provided, however, that adding additional shares available for sale under the Plan (other than pursuant to Section 19(a)) shall require stockholder approval. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19). If the Offering Periods

are terminated prior to expiration, all amounts then credited to participants' accounts which have not been used to purchase shares of Common Stock will be returned to the participants (without interest thereon, except as otherwise required under local laws) as soon as administratively practicable.

(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under Statement of Financial Accounting Standards 123(R), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period by setting a New Exercise Date, including an Offering Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a participant may elect to set aside as payroll deductions; and

(v) reducing the maximum number of shares a participant may purchase during any Offering Period.

Such modifications or amendments will not require stockholder approval or the consent of any Plan participants.

21. *Notices.* All notices or other communications by a participant to the Company under or in connection with the Plan will be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. *Conditions Upon Issuance of Shares.* Shares of Common Stock will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. *Term of Plan.* The Plan will become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It will continue in effect for a term of twenty (20) years, unless sooner terminated under Section 20.

24. *Reimbursement of Taxes.* The Administrator shall have the discretion to require reimbursement from any Plan participant in full for any liability that the Company or the Employer incurs towards any tax paid or payable in respect to participant's participation in the Plan, the grant of any option pursuant to the Plan, or the exercise of participant's option, provided that such reimbursement is provided for in the subscription agreement. The Company may require security for such reimbursement of taxes as a precondition to participant participating in the Plan, the grant of any option, or the exercise of this option on behalf of Participant. The Administrator shall have the authority to approve additional documents or forms which may be requested by the Company for such security, collection or otherwise for reimbursement of such taxes to the Company.

25. *Stockholder Approval.* The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

EXHIBIT A

JUNIPER NETWORKS, INC.

2008 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

Original Application   Offering Date:

Change in Payroll Deduction Rate

Change of Beneficiary(ies)

1. hereby elects to participate in the Juniper Networks, Inc. 2008 Employee Stock Purchase Plan (the "Plan") and subscribes to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of % of my Compensation on each payday (from 0 to 10%) during the Offering Period in accordance with the Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions will be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option and purchase Common Stock under the Plan.

4. I have received a copy of the complete Plan and its accompanying prospectus. I understand that my participation in the Plan is in all respects subject to the terms of the Plan.

5. Shares of Common Stock purchased for me under the Plan should be issued in the name(s) of (Eligible Employee or Eligible Employee and Spouse only).

6. I understand that if I dispose of any shares received by me pursuant to the Employee Stock Purchase Plan within two (2) years after the Offering Date (the first day of the Offering Period during which I purchased such shares) or one (1) year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within thirty (30) days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me. If I dispose of such shares at any time after the expiration of the two (2)-year and one (1)-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (b) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. In the event that I am an Employee resident in India, I agree to reimburse or pay the Company or Indian Subsidiary, as applicable, in full for any liability that the Company or Indian Subsidiary incurs towards any fringe benefit tax ("FBT") or other such tax paid or payable in respect of my participation in the Plan, the grant of any option pursuant to the Plan, or the exercise of my option. The Company or Indian Subsidiary may require security for such reimbursement of taxes as a precondition to my participation in the Plan, the grant of any option, or the exercise of the option on my behalf and I agree to execute any additional documents requested by the Company or Indian Subsidiary in connection with my FBT or other tax reimbursement obligation.

8. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

9. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

NAME: (please print) ______________________________

First Middle Last

______________ ______________________________

Relationship

______________ ______________________________

Percentage Benefit

____

Address

NAME: (please print) ______________________________

First Middle Last

______________ ______________________________

Relationship

______________ ______________________________

Percentage Benefit

____

Address

Employee's Social Security Number: ______________________________

Employee's Address: ______________________________

____

____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT WILL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: ______________________________ ______________________________

Signature of Employee

Dated: ______________________________ ______________________________

Spouse's Signature (If beneficiary other than spouse)

EXHIBIT B

JUNIPER NETWORKS, INC.

2008 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Juniper Networks Inc. 2008 Employee Stock Purchase Plan that began on , (the "Offering Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned will be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

____

____

____

Signature:

____

Date: ____________________________________

Directions to Juniper Networks, Inc.

1220 N. Mathilda Avenue
Building 3, Pacific Conference Room
Sunnyvale, CA 94089

From San Francisco Airport:

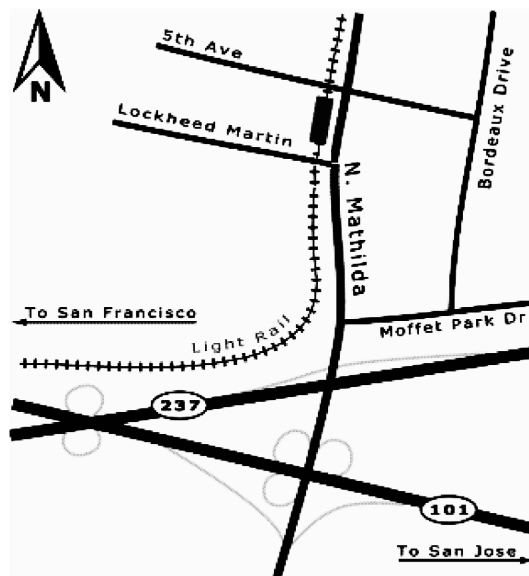
- Travel south on Highway 101.
- Exit Highway 237 east in Sunnyvale.
- Exit Mathilda and turn left onto Mathilda Avenue.
- Juniper Networks Corporate Headquarters and Knowledge Center will be on the right side across from the Lockheed/Martin light rail station.

From San Jose Airport and points south:

- Travel north on Highway 101 to Mathilda Avenue in Sunnyvale.
- Exit Mathilda Avenue north.
- Continue on Mathilda past Highway 237 and Lockheed Martin Avenue.
- Juniper Networks Corporate Headquarters and Knowledge Center will be on the right side across from the Lockheed/Martin light rail station.

From Oakland Airport and the East Bay:

- Travel south on Interstate 880 until you get to Milpitas.
- Turn right on Highway 237 west.
- Continue approximately 10 miles.
- Exit Mathilda Avenue and turn right at the stoplight.
- Juniper Networks Corporate Headquarters and Knowledge Center will be on the right side across from the Lockheed/Martin light rail station.



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-26339

JUNIPER NETWORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**77-0422528** *(IRS Employer Identification No.)*
1194 North Mathilda Avenue **Sunnyvale, California 94089** *(Address of principal executive offices, including zip code)*	**(408) 745-2000** *(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act: Common stock, $0.00001 par value

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act

Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately $7,388,000,000 as of the end of the Registrant's second fiscal quarter (based on the closing price for the Common Stock on the NASDAQ Global Select Market on June 30, 2007).

As of February 25, 2008 there were approximately 523,580,000 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

As noted herein, the information called for by Part III is incorporated by reference to specified portions of the Registrant's definitive proxy statement to be filed in conjunction with the Registrant's 2008 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the Registrant's fiscal year ended December 31, 2007.

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PART I

ITEM 1. *Business*

Overview

We design, develop and sell products and services that together provide our customers with high-performance network infrastructure that creates responsive and trusted environments for accelerating the deployment of services and applications over a single Internet Protocol ("IP")-based network. We serve the high-performance networking requirements of global service providers, enterprises, governments and research and education institutions that view the network as critical to their success. High-performance networking is designed to provide fast, reliable and secure access to applications and services. We offer a high-performance network infrastructure that includes best-in-class IP routing, Ethernet switching security and application acceleration solutions, as well as partnerships designed to extend the value of the network and worldwide services and support designed to optimize customer investments.

In the fiscal year ended December 31, 2007, we experienced growth in both product and service revenues. We also generated strong net income, operating margin, and cash flows from operations during 2007. We believe these results were driven by market demands and our focused execution of our two fundamental objectives: To establish our growth and momentum in the high-performance networking marketplace as reflected by top line performance, and to improve our leverage against those revenues, as demonstrated by the bottom line improvements in our financial results.

Our operations are organized into three reportable segments: Infrastructure, Service Layer Technologies ("SLT"), and Service. Our Infrastructure segment primarily offers scalable routing products that are used to control and direct network traffic from the core, through the edge, aggregation and the customer premise equipment level. Infrastructure products include our IP routing and carrier Ethernet routing portfolio, as well as our recently announced Ethernet switching portfolio. Our SLT segment offers solutions that meet a broad array of our customer's priorities, from protecting the network itself, and protecting data on the network, to maximizing existing bandwidth and acceleration of applications across a distributed network. SLT products include firewall and virtual private network ("VPN") systems and appliances, secure sockets layer virtual private network ("SSL") appliances, intrusion detection and prevention ("IDP") appliances, application front end platforms, the J-series router product family, integrated Secure Services Gateway ("SSG") secure router product offerings and wide area network ("WAN") optimization platforms. Together, our high-performance network infrastructure offerings help enable our customers to convert legacy networks that provide commoditized, best efforts services into more valuable assets that provide differentiation and value and increased performance, reliability and security to end users. Our Service segment delivers world-wide services to customers of the Infrastructure and SLT segments.

During our fiscal year ended December 31, 2007 we generated net revenues of $2.8 billion and conducted business in more than 100 countries around the world. See Item 8 of Part II for more information on our consolidated financial position as of December 31, 2007 and 2006 and our consolidated results of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007.

We were incorporated in California in 1996 and reincorporated in Delaware in 1998. Our corporate headquarters are located in Sunnyvale, California. Our website address is www.juniper.net.

Our Strategy

Our objective and strategy is to be the leading provider of high-performance networking. We offer a high-performance network infrastructure that creates a responsive and trusted environment for accelerating the deployment of services and applications over a single IP-based network. We believe our open network infrastructure provides customers with greater choice and control in quickly meeting high-performance business requirements, while enabling them to reduce costs. Our strategy is designed to advance the fundamentals and economics of high-performance networking. Key elements of our strategy are described below.

Maintain and Extend Technology Leadership

Our application-specific integrated circuit ("ASIC") technology, JUNOS operating system and network-optimized product architecture have been key elements to establishing and maintaining our technology leadership. We believe that these elements can be leveraged into future products that we are currently developing. We intend to maintain and extend our technological leadership in the service provider and enterprise markets primarily through innovation and continued investment in our research and development departments, supplemented by external partnerships, including strategic alliances, as well as acquisitions that would allow us to deliver a broader range of products and services to customers in target markets.

Leverage Position as Supplier of High-Performance Network Infrastructure

From inception we have focused on designing, developing and building high-performance network infrastructure for demanding service provider and enterprise networking environments and have integrated purpose-built technology into a network optimized architecture that specifically meets our customers' needs. We believe that many of these customers will deploy networking equipment from only a few vendors. We believe that the performance, reliability and security of our products provide us with a competitive advantage, which is critical in gaining selection as one of these vendors.

Be Strategic to Our Customers

In developing our infrastructure and SLT solutions, we work very closely with customers to design and build best-in-class products specifically designed to meet their complex needs. Over time, we have expanded our understanding of the escalating demands and risks facing our customers. That increased understanding has enabled us to subsequently design additional capabilities into our products. We believe our close relationships with, and constant feedback from, our customers have been key elements in our design wins and rapid deployments to date. We plan to continue to work hand-in-hand with our customers to implement product enhancements as well as to design future products that meet the evolving needs of the marketplace, while enabling customers to reduce costs.

Enable New IP-Based Services

Our platforms enable network operators to quickly build and secure networks cost-effectively and deploy new differentiated services to drive new sources of revenue more efficiently than legacy network products. We believe that the secure delivery of IP-based services and applications, including IP Television ("IPTV"), web hosting, outsourced Internet and intranet services, outsourced enterprise applications and voice-over IP, will continue to grow and are cost-effectively enabled by our high-performance network infrastructure offerings.

Establish and Develop Industry Partnerships

Our customers have diverse requirements. While our products meet certain requirements of our customers, our products are not intended to satisfy certain other requirements. Therefore, we believe that it is important that we attract and build relationships with other industry leaders in a diverse set of technologies and services that extend the value of the network for our customers. These partnerships ensure that we have access to those technologies and services, whether through technology integration, joint development, resale or other collaboration, in order to better support a broader set of our customers' requirements. In addition, we believe in an open network infrastructure that invites partner innovation and provides customers with greater choice and control in meeting their evolving business requirements, while enabling them to reduce costs.

Markets and Customers

We sell our high-performance network products and service offerings through direct sales and through distributors and value-added resellers to end-users in the following markets:

Service Providers

Service providers include wireline, wireless, and cable operators as well as major internet content and application providers. Supporting most major service provider networks in the world, our high-performance network infrastructure offerings are designed and built for the performance, reliability and security that service providers demand. Our networking infrastructure offerings benefit these customers by:

- Reducing capital and operational costs by running multiple services over the same network using our high density, highly reliable platforms;
- Promoting generation of additional revenue by enabling new services to be offered to new market segments based on our product capabilities;
- Increasing customer satisfaction, while lowering costs, by enabling consumers to self-select automatically provisioned service packages that provide the quality, speed and pricing they desire; and
- Providing increased asset longevity and higher return on investment as their networks can scale to multi-terabit rates based on the capabilities of our platforms.

While many of these service providers have historically been categorized separately as wireline, wireless, or cable operators, in recent years we have seen a move towards convergence of these different types of service providers through acquisitions, mergers and partnerships. We believe these strategic developments are made technically possible as operators invest in the build out of next generation networks ("NGN") capable of supporting voice, video and data traffic on to the same IP-based network. This convergence relies on IP-based traffic processing and creates the opportunity for multi-service networks including new service offerings such as IPTV. These new services offer service providers significant new revenue opportunities.

We believe that there are several other trends affecting service providers for which we are well positioned to deliver products and solutions. These trends include significant growth in IP traffic on service provider networks as a result of peer-to-peer interaction, broadband usage, video, and an increasing reliance on the network as a mission critical business tool in the strategies of our IP customers, and of their enterprise customers.

The IP infrastructure market for service providers includes: products and technology at the network core; the network edge to enable access; the aggregation layer; security to protect from the inside out and the outside in; the application awareness and intelligence to optimize the network to meet business and user needs; and the management, service awareness and control of the entire infrastructure.

We have sold our products to all of the 65 largest service providers in the world.

Enterprise

Our high-performance network infrastructure offerings are designed to meet the performance, reliability and security requirements of the world's most demanding businesses. For this reason, enterprises, federal, state and local governments, and research and education institutions that view their networks as critical to their success are able to deploy our solutions as a powerful component in delivering the advanced network capabilities needed for their leading-edge applications while:

- Assisting in the consolidation and delivery of existing services and applications;
- Accelerating the deployment of new services and applications;
- Offering integrated security to assist in the protection and recovery of services and applications; and
- Offering operational improvements that enable cost reductions, including lower administrative, training, customer care and labor costs.

The enterprise market continued to be an important part of our business growth during 2007, driven in particular by growth in the second half of the year. Since we first entered the market, we have sold our products to more than 30,000 enterprise customers.

As with the service provider market, innovation continues to be a critical component in our strategy for the enterprise market. We believe that innovative enterprises view the network as critical to their success and therefore must build advanced network infrastructures that provide fast, reliable and secure access to services and applications over a single IP-based network. These high-performance enterprises require networks that are global, distributed and always available. Network equipment vendors need to demonstrate performance, reliability and security to these customers in specific segments with best-in-class open solutions for maximum flexibility. We offer enterprise solutions and services for data centers, branch and campus applications, distributed and extended enterprises, and WAN gateways.

As customers increasingly view the network as critical to their success, we believe that customers will increasingly demand fast, reliable and secure access to services and applications over a single IP-based network. This is partly illustrated by the increasing success of our Integrated Security Gateway ("ISG") products that combine firewall/VPN and IDP solutions in a single platform and SSG platforms that provide a mix of high-performance security with Local Area Network ("LAN")/WAN connectivity for regional and branch office deployments. We will continue to invest to develop these and other converged technologies and solutions.

Fundamental Requirements for High Performance Networking

Our service provider customers have clearly communicated their fundamental business requirement to quickly and cost-effectively deploy new differentiated services to drive new sources of revenue.

Our enterprise customers are under pressure to accelerate the delivery of service-enabling applications to build differentiation and sustainable growth.

In parallel, both service providers and enterprises must focus on proactively detecting and preventing the ever increasing number of security threats facing the network itself and the data that flows across the network. This security must be innate to networking products and must not come at the expense of overall performance or unjustifiable cost.

This is driving the fundamental requirement for high-performance networking, providing fast, reliable and secure access to applications and services over a single IP-based network. Feature richness, high reliability, security, high performance, scalability, and cost effectiveness are each fundamental requirements in meeting the needs associated with the growth in IP traffic and the delivery of value-added services to end users.

Feature Richness. The importance of increasing revenue streams and decreasing capital and operational costs for our customers is a significant priority in the industry. Service providers want to quickly and cost effectively deploy new differentiated services to drive new sources of revenue. Enterprises and other network operators want to accelerate the delivery of service-enabling applications to build differentiation and growth. Each of these goals is ultimately a function of the features and capabilities that can be securely provided on each of the network elements. As networks advance, more and more features are required to sell new services as well as to lower the ongoing costs of operating the network. Next generation networking solutions therefore need to have flexibility to add new capabilities frequently without compromising the performance of the system, which gets increasingly difficult as the network demands increase.

High Reliability. As businesses and consumers increasingly rely on IP networks for mission-critical applications, high network reliability is critical to success. As a result, those businesses and consumers expect service providers to deliver a high degree of reliability in their networks.

Security. Today's network environment presents an ever-increasing number of challenges regarding network security ranging from simple denial of service attacks to sophisticated, pervasive and malicious intrusions. The importance of security is increasing within all of our customers and we are continually improving and evolving the security capabilities on all of our product solutions. It is extremely important to provide comprehensive network-

based security services that are fully integrated, free of performance trade-offs, and scaleable to any customer or market.

High-Performance Without Compromising Intelligence. To handle the rapid growth in IP traffic, today's customers increasingly require fast, reliable and secure networking solutions that can operate at higher speeds, while still delivering real-time services such as security and quality-of-service features. The processing of data packets at these high speeds requires sophisticated forwarding technology to inspect each packet and assign it to a destination based on priority, data type and other considerations. Because a large number of IP packets, many of which perform critical administrative functions, are small in size, high-performance IP routers need to achieve their specified transmission speeds even for small packet sizes. Because smaller packets increase packet processing demands, routing large numbers of smaller packets tends to be more resource intensive than routing of larger packets. A wire speed router, which achieves its specified transmission rate for any type of traffic passing through it, can accomplish this task. Thus, provisioning of mission-critical services increasingly requires the high performance enabled by wire speed processing.

High-Performance Under Stressful Conditions. In a large and complex network, individual components inevitably fail. However, the failure of an individual device or link must not compromise the network as a whole. In a typical network, when a failure occurs, the network loses some degree of capacity and, in turn, a greater load falls on the remaining network routers, which must provide alternate routes. High-performance network infrastructure must quickly adapt to the new state of the network to maintain packet forwarding rates and avoid dropping significant numbers of packets when active routes are lost or when large numbers of routes change. Routing protocols are used to accomplish this convergence, a process that places even greater stress on the router. Given the complexity of IP network infrastructure, the convergence process is complex and places a far greater load on the router, thereby requiring a much more sophisticated device.

Scalability. Due to the rapid growth in IP traffic, service providers must continuously expand their networks, both in terms of increased numbers of access points of presence ("PoPs"), and also greater capacity per PoP. To facilitate this expansion process, secure networking solutions must be highly scalable. Next generation network appliances therefore need to be flexible and configurable to function within constantly changing networks while incurring minimal downtime.

High Return on Investment. Continued growth in IP traffic, price competition in the telecommunications market and increasing pressure for network operators to attain higher returns on their network infrastructure investments all contribute to our customers' desire for solutions that significantly reduce the capital expenditures required to build and operate their networks. In addition to the basic cost of equipment, network operators incur substantial ancillary costs for the space required to deploy the equipment, power consumed and ongoing operation and maintenance of the equipment. Network operators therefore want to deploy dense and varied equipment configurations in limited amounts of rack and floor space, with increasing consideration to energy and cooling requirements and costs. Therefore, in order to continue to scale their networks toward higher data speeds in a cost effective manner, network operators need the ability to mix and match easily many different speed connections at appropriate densities, without significantly increasing the consumption of space or power and driving costs higher.

These requirements define a clear need for high-performance networking solutions that have been designed to support high speeds and offer new IP-based services. At the same time, network operators are eagerly seeking new solutions that increase the level of scalability and reliability within their networks, while reducing the cost and complexity of their architectures.

Our Technology and Products

Early in our history, we developed, marketed and sold the first commercially available purpose-built IP backbone router optimized for the specific high-performance requirements of service providers. As the need for core bandwidth continued to increase, the need for service rich platforms at the edge of the network was created. Our infrastructure products are designed to address the needs at the core and the edge of the network as well as for wireless access by combining high-performance packet forwarding technology and robust operating systems into a network-optimized solution. In addition, as enterprises continue to develop and rely upon more sophisticated and pervasive internal networks, we believe the need for products with high-performance routing technology is

expanding to a broader set of customers, and we believe our expertise in this technology uniquely positions us to address this growing market opportunity.

Additionally, we offer a broad family of network security solutions that deliver high-performance, cost-effective security for enterprises, service providers and government entities, including firewall and VPN systems and appliances, SSL appliances, and IDP appliances. With the 2005 acquisitions of Funk Software, Inc. ("Funk"), Peribit Networks, Inc. ("Peribit"), Redline Networks, Inc. ("Redline"), and Kagoor Networks, Inc. ("Kagoor"), we added complementary products and technologies to our product families that enable our customers to provide additional IP-based services and enhance the performance and security of their existing networks and applications.

Infrastructure Products

We believe that an overview of the physical nature of our infrastructure products is helpful in understanding the operation of our business.

Although specific designs vary among our product families, our router platforms are essentially modular, with the chassis serving as the base of the platform. The chassis contains components that enable and support many of the fundamental functions of the router, such as power supplies, cooling fans, and components that run the operating system, perform high-speed packet forwarding, or keep track of the structure of the network and instruct the packet forwarding components where to send packets. Each chassis has a certain number of slots that are available to be populated with components we refer to as modules or interfaces.

The modules are the components through which the router receives incoming packets of data from the network over a variety of transmission media. The physical connection between a transmission medium and a module is referred to as a port. The number of ports on a module varies widely depending on the functionality and throughput offered by the module. In some cases, modules do not contain ports or physically receive packets from the network, but rather provide additional capabilities or features that enhance the overall functionality of the router. We refer to these components as service modules.

Our new EX-Series family of Ethernet switches include Virtual Chassis and fixed configuration design elements. Virtual Chassis technology allows up to ten switches to be interconnected and operate as a single system, thereby enabling higher port density in a compact and efficient form factor. Our fixed configuration switch platforms offer a cost-effective standalone solution for low-density deployments.

Major infrastructure product families are summarized as follows:

- *M-Series and T-Series:* Our M-series routers are extremely versatile as they can be deployed at the edge of operator networks, in small and medium core networks, enterprise networks and in other applications. The M-series product family includes the M320, M160, M120, M40e, M20, M10i and M7i platforms. Our T-series core routers, T1600, T640, T320, and TX Matrix, are primarily designed for core IP infrastructures and are also being sold into the multi-service environment ("MSE"). The M-series and T-series products leverage our ASIC technology and the same JUNOS operating system to enable consistent, continuous, reliable and predictable service delivery.

- *E-Series:* Our E-series products are a full featured platform with support for carrier-class routing, broadband subscriber management services and a comprehensive set of IP services. The E-series family includes the ERX-1440, -1410, -710, -705 and -310 platforms and the E320 and E120 broadband service routers. Leveraging our JUNOSe operating system, the E-Series service delivery architecture enables service providers to easily deploy innovative revenue generating services to their customers and avoid the costly and limiting piecemeal outcomes that result from equipment that delivers inconsistent edge services. All E-Series platforms offer a full suite of routing protocols and provide scalable capacity for tens of thousands of users.

- *MX-Series:* The MX-Series is a product family developed to address emerging Ethernet network architectures and services in service provider and enterprise networks, and includes the MX960, MX480 and MX240. Using our JUNOS operating system, the MX platforms provide the carrier-class performance, scale and reliability to enable service providers and enterprises to support large scale Ethernet deployments.

- *EX-Series:* In January 2008, we announced our EX-series family of Ethernet switches, expanding our product portfolio running our JUNOS operating system. Ethernet is a widely-used technology used to transport information in enterprise networks. We believe our new EX-series switches will enable customers to accelerate and simplify the way they install and manage business applications across their networks and enhance network operations without comprising performance.

SLT Products

SLT products provide network security solutions and enable our customers to provide additional IP-based services and enhance the performance and security of their existing networks and applications.

Major SLT product families are summarized as follows:

- *Firewall and VPN Systems:* Our NS-5400, -5200, and -500 products and ISG-2000 and -1000 products are high-performance security systems designed to provide integrated firewall, VPN and denial of service protection capabilities for enterprise environments and service provider network infrastructures. Our ISG-2000 and -1000 products can also deliver intrusion detection and prevention functionality with the addition of optional security modules to the base ISG chassis. Each of our firewall and VPN systems can be deployed in high bandwidth environments and can be used to deliver managed security services. Our firewall and VPN systems allow unique security policies to be enforced for multiple virtual local area networks, or Virtual LANs ("VLANs"), allowing a single system to secure multiple networks. Our security systems also allow for the creation of multiple Virtual Systems, each providing a unique security domain with its own virtual firewall and VPN and dedicated management interface. These features enable enterprises, service providers and government entities to use a single security system to secure multiple networks and enable carriers to deliver security services to multiple customers.

- *Firewall and VPN Appliances:* Our SSG family of secure routing products represents a new class of purpose-built security appliance that delivers a mix of high performance, security and LAN/WAN connectivity for regional and branch office deployments. The SSG appliances combine proven firewall/VPN and robust routing with a set of Unified Threat Management ("UTM") security features to protect traffic as it flows in and out of the branch office. Our NS-208, -204, -100, -50, -25, -5XT and -5XP security appliances are fixed configuration products of varying performance characteristics that offer integrated firewall, VPN and denial of service protection capabilities. Our security appliances are designed to maximize security and performance while using less physical space than competing products. Our security appliances can be deployed to provide small to medium-sized businesses and enterprise remote locations with secure Internet access and communication.

- *SSL VPN Appliances:* Our Secure Access-6000, -4000, -2000, and -700 appliances are used to secure remote access for mobile employees, secure extranets for customers and partners, and secure intranets. Our SSL VPN appliances are designed to be used in enterprise environments of all sizes.

- *IDP Appliances:* Our IDP-1100, -600, -200 and -50 appliances utilize intrusion detection methods to increase the attack detection accuracy and provide the broadest attack detection coverage available. Our IDP appliances provide fast and efficient traffic processing and alarm collection, presentation and forwarding. Once an attack is detected, our IDP appliances prevent the intrusion by dropping the packets or connection associated with the attack, reducing or eliminating the effects of the attack. Our IDP appliances can also alert the IT staff to respond to the attack. Our IDP appliances can be clustered to provide high availability and reduce risk associated with a single point of failure.

- *Application Acceleration Platforms:* Our WX and WXC products improve the performance of client-server and web-enabled business applications for branch-office, remote, and mobile users. These application acceleration platforms enable our customers to deliver LAN-like performance to users around the globe who access centralized applications.

- *Unified Access Control ("UAC") Solution:* Using our UAC 2.1 solution, our IC-4000 and -6000 appliances combine identity-based policy and end-point intelligence to give enterprises real-time visibility and policy control throughout the network.

- *AAA and 802.1X Products:* Our family of AAA and 802.1X network access security products, including our Odyssey Access Client and Steel Belted Radius products, are a key component to uniform security policy enforcement across all network access methods, including wireless LAN, remote/VPN, dial, and identity-based (wired 802.1X) methods.

In 2007 and the first quarter of 2008, we announced several significant new products in our Infrastructure and SLT product categories including, but not limited to, the following:

Infrastructure:

- Our portfolio of Session and Resource Control solutions, which provide subscriber management and policy control capabilities, enabling service providers to deliver a high-quality user experience for "multi-play" and mobile services in next-generation networks. The Session and Resource Control portfolio features modular software applications that build upon the feature set of our SDX-300 Service Deployment System, and the new C-series family of controllers which support end-to-end policy management on a dedicated, purpose-built platform.

- The newest member of the T-series family, the T1600 core router. Capable of delivering 1.6 Tbps of throughput in a single half-rack chassis, the T1600 core router is designed to ease the transition to next-generation networks and enable service providers to efficiently accelerate the deployment of the services demanded by their customers.

- The E120 broadband services router, a platform capable of delivering up to 120 Gbps of capacity in a compact chassis with support for up to 64,000 individual subscribers. This router enables service providers to efficiently generate incremental revenue and shares the same proven JUNOSe operating system, line cards and interface modules as the widely-deployed E320 router.

- An expansion of our MX-Series family of Ethernet Services Routers with the additions of the MX480 and MX240. Designed to address emerging Ethernet network architectures and services, each platform scales to support over 1 million media access control ("MAC") addresses which enables service providers to effectively scale Ethernet to support large service provider deployments.

- The EX-series of Ethernet switches described above.

SLT:

- ScreenOS version 6.0 operating system for the ISG and SSG platforms and version 4.1 software for our IDP products. These software releases provide our customers with advanced visibility and control of applications and users, enabling them to set and enforce security policies across the network and enhance application delivery and performance to improve user productivity and to keep pace with escalating business requirements.

- The J2320 and J2350 J-series services routers, SSG 320M and SSG 350M security platforms and two new network management appliances with NetScreen-Security Manager ("NSM") Central Manager and NSMXpress. The new J-series, SSG and NSM products are designed to enable enterprises to accelerate the secure delivery of business critical applications across their networks.

- Software enhancements to our SSL VPN appliances that provide support for a broader array of applications and platforms, enhanced access control, and policy enforcement capabilities designed to meet the requirements of high-performance businesses.

- Version 2.1 of UAC solution, advancing our ability to address the evolving access control and security requirements of customers. UAC 2.1 helps reduce the complexity of securing access to networks and applications and delivers access control, visibility and monitoring of applications and users to help address regulatory compliance while mitigating risk and exposure to today's rapidly evolving threat landscape.

- New additions to our WX and WXC application acceleration platforms fortified application security without compromising performance and enhancements to the WX Central Management System allow for the integration of content distribution and WAN optimization within a single platform.

See Note 11 in Item 8 for a breakdown of net product revenues by segment.

Customer Service and Support

In addition to Infrastructure products and SLT products, we offer the following services: 24x7x365 technical assistance, hardware repair and replacement parts, unspecified software updates on a when and if available basis, professional services and educational services. We deliver these services directly to major end users and also utilize a multi-tiered support model, leveraging the capabilities of our partners and third-party organizations as appropriate.

We also train our channel partners in the delivery of education and support services to ensure locally delivered training.

As of December 31, 2007, we employed 748 people in our worldwide customer service and support organization. We believe that a broad range of support services is essential to the successful customer deployment and ongoing support of our products and we have hired support engineers with proven network experience to provide those services.

Manufacturing and Operations

As of December 31, 2007, we employed 190 people in manufacturing and operations who primarily manage relationships with our contract manufacturers, manage our supply chain, and monitor and manage product testing and quality.

We have manufacturing relationships primarily with Celestica, Flextronics and Plexus, under which we have subcontracted the majority of our manufacturing activity. Our manufacturing activity is primarily conducted in Canada, China and the United States.

This subcontracting activity in all locations extends from prototypes to full production and includes activities such as material procurement, final assembly, test, control, shipment to our customers and repairs. Together with our contract manufacturers, we design, specify and monitor the tests that are required to meet internal and external quality standards. These arrangements provide us with the following benefits:

- We can quickly deliver products to customers with turnkey manufacturing and drop-shipment capabilities;
- We gain economies of scale because, by purchasing large quantities of common components, our contract manufacturers obtain more favorable pricing than if we were buying components alone;
- We operate without dedicating significant space to manufacturing operations; and
- We can reduce our costs by reducing fixed overhead expenses.

Our contract manufacturers manufacture our products based on rolling forecasts from us about our product demands. Each of the contract manufacturers procures components necessary to assemble the products in our forecast and test the products according to our specifications. Products are then shipped to our distributors, value-added resellers or end-users. Generally, we do not own the components and title to the products transfers from the contract manufacturers to us and immediately to our customers upon delivery at a designated shipment location. If the components go unused or the products go unsold for specified periods of time, we may incur carrying charges or obsolete material charges for components that our contract manufacturers purchased to build products to meet our forecast or customer orders.

Although we have contracts with our contract manufacturers, those contracts merely set forth a framework within which the contract manufacturer may accept purchase orders from us. The contracts do not require them to manufacture our products on a long-term basis.

Our ASICs are manufactured primarily by sole or limited sources, such as IBM Corporation and Toshiba Corporation, each of whom is responsible for all aspects of the production of the ASICs using our proprietary designs.

Juniper Networks has at its core five key values: trust, integrity, respect, humility and excellence. These values are integral to how we manage our company and interact with our employees, customers, partners and suppliers. By working collaboratively with our suppliers, we also have the opportunity to promote socially responsible business practices beyond Juniper Networks and into our worldwide supply chain. To this end, we have adopted, and promote the adoption by others, of the Electronic Industry Code of Conduct. The Electronic Industry Code of Conduct outlines standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.

Research and Development

As of December 31, 2007, we employed 2,563 people in our worldwide research and development organizations. Our research and development expenses totaled $623.0 million, $480.3 million and $357.3 million in the years ended December 31, 2007, 2006 and 2005, respectively. We have assembled a team of skilled engineers with extensive experience in the fields of high-end computing, network system design, ASIC design, security, routing protocols and embedded operating systems. These individuals have worked in leading computer data networking and telecommunications companies.

We believe that strong product development capabilities are essential to our strategy of enhancing our core technology, developing additional applications, incorporating that technology and maintaining the competitiveness of our product and service offerings. In our infrastructure and SLT products, we are leveraging our ASIC technology, developing additional network interfaces targeted to our customer applications and continuing to develop next generation technology to support the anticipated growth in IP network requirements. We continue to expand the functionality of our products to improve performance reliability and scalability, and to provide an enhanced user interface.

Our research and development process is driven by the availability of new technology, market demand and customer feedback. We have invested significant time and resources in creating a structured process for all product development projects. Following an assessment of market demand, our research and development team develops a full set of comprehensive functional product specifications based on inputs from the product management and sales organizations. This process is designed to provide a framework for defining and addressing the steps, tasks and activities required to bring product concepts and development projects to market.

Sales and Marketing

As of December 31, 2007, we employed 1,863 people in our worldwide sales and marketing organizations. These sales employees operate in different locations around the world in support of our customers.

Our sales organization is organized into three geographic regions and within each region according to the particular needs in that market. Our three geographic regions are (i) the Americas (including United States, Canada, Mexico, Central and South America), (ii) Europe, Middle East and Africa and (iii) Asia Pacific. Within each region there are regional and country teams to ensure we operate close to the customer.

The sales teams operate in their respective regions and generally either engage customers directly or manage customer opportunities through our distribution and reseller relationships or channels as described below. In the United States and Canada, we sell to several service providers directly and sell to other service providers and enterprise customers primarily through resellers. Almost all of our sales outside the United States and Canada are made through our channel partners.

See Note 11 in Item 8 for information concerning our revenues by significant customers and by geographic region. Our operations subject us to certain risks and uncertainties associated with international operations. See Item 1A of Part I, "Risk Factors" for more information.

Direct Sales Structure

Where we have a direct relationship with our customers, the terms and conditions are governed either by customer purchase orders and our acknowledgement of those orders or by purchase contracts. In instances where we have direct contracts with our customers, those contracts set forth only general terms of sale and do not require customers to purchase specified quantities of our products. For this type of customer our sales team engages directly with the customer. Customer purchase orders are received, and processed directly, by Juniper Networks.

Channel Sales Structure

A critical part of our sales and marketing efforts are our channel partners through which we do the majority of our business. We employ various channel partners:

- A global network of strategic distribution relationships, as well as region or country-specific distributors who in turn sell to local value added resellers who sell to the end-user customer. The distribution channel partners mainly sell our SLT products plus some router products that are often purchased by our enterprise customers. These distributors tend to be focused on particular regions or particular countries within regions. For example, we have substantial distribution relationships with Ingram Micro in the Americas and with NEC in Japan. Our agreements with these distributors are generally non-exclusive, limited by region, and provide product discounts and other ordinary terms of sale. These agreements do not require our distributors to purchase specified quantities of our products.

- Direct value-added resellers including our strategic resellers referenced below, which resell our products to end-users around the world. These direct value-added resellers buy the products and services directly from us and have expertise in deploying complex networking solutions in their respective markets. Our agreements with these direct value-added resellers are generally non-exclusive, limited by region, and provide product discounts and other ordinary terms of sale. These agreements do not require our direct value-added resellers to purchase specified quantities of our products.

- Strategic world-wide reseller relationships with Nokia-Siemens Networks B.V. (“NSN”), Ericsson Telekom A.B. and Alcatel-Lucent. These companies each offer services and products that complement, but in some cases compete with, our own product offerings and act as a fulfillment partner for our products. Our arrangements with each of these partners allow them to resell our products on a worldwide, non-exclusive basis, provide for discounts based upon the volume of products sold and specify other general terms of sale. The agreements do not require these partners to purchase specified quantities of our products. NSN accounted for greater than 10% of our total net revenues in 2007.

Within each region we employ sales professionals to assist with the management of our various sales channels. In addition we have a “direct touch” sales team that works directly with the channel partners on key accounts in order to maintain a direct relationship with our more strategic end user customers while at the same time supporting the ultimate fulfillment of product through our channel partners.

Our sales organization is generally split between service provider and enterprise customers, with each separate team ensuring focus on the key customers in these respective markets. There is a structure of sales professionals, system engineers, and marketing and channel teams each focused on the respective service provider and enterprise markets.

Backlog

Our sales are made primarily pursuant to purchase orders under framework agreements with our customers. At any given time, we have orders for products that have not been shipped and for services that have not yet been performed for various reasons. Because we believe industry practice would allow customers to cancel or change orders with limited advance notice prior to shipment or performance, as well as our history of allowing such changes and cancellations, we do not consider this backlog to be firm and do not believe our backlog information is necessarily indicative of future revenue.

Seasonality

Many companies in our industry experience adverse seasonal fluctuations in customer spending patterns, particularly in the first and third quarters. In addition, our SLT segment has experienced seasonally strong customer demand in the fourth quarter. This historical pattern should not be considered a reliable indicator of our future net revenues or financial performance.

Competition

Infrastructure Business

In the network infrastructure business, Cisco Systems has historically been the dominant player in the market. However, other companies such as Alcatel-Lucent, Ericsson, Extreme Networks, Inc., Foundry Networks, Inc., Huawei Technologies Co., Ltd., and Nortel Networks Corporation, are providing competitive products in the marketplace.

Many of our current and potential competitors, such as Cisco, Alcatel-Lucent, Huawei and Nortel have significantly broader product lines than we do and may bundle their products with other networking products in a manner that may discourage customers from purchasing our products. In addition, consolidation among competitors, or the acquisition of our partners and resellers by competitors, can increase the competitive pressure faced by us. For example, in 2006 Alcatel combined with Lucent Technologies, Inc. and Ericsson acquired Redback Networks. Also, many of our current and potential competitors have greater name recognition and more extensive customer bases that could be leveraged. Increased competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share, any of which could seriously harm our operating results.

SLT Business

In the market for SLT products, Cisco generally is our primary competitor with its broad range of products. In addition, there are a number of other competitors for each of the product lines within SLT, including Checkpoint Software Technologies, Fortinet, Inc., F5 Networks, Inc., Nortel and Riverbed Technology, Inc. These additional competitors tend to be focused on single product line solutions and therefore are generally specialized and focused as competitors to our products. In addition, a number of public and private companies have announced plans for new products to address the same needs that our products address. We believe that our ability to compete with Cisco and others depends upon our ability to demonstrate that our products are superior in meeting the needs of our current and potential customers.

For both product groups we expect that, over time, large companies with significant resources, technical expertise, market experience, customer relationships and broad product lines, such as Cisco, Alcatel-Lucent, Huawei and Nortel, will introduce new products which are designed to compete more effectively in the market. There are also several other companies that claim to have products with greater capabilities than our products. Consolidation in this industry has begun, with one or more of these companies being acquired by large, established suppliers of network infrastructure products, and we believe it is likely to continue.

As a result, we expect to face increased competition in the future from larger companies with significantly more resources than we have. Although we believe that our technology and the purpose-built features of our products make them unique and will enable us to compete effectively with these companies, we cannot guarantee that we will be successful.

Environment

We are subject to regulations that have been adopted with respect to environmental matters, such as the Waste Electrical and Electronic Equipment ("WEEE") and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") regulations adopted by the European Union. In addition, in September 2007, we announced our sponsorship and continued participation in the Carbon Disclosure Project ("CDP"). CDP is a global standardized mechanism by which companies report their greenhouse gas emissions to institutional investors; it hosts one of the largest registries of corporate greenhouse gas data in the world at www.cdproject.net. We continue to invest in the infrastructure and systems required to be able to inventory and

measure our carbon footprint on a global basis. Since 2005, we have made significant strides in improving our energy efficiency around the world.

Compliance with federal, state, local, and foreign laws enacted for the protection of the environment has to date had no material effect on our capital expenditures, earnings, or competitive position.

In addition, we are committed to the environment by our effort in improving the energy efficiency of key elements of our high-performance network product offerings. For example, our T1600 router consumes substantially less energy than competitive products. The environment will remain a focus area across multiple aspects of our business.

Intellectual Property

Our success and ability to compete are substantially dependent upon our internally developed technology and know-how. Our operating systems were developed internally and are protected by United States and other copyright laws.

While we rely on patent, copyright, trade secret and trademark law to protect our technology, we also believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements and reliable product maintenance are essential to establishing and maintaining a technology leadership position. There can be no assurance that others will not develop technologies that are similar or superior to our technology.

In addition, we integrate licensed third-party technology into certain of our products. From time to time, we may be required to license additional technology from third parties to develop new products or product enhancements. There can be no assurance that third-party licenses will be available or continue to be available to us on commercially reasonable terms. Our inability to maintain or re-license any third-party licenses required in our products or our inability to obtain third-party licenses necessary to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could harm our business, financial condition, and results of operations.

Our success will depend upon our ability to obtain necessary intellectual property rights and protect our intellectual property rights. We cannot be certain that patents will be issued on the patent applications that we have filed, or that we will be able to obtain the necessary intellectual property rights or that other parties will not contest our intellectual property rights.

Employees

As of December 31, 2007, we had 5,879 full-time employees. We have not experienced any work stoppages, and we consider our relations with our employees to be good. Competition for personnel in our industry is intense. We believe that our future success depends in part on our continued ability to hire, motivate and retain qualified personnel. We believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future.

Our future performance depends in significant part upon the continued service of our key technical, sales and senior management personnel, none of whom is bound by an employment agreement requiring service for any defined period of time. The loss of the services of one or more of our key employees could have a material adverse effect on our business, financial condition and results of operations. Our future success also depends on our continuing ability to attract, train and retain highly qualified technical, sales and managerial personnel. Competition for such personnel is intense, and there can be no assurance that we can retain our key personnel in the future.

Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers as of February 1, 2008.

NAME	AGE	POSITION
Scott Kriens	50	Chief Executive Officer and Chairman of the Board
Pradeep Sindhu	55	Chief Technical Officer and Vice Chairman of the Board
Mark Bauhaus	46	Executive Vice President and General Manager, Service Layer Technology Business Group
Robyn M. Denholm	44	Executive Vice President and Chief Financial Officer
Mitchell Gaynor	48	Vice President, General Counsel and Secretary
Edward Minshull	49	Executive Vice President, Worldwide Field Operations
Kim Perdikou	50	Executive Vice President and General Manager, Infrastructure Products Group

SCOTT KRIENS has served as Chief Executive Officer and Chairman of the board of directors of Juniper Networks since October 1996. From April 1986 to January 1996, Mr. Kriens served as Vice President of Sales and Vice President of Operations at StrataCom, Inc., a telecommunications equipment company, which he co-founded in 1986. Mr. Kriens received a B.A. in Economics from California State University, Hayward. Mr. Kriens also serves on the board of directors of Equinix, Inc. and Verisign, Inc.

PRADEEP SINDHU co-founded Juniper Networks in February 1996 and served as Chief Executive Officer and Chairman of the board of directors until September 1996. Since then, Dr. Sindhu has served as Vice Chairman of the board of directors and Chief Technical Officer of Juniper Networks. From September 1984 to February 1991, Dr. Sindhu worked as a Member of the Research Staff, and from March 1987 to February 1996, as the Principal Scientist, and from February 1994 to February 1996, as Distinguished Engineer at the Computer Science Lab, Xerox Corporation, Palo Alto Research Center, a technology research center. Dr. Sindhu holds a B.S.E.E. from the Indian Institute of Technology in Kanpur, an M.S.E.E. from the University of Hawaii and a Masters in Computer Science and Ph.D. in Computer Science from Carnegie-Mellon University.

MARK BAUHAUS joined Juniper Networks in September 2007 as Executive Vice President and General Manager, Service Layer Technology Business Group. From January 2007 to September 2007, Mr. Bauhaus served as founder and principal of Bauhaus Productions Consulting. From December 1986 to December 2006, Mr. Bauhaus served at Sun Microsystems in a range of executive level assignments, most recently in the position of senior vice president, Service Oriented Architecture Software. Mr. Bauhaus holds a Bachelors degree in business management and environmental systems analysis from the University of California at Davis.

ROBYN M. DENHOLM joined Juniper Networks in August 2007 as Executive Vice President and Chief Financial Officer. From January 1996 to August 2007, Ms. Denholm was at Sun Microsystems where she served in executive assignments that included senior vice president, Corporate Strategic Planning; senior vice president, Finance; vice president and corporate controller (Chief Accounting Officer); vice president, Finance; Service Division; director, Shared Financial Services APAC and Controller, Australia/New Zealand. From May 1989 to January 1996, Ms. Denholm served at Toyota Motor Corporation Australia and from December 1984 to May 1989 Ms. Denholm served at Arthur Andersen and Company in various finance assignments. Ms. Denholm is a Fellow of the Institute of Chartered Accountants of Australia and holds a Bachelors Degree in Economics from the University of Sydney and a Masters of Commerce from the University of New South Wales.

MITCHELL GAYNOR has been Vice President, General Counsel and Secretary of Juniper Networks, Inc. since February 2004. Between April 1999 and February 2004, Mr. Gaynor was Vice President, General Counsel and Secretary of Portal Software, Inc. He also served as Vice President, General Counsel and Secretary of Sybase, Inc., from 1997 to 1999 and served in various other legal roles in Sybase between 1993 and 1997. Mr. Gaynor was Assistant General Counsel of ComputerLand Corporation, a computer equipment reseller, during 1989 and 1990.

From 1984 to 1989 and from 1990 to 1993, Mr. Gaynor was an associate with the law firm of Brobeck, Phleger & Harrison. Mr. Gaynor holds a J.D. from U.C. Hastings College of the Law and a B.A. from the University of California, Berkeley.

EDWARD MINSHULL joined Juniper Networks in August 2001 as Vice President, EMEA Sales and served in that role until January 2006 when he assumed the role of Executive Vice President, Worldwide Field Operations. From May 2000 to June 2001, Mr. Minshull was at Alcatel where he served as President of Alcatel Northern Europe and from May 1999 to May 2000 Mr. Minshull was at Newbridge Networks where he served as President of the Americas. Mr. Minshull holds a Bachelor of Arts degree in Business Studies from the University of North Staffordshire, England, U.K.

KIM PERDIKOU joined Juniper Networks in August 2000 as Chief Information Officer and served in that role until January 2006 when she assumed the role as the Executive Vice President and General Manager of the Infrastructure Products Group. Prior to Juniper Networks, Ms. Perdikou served as Chief Information Officer at Women.com from June 1999 to August 2000, and held the position of Vice President, Global Networks, at Reader's Digest from March 1992 to April 1998, as well as leadership positions at Knight Ridder from June 1999 to August 2000, and Dun & Bradstreet from August 1989 to March 1992. Ms. Perdikou holds a B.S. in Computing Science with Operational Research from Paisley University, Paisley, Scotland, a Post-Graduate in Education degree from Jordanhill College, Glasgow, Scotland, and a Masters in Information Systems from Pace University, New York.

Available Information

We file our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 with the SEC electronically. The public may read or copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports on our website at http://www.juniper.net, by contacting the Investor Relations Department at our corporate offices by calling (888) 586-4737 or by sending an e-mail message to investor-relations@juniper.net. Such reports and other information are available on our website when they are available on the SEC website.

ITEM 1A. *Risk Factors*

Factors That May Affect Future Results

Investments in equity securities of publicly traded companies involve significant risks. The market price of our stock reflects a higher multiple of expected future earnings than many other companies. Accordingly, even small changes in investor expectations for our future growth and earnings, whether as a result of actual or rumored financial or operating results, changes in the mix of the products and services sold, acquisitions, industry changes or other factors, could trigger, and have triggered, significant fluctuations in the market price of our common stock. Investors in our securities should carefully consider all of the relevant factors, including, but not limited to, the following factors, that could affect our stock price.

Our quarterly results are inherently unpredictable and subject to substantial fluctuations and, as a result, we may fail to meet the expectations of securities analysts and investors, which could adversely affect the trading price of our common stock.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate.

The factors that may affect the unpredictability of our quarterly results include, but are not limited to, limited visibility into customer spending plans, changes in the mix of products sold, changing market conditions, including current and potential customer consolidation, competition, customer concentration, long sales and implementation

cycles, regional economic and political conditions and seasonality. For example, many companies in our industry experience adverse seasonal fluctuations in customer spending patterns, particularly in the first and third quarters.

As a result, we believe that quarter-to-quarter comparisons of operating results are not necessarily a good indication of what our future performance will be. It is likely that in some future quarters, our operating results may be below the expectations of securities analysts or investors, in which case the price of our common stock may decline. Such a decline could occur, and has occurred in the past, even when we have met our publicly stated revenue and/or earnings guidance.

Fluctuating economic conditions make it difficult to predict revenues for a particular period and a shortfall in revenues may harm our operating results.

Our revenues depend significantly on general economic conditions and the demand for products in the markets in which we compete. Economic weakness, customer financial difficulties and constrained spending on network expansion have previously resulted (for example, in 2001 and 2002), and may in the future result, in decreased revenues and earnings and could negatively impact our ability to forecast and manage our contract manufacturer relationships. Economic downturns may also lead to restructuring initiatives and associated expenses and impairment of investments. In addition, our operating expenses are largely based on anticipated revenue trends and a high percentage of our expenses are, and will continue to be, fixed in the short-term. Uncertainty about future economic conditions makes it difficult to forecast operating results and to make decisions about future investments. Future economic weakness, customer financial difficulties and reductions in spending on network expansion could have a material adverse effect on demand for our products and consequently on our results of operations and stock price.

Telecommunications companies and other large companies generally require more onerous terms and conditions of their vendors. As we seek to sell more products to such customers, we may be required to agree to terms and conditions that may have an adverse effect on our business or ability to recognize revenues.

Telecommunications service provider companies and other large companies, because of their size, generally have had greater purchasing power and, accordingly, have requested and received more favorable terms, which often translate into more onerous terms and conditions for their vendors. As we seek to sell more products to this class of customer, we may be required to agree to such terms and conditions, which may include terms that affect the timing of our ability to recognize revenue and have an adverse effect on our business and financial condition. Consolidation among such large customers can further increase their buying power and ability to require onerous terms.

For example, many customers in this class have purchased products from other vendors who promised certain functionality and failed to deliver such functionality and/or had products that caused problems and outages in the networks of these customers. As a result, this class of customers may request additional features from us and require substantial penalties for failure to deliver such features or may require substantial penalties for any network outages that may be caused by our products. These additional requests and penalties, if we are required to agree to them, may affect our ability to recognize the revenues from such sales, which may negatively affect our business and our financial condition. For example, in April 2006, we announced that we would be required to defer a large amount of revenue from a customer due to the contractual obligations required by that customer.

For arrangements with multiple elements, vendor specific objective evidence of fair value of the undelivered element is required in order to separate the components and to account for elements of the arrangement separately. Vendor specific objective evidence of fair value is based on the price charged when the element is sold separately. However, customers may require terms and conditions that make it more difficult or impossible for us to maintain vendor specific objective evidence of fair value for the undelivered elements to a similar group of customers, the result of which could cause us to defer the entire arrangement fees for a similar group of customers (product, maintenance, professional services, etc.) and recognize revenue only when the last element is delivered or if the only undelivered element is maintenance revenue would be recognized ratably over the contractual maintenance period which is generally one year but could be substantially longer.

If we do not successfully anticipate market needs and develop products and product enhancements that meet those needs, or if those products do not gain market acceptance, we may not be able to compete effectively and our ability to generate revenues will suffer.

We cannot guarantee that we will be able to anticipate future market needs or be able to develop new products or product enhancements to meet such needs or to meet them in a timely manner. If we fail to anticipate market requirements or to develop new products or product enhancements to meet those needs, such failure could substantially decrease market acceptance and sales of our present and future products, which would significantly harm our business and financial results. Even if we are able to anticipate, develop and commercially introduce new products and enhancements, there can be no assurance that new products or enhancements will achieve widespread market acceptance. For example, in the first quarter of 2008 we announced new products designed to address the Ethernet switch market, a market in which we have not had a historical presence. If these new products do not gain market acceptance at a sufficient rate of growth, or at all, our ability to meet future financial targets may be adversely affected. Any failure of our products to achieve market acceptance could adversely affect our business and financial results.

We expect gross margin to vary over time and our recent level of product gross margin may not be sustainable.

Our product gross margins will vary from quarter to quarter and the recent level of gross margins may not be sustainable and may be adversely affected in the future by numerous factors, including product mix shifts, increased price competition in one or more of the markets in which we compete, increases in material or labor costs, excess product component or obsolescence charges from our contract manufacturers, increased costs due to changes in component pricing or charges incurred due to component holding periods if our forecasts do not accurately anticipate product demand, warranty related issues, or our introduction of new products or entry into new markets with different pricing and cost structures.

We rely on value-added resellers and distribution partners to sell our products, and disruptions to, or our failure to effectively develop and manage, our distribution channel and the processes and procedures that support it could adversely affect our ability to generate revenues from the sale of our products.

Our future success is highly dependent upon establishing and maintaining successful relationships with a variety of value-added reseller and distribution partners. The majority of our revenues are derived through value-added resellers and distributors, most of which also sell competitors' products or their own competitive products. Our revenues depend in part on the performance of these partners. The loss of or reduction in sales to our value-added resellers or distributors could materially reduce our revenues. During 2006, Alcatel, a value-added reseller and a competitor of ours, acquired Lucent, one of our largest value-added resellers. In addition, in April 2007 our largest customer, Siemens, transferred its telecommunications business to Nokia-Siemens Networks, a joint venture between Siemens and Nokia. Our competitors may in some cases be effective in providing incentives to current or potential resellers and distributors to favor their products or to prevent or reduce sales of our products. If we fail to maintain relationships with our partners, fail to develop new relationships with value-added resellers and distributors in new markets or expand the number of distributors and resellers in existing markets, fail to manage, train or motivate existing value-added resellers and distributors effectively or if these partners are not successful in their sales efforts, sales of our products may decrease and our operating results would suffer.

In addition, we recognize a portion of our revenue based on a sell-through model using information provided by our distributors. If those distributors provide us with inaccurate or untimely information, the amount or timing of our revenues could be adversely impacted.

Further, in order to develop and expand our distribution channel, we must continue to scale and improve our processes and procedures that support it, and those processes and procedures may become increasingly complex and inherently difficult to manage. Our failure to successfully manage and develop our distribution channel and the processes and procedures that support it could adversely affect our ability to generate revenues from the sale of our products.

If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience manufacturing delays which would harm our business.

We provide demand forecasts to our contract manufacturers. If we overestimate our requirements, the contract manufacturers may assess charges or we may have liabilities for excess inventory, each of which could negatively affect our gross margins. Conversely, because lead times for required materials and components vary significantly and depend on factors such as the specific supplier, contract terms and the demand for each component at a given time, if we underestimate our requirements, the contract manufacturers may have inadequate time or materials and components required to produce our products, which could increase costs or could delay or interrupt manufacturing of our products and result in delays in shipments and deferral or loss of revenues.

Our ability to process orders and ship products in a timely manner is dependent in part on our business systems and performance of the systems and processes of third parties such as our contract manufacturers, suppliers or other partners, as well as interfaces with the systems of such third parties. If our systems, the systems and processes of those third parties or the interfaces between them experience delays or fail, our business processes and our ability to build and ship products could be impacted, and our financial results could be harmed.

Some of our business processes depend upon our information technology systems, the systems and processes of third parties and on interfaces with the systems of third parties. For example, our order entry system feeds information into the systems of our contract manufacturers, which enables them to build and ship our products. If those systems fail or are interrupted, our processes may function at a diminished level or not at all. This could negatively impact our ability to ship products or otherwise operate our business, and our financial results could be harmed. For example, although it did not adversely affect our shipments, an earthquake in late December of 2006 disrupted communications with China, where a significant part of our manufacturing occurs.

We also rely upon the performance of the systems and processes of our contract manufacturers to build and ship our products. If those systems and processes experience interruption or delay, our ability to build and ship our products in a timely manner may be harmed. For example, as we have expanded our contract manufacturing base to China, we have experienced instances where our contract manufacturer was not able to ship products in the time periods expected by us. If we are not able to ship our products or if product shipments are delayed, our ability to recognize revenue in a timely manner for those products would be affected and our financial results could be harmed.

We are dependent on sole source and limited source suppliers for several key components, which makes us susceptible to shortages or price fluctuations in our supply chain and we may face increased challenges in supply chain management in the future.

With the current demand for electronic products, component shortages are possible and the predictability of the availability of such components may be limited. Growth in our business and the economy is likely to create greater pressures on us and our suppliers to accurately project overall component demand and to establish optimal component levels. If shortages or delays persist, the price of these components may increase, or the components may not be available at all. We may not be able to secure enough components at reasonable prices or of acceptable quality to build new products in a timely manner and our revenues and gross margins could suffer until other sources can be developed. For example, throughout the first quarter of 2006 we experienced component shortages that resulted in delays of shipments of product until late in the quarter and in an increase in our day sales outstanding. We currently purchase numerous key components, including ASICs, from single or limited sources. The development of alternate sources for those components is time consuming, difficult and costly. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. In the event of a component shortage or supply interruption from these suppliers, we may not be able to develop alternate or second sources in a timely manner. If, as a result, we are unable to buy these components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver product to our customers, which would seriously impact present and future sales, which would, in turn, adversely affect our business.

In addition, the development, licensing or acquisition of new products in the future may increase the complexity of supply chain management. Failure to effectively manage the supply of key components and products would adversely affect our business.

We are dependent on contract manufacturers with whom we do not have long-term supply contracts, and changes to those relationships, expected or unexpected, may result in delays or disruptions that could cause us to lose revenue and damage our customer relationships.

We depend on independent contract manufacturers (each of which is a third-party manufacturer for numerous companies) to manufacture our products. Although we have contracts with our contract manufacturers, those contracts do not require them to manufacture our products on a long-term basis in any specific quantity or at any specific price. In addition, it is time consuming and costly to qualify and implement additional contract manufacturer relationships. Therefore, if we should fail to effectively manage our contract manufacturer relationships or if one or more of them should experience delays, disruptions or quality control problems in our manufacturing operations, or if we had to change or add additional contract manufacturers or contract manufacturing sites, our ability to ship products to our customers could be delayed. Also, the addition of manufacturing locations or contract manufacturers would increase the complexity of our supply chain management. Moreover, an increasing portion of our manufacturing is performed in China and other countries and is therefore subject to risks associated with doing business in other countries. Each of these factors could adversely affect our business and financial results.

We face intense competition that could reduce our revenues and adversely affect our financial results.

Competition is intense in the markets that we address. The IP infrastructure market has historically been dominated by Cisco with other companies such as Alcatel-Lucent, Ericsson, Extreme Networks, Foundry Networks, Huawei, and Nortel providing products to a smaller segment of the market. In addition, a number of other small public and private companies have products or have announced plans for new products to address the same challenges and market segments that our products address.

In the service layer technologies market, we face intense competition from a broader group of companies including appliance vendors such as Cisco, Fortinet, F5 Networks, Nortel and Riverbed, and software vendors such as CheckPoint. In addition, a number of other small public and private companies have products or have announced plans for new products to address the same challenges that our products address.

In addition, actual or speculated consolidation among competitors, or the acquisition of our partners and resellers by competitors, can increase the competitive pressures faced by us. In this regard, Alcatel combined with Lucent in 2006 and Ericsson acquired Redback in 2007. A number of our competitors have substantially greater resources and can offer a wider range of products and services for the overall network equipment market than we do. If we are unable to compete successfully against existing and future competitors on the basis of product offerings or price, we could experience a loss in market share and revenues and/or be required to reduce prices, which could reduce our gross margins, and which could materially and adversely affect our business, operating results and financial condition.

A limited number of our customers comprise a significant portion of our revenues and increases the degree of customer concentration risk, and any decrease in revenue from these customers could have an adverse effect on our net revenues and operating results.

A substantial majority of our net revenues depend on sales to a limited number of customers and distribution partners. Nokia-Siemens Networks B.V. ("NSN") and its predecessor companies contributed more than 10% of revenue in the fiscal years ended 2007, 2006 and 2005. This customer concentration increases the risk of quarterly fluctuations in our revenues and operating results. Any downturn in the business of our key customers or potential new customers could significantly decrease sales to such customers, which could adversely affect our net revenues and results of operations. In addition, there has been and continues to be consolidation in the telecommunications industry (for example, the acquisitions of AT&T Inc., MCI, Inc. and BellSouth Corporation) and consolidation among the large vendors of telecommunications equipment and services (for example, the combination of Alcatel and Lucent, the joint venture of Nokia-Siemens Networks and the acquisition of Redback by Ericsson). Such

consolidation may cause our customers who are involved in these acquisitions to suspend or indefinitely reduce their purchases of our products or have other unforeseen consequences that could harm our business and operating results.

We are a party to lawsuits, which are costly to investigate and defend and, if determined adversely to us, could require us to pay damages or prevent us from taking certain actions, any or all of which could harm our business and financial condition.

We and certain of our current and former officers and current and former members of our board of directors are subject to various lawsuits. For example, we have been served with lawsuits related to the alleged backdating of stock options and other related matters, a description of which can be found in Note 8 of Notes to Consolidated Financial Statements, under the heading "Legal Proceedings." There can be no assurance that these or any actions that have been or may be brought against us will be resolved in our favor. Regardless of whether they are resolved in our favor, these lawsuits are, and any future lawsuits to which we may become a party will likely be, expensive and time consuming to investigate, defend and/or resolve. Such costs of investigation and defense, as well as any losses resulting from these claims, could significantly increase our expenses and adversely affect our profitability and cash flow.

In addition, we are party to a lawsuit which seeks to enjoin us from granting equity awards under our 2006 Equity Incentive Plan (the "2006 Plan"), as well as to invalidate all awards granted under such plan to date. The 2006 Plan is the only active plan under which we currently grant stock options and restricted stock units to our employees. If this lawsuit is resolved against us, we may be prevented from using the 2006 Plan to provide these equity awards to recruit new employees or to compensate existing employees, which would put us at a significant disadvantage to other companies that compete for workers in high technology industries such as ours. Accordingly, our ability to hire, retain and motivate current and prospective employees would be harmed, the result of which could negatively impact our business operations.

We are currently implementing upgrades to key internal IT systems, and problems with the design or implementation of these systems could interfere with our business and operations.

We have initiated a project to upgrade certain key internal IT systems, including our company-wide human resources management system and our enterprise resource planning ("ERP") system. We have invested, and will continue to invest, significant capital and human resources in the design and implementation of these systems, which may be disruptive to our underlying business. Any disruptions or delays in the design and implementation of the new systems, particularly any disruptions or delays that impact our operations, could adversely affect our ability to process customer orders, ship products, provide services and support to our customers, bill and track our customers, fulfill contractual obligations, file SEC reports in a timely manner and otherwise run our business. Even if we do not encounter these adverse effects, the design and implementation of these new systems may be much more costly than we anticipated. If we are unable to successfully design and implement these new systems as planned, our financial position, results of operations and cash flows could be negatively impacted.

Litigation or claims regarding intellectual property rights may be time consuming, expensive and require a significant amount of resources to prosecute, defend or make our products non-infringing.

Third parties have asserted and may in the future assert claims or initiate litigation related to patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to our products. The asserted claims and/or initiated litigation may include claims against us or our manufacturers, suppliers or customers, alleging infringement of their proprietary rights with respect to our products. Regardless of the merit of these claims, they have been and can be time-consuming, result in costly litigation and may require us to develop non-infringing technologies or enter into license agreements. Furthermore, because of the potential for high awards of damages or injunctive relief that are not necessarily predictable, even arguably unmeritorious claims may be settled for significant amounts of money. If any infringement or other intellectual property claim made against us by any third-party is successful, if we are required to settle litigation for significant amounts of money, or if we fail to develop non-infringing technology or license required proprietary rights on commercially reasonable terms and conditions, our business, operating results and financial condition could be materially and adversely affected.

We are exposed to fluctuations in currency exchange rates which could negatively affect our financial results and cash flows.

Because a majority of our business is conducted outside the United States, we are exposed to fluctuations in foreign currency exchange rates. These fluctuations could have a material adverse impact on our financial results and cash flows.

Our sales and costs of revenues are primarily denominated in U.S. dollars. Our operating expenses are denominated in U.S. dollars as well as other foreign currencies including the British Pound, the Euro, Indian Rupee, and Japanese Yen, related to our operations outside of the United States. An increase in the value of the U.S. dollar could increase the real cost to our customers of our products in those markets outside the United States where we sell in U.S. dollars, and a weakened dollar could increase the cost of local operating expenses and procurement of raw materials to the extent we must purchase components in foreign currencies. A decrease in the value of the U.S. dollar could also increase the real cost to us of our expenses in countries outside the United States.

Currently, we hedge only those currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and periodically will hedge anticipated foreign currency operating expenses. The hedging activities undertaken by us are intended to partially offset the impact of currency fluctuations. If our attempts to hedge against these risks are not successful, our net income could be adversely impacted.

We are required to expense equity compensation given to our employees, which has reduced our reported earnings, will significantly harm our operating results in future periods and may reduce our stock price and our ability to effectively utilize equity compensation to attract and retain employees.

We historically have used stock options and other equity awards as a significant component of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention, and provide competitive compensation packages. The Financial Accounting Standards Board has adopted changes that require companies to record a charge to earnings for employee stock option grants and other equity incentives. We adopted this standard effective January 1, 2006. By causing us to record significantly increased compensation costs, such accounting changes have reduced, and will continue to reduce, our reported earnings and will significantly harm our operating results in future periods. These factors may require us to reduce the availability and amount of equity incentives provided to employees, which may make it more difficult for us to attract, retain and motivate key personnel. Moreover, if securities analysts, institutional investors and other investors adopt financial models that include stock option expense in their primary analysis of our financial results, our stock price could decline as a result of reliance on these models with higher expense calculations. Each of these results could materially and adversely affect our business.

Matters related to the investigation into our historical stock option granting practices and the restatement of our financial statements may result in additional litigation, regulatory proceedings and government enforcement actions.

Our historical stock option granting practices and the restatement of our financial statements have exposed us to greater risks associated with litigation, regulatory proceedings and government enforcement actions. For more information regarding our current litigation and related inquiries, please see Note 8 of Notes to Consolidated Financial Statements under the heading "Legal Proceedings" as well as the other risk factors related to litigation set forth in this section. We have provided the results of our internal review and independent investigation to the Securities and Exchange Commission ("SEC") and the United States Attorney's Office for the Northern District of California, and in that regard we have responded to formal and informal requests for documents and additional information. In August 2007, we announced that we entered into a settlement agreement with the SEC in connection with our historical stock option granting practices in which we consented to a permanent injunction against any future violations of the antifraud, reporting, books-and-records and internal control provisions of the federal securities laws. This settlement concludes the SEC's formal investigation of the Company with respect to this matter. No assurance can be given regarding the outcomes from the current litigation or other possible actions relating to our past stock option practices. The resolution of these matters will be time consuming, expensive, and may distract management from the conduct of our business. Furthermore, if we are subject to adverse findings in

litigation, we could be required to pay damages or penalties or have other remedies imposed, which could harm our business, financial condition, results of operations and cash flows.

In addition, while we believe that we have made appropriate judgments in determining the correct measurement dates for our stock option grants, the SEC may disagree with the manner in which we accounted for and reported, or did not report, the corresponding financial impact. Accordingly, there is a risk that we may have to further restate our prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated.

If we fail to adequately evolve our financial and managerial control and reporting systems and processes, our ability to manage and grow our business will be negatively affected.

Our ability to successfully offer our products and implement our business plan in a rapidly evolving market depends upon an effective planning and management process. We will need to continue to improve our financial and managerial control and our reporting systems and procedures in order to manage our business effectively in the future. If we fail to continue to implement improved systems and processes, our ability to manage our business and results of operations may be negatively affected.

Our success depends upon our ability to effectively plan and manage our resources and restructure our business through rapidly fluctuating economic and market conditions.

Our ability to successfully offer our products and services in a rapidly evolving market requires an effective planning, forecasting, and management process to enable us to effectively scale our business and adjust our business in response to fluctuating market opportunities and conditions. In periods of market expansion, we have increased investment in our business by, for example, increasing headcount and increasing our investment in research and development and other parts of our business. Conversely, during 2001 and 2002, in response to downward trending industry and market conditions, we restructured our business and reduced our workforce. Many of our expenses, such as real estate expenses, cannot be rapidly or easily adjusted as a result of fluctuations in our business or numbers of employees. Moreover, rapid changes in the size of our workforce could adversely affect the ability to develop and deliver products and services as planned or impair our ability to realize our current or future business objectives.

Our ability to develop, market and sell products could be harmed if we are unable to retain or hire key personnel.

Our future success depends upon our ability to recruit and retain the services of executive, engineering, sales, marketing and support personnel. The supply of highly qualified individuals, in particular engineers in very specialized technical areas, or sales people specializing in the service provider and enterprise markets, is limited and competition for such individuals is intense. None of our officers or key employees is bound by an employment agreement for any specific term. The loss of the services of any of our key employees, the inability to attract or retain personnel in the future or delays in hiring required personnel, particularly engineers and sales people, and the complexity and time involved in replacing or training new employees, could delay the development and introduction of new products, and negatively impact our ability to market, sell or support our products.

We sell our products to customers that use those products to build networks and IP infrastructure and, if the demand for network and IP systems does not continue to grow, then our business, operating results and financial condition could be adversely affected.

A substantial portion of our business and revenue depends on the growth of secure IP infrastructure and on the deployment of our products by customers that depend on the continued growth of IP services. As a result of changes in the economy and capital spending or the building of network capacity in excess of demand, all of which have in the past particularly affected telecommunications service providers, spending on IP infrastructure can vary, which could have a material adverse effect on our business and financial results. In addition, a number of our existing customers are evaluating the build out of their next generation network, or NGN. During the decision making period when the customers are determining the design of those networks and the selection of the equipment they will use in

those networks, such customers may greatly reduce or suspend their spending on secure IP infrastructure. Such pauses in purchases can make it more difficult to predict revenues from such customers, can cause fluctuations in the level of spending by these customers and, even where our products are ultimately selected, can have a material adverse effect on our business and financial results.

The long sales and implementation cycles for our products, as well as our expectation that some customers will sporadically place large orders with short lead times, may cause our revenues and operating results to vary significantly from quarter to quarter.

A customer's decision to purchase certain of our products involves a significant commitment of its resources and a lengthy evaluation and product qualification process. As a result, the sales cycle may be lengthy. In particular, customers making critical decisions regarding the design and implementation of large or next-generation networks may engage in very lengthy procurement processes that may delay or impact expected future orders. Throughout the sales cycle, we may spend considerable time educating and providing information to prospective customers regarding the use and benefits of our products. Even after making the decision to purchase, customers may deploy our products slowly and deliberately. Timing of deployment can vary widely and depends on the skill set of the customer, the size of the network deployment, the complexity of the customer's network environment and the degree of hardware and operating system configuration necessary to deploy the products. Customers with large networks usually expand their networks in large increments on a periodic basis. Accordingly, we may receive purchase orders for significant dollar amounts on an irregular basis. These long cycles, as well as our expectation that customers will tend to sporadically place large orders with short lead times, may cause revenues and operating results to vary significantly and unexpectedly from quarter to quarter.

Integration of past acquisitions and future acquisitions could disrupt our business and harm our financial condition and stock price and may dilute the ownership of our stockholders.

We have made, and may continue to make, acquisitions in order to enhance our business. In 2005 we completed the acquisitions of five private companies. Acquisitions involve numerous risks, including problems combining the purchased operations, technologies or products, unanticipated costs, diversion of management's attention from our core businesses, adverse effects on existing business relationships with suppliers and customers, risks associated with entering markets in which we have no or limited prior experience and potential loss of key employees. There can be no assurance that we will be able to successfully integrate any businesses, products, technologies or personnel that we might acquire. The integration of businesses that we have acquired has been, and will continue to be, a complex, time consuming and expensive process. Acquisitions may also require us to issue common stock that dilutes the ownership of our current stockholders, assume liabilities, record goodwill and non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets, and incur large and immediate write-offs and restructuring and other related expenses, all of which could harm our operating results and financial condition.

In addition, if we fail in our integration efforts with respect to our acquisitions and are unable to efficiently operate as a combined organization utilizing common information and communication systems, operating procedures, financial controls and human resources practices, our business and financial condition may be adversely affected.

Our products are highly technical and if they contain undetected errors, our business could be adversely affected and we might have to defend lawsuits or pay damages in connection with any alleged or actual failure of our products and services.

Our products are highly technical and complex, are critical to the operation of many networks and, in the case of our security products, provide and monitor network security and may protect valuable information. Our products have contained and may contain one or more undetected errors, defects or security vulnerabilities. Some errors in our products may only be discovered after a product has been installed and used by end customers. Any errors or security vulnerabilities discovered in our products after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers and increased service and warranty cost, any of which could adversely

affect our business and results of operations. In addition, we could face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention. In addition, if our business liability insurance coverage is inadequate or future coverage is unavailable on acceptable terms or at all, our financial condition could be harmed.

A breach of network security could harm public perception of our security products, which could cause us to lose revenues.

If an actual or perceived breach of network security occurs in the network of a customer of our security products, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. This could cause us to lose current and potential end customers or cause us to lose current and potential value-added resellers and distributors. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques.

If our products do not interoperate with our customers' networks, installations will be delayed or cancelled and could harm our business.

Our products are designed to interface with our customers' existing networks, each of which have different specifications and utilize multiple protocol standards and products from other vendors. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products will be required to interoperate with many or all of the products within these networks as well as future products in order to meet our customers' requirements. If we find errors in the existing software or defects in the hardware used in our customers' networks, we may have to modify our software or hardware to fix or overcome these errors so that our products will interoperate and scale with the existing software and hardware, which could be costly and negatively impact our operating results. In addition, if our products do not interoperate with those of our customers' networks, demand for our products could be adversely affected or orders for our products could be cancelled. This could hurt our operating results, damage our reputation and seriously harm our business and prospects.

Governmental regulations affecting the import or export of products could negatively affect our revenues.

The United States and various other governments have imposed controls, export license requirements and restrictions on the import or export of some technologies, especially encryption technology. In addition, from time to time, governmental agencies have proposed additional regulation of encryption technology, such as requiring the escrow and governmental recovery of private encryption keys. Governmental regulation of encryption technology and regulation of imports or exports, or our failure to obtain required import or export approval for our products, could harm our international and domestic sales and adversely affect our revenues.

Due to the global nature of our operations, economic or social conditions or changes in a particular country or region could adversely affect our sales or increase our costs and expenses, which could have a material adverse impact on our financial condition.

We conduct significant sales and customer support operations directly and indirectly through our distributors and value-added resellers in countries throughout the world and also depend on the operations of our contract manufacturers and suppliers that are located inside and outside of the United States. In addition, our research and development operations are conducted in the United States as well as other countries. Our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, political or social unrest, natural disasters, epidemic disease, war, or economic instability in a specific country or region, trade protection measures and other regulatory requirements which may affect our ability to import or export our products from various countries, service provider and government spending patterns affected by political considerations and difficulties in staffing and managing international operations. Any or all of these factors could have a material adverse impact on our revenue, costs, expenses, results of operations and financial condition.

Our products incorporate and rely upon licensed third-party technology and if licenses of third-party technology do not continue to be available to us or become very expensive, our revenues and ability to develop and introduce new products could be adversely affected.

We integrate licensed third-party technology into certain of our products. From time to time, we may be required to license additional technology from third parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. Our inability to maintain or re-license any third-party licenses required in our products or our inability to obtain third-party licenses necessary to develop new products and product enhancements, could require us to obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could harm our business, financial condition and results of operations.

We are subject to risks arising from our international operations.

We derive a majority of our revenues from our international operations, and we plan to continue expanding our business in international markets in the future. As a result of our international operations, we are affected by economic, regulatory and political conditions in foreign countries, including changes in IT spending generally, the imposition of government controls, changes or limitations in trade protection laws, unfavorable changes in tax treaties or laws, natural disasters, labor unrest, earnings expatriation restrictions, misappropriation of intellectual property, acts of terrorism and continued unrest in many regions and other factors, which could have a material impact on our international revenues and operations. In particular, in some countries we may experience reduced intellectual property protection. Moreover, local laws and customs in many countries differ significantly from those in the United States. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. Although we implement policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors and agents will not take actions in violations of them. Violations of laws or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business.

While we believe that we currently have adequate internal control over financial reporting, we are exposed to risks from legislation requiring companies to evaluate those internal controls.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent auditors to attest to, the effectiveness of our internal control over financial reporting. We have an ongoing program to perform the system and process evaluation and testing necessary to comply with these requirements. We have and will continue to incur significant expenses and devote management resources to Section 404 compliance on an ongoing basis. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determine in the future that our internal controls over financial reporting are not effective as defined under Section 404, investor perceptions may be adversely affected and could cause a decline in the market price of our stock.

Regulation of the telecommunications industry could harm our operating results and future prospects.

The telecommunications industry is highly regulated and our business and financial condition could be adversely affected by changes in the regulations relating to the telecommunications industry. Currently, there are few laws or regulations that apply directly to access to or commerce on IP networks. We could be adversely affected by regulation of IP networks and commerce in any country where we operate. Such regulations could address matters such as voice over the Internet or using Internet Protocol, encryption technology, and access charges for service providers. In addition, regulations have been adopted with respect to environmental matters, such as the Waste Electrical and Electronic Equipment ("WEEE") and Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") regulations adopted by the European Union, as well as regulations prohibiting government entities from purchasing security products that do not meet specified local certification criteria. Compliance with such regulations may be costly and time-consuming for us and our suppliers and partners. The adoption and implementation of such regulations could decrease demand for our products, and at

the same time could increase the cost of building and selling our products as well as impact our ability to ship products into affected areas and recognize revenue in a timely manner, which could have a material adverse effect on our business, operating results and financial condition.

Our reported financial results could suffer if there is an additional impairment of goodwill or other intangible assets with indefinite lives.

We are required to annually test, and review on an interim basis, our goodwill and intangible assets with indefinite lives, including the goodwill associated with past acquisitions and any future acquisitions, to determine if impairment has occurred. If such assets are deemed impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. This would result in incremental expenses for that quarter which would reduce any earnings or increase any loss for the period in which the impairment was determined to have occurred. For example, such impairment could occur if the market value of our common stock falls below certain levels for a sustained period or if the portions of our business related to companies we have acquired fail to grow at expected rates or decline. In the second quarter of 2006, this impairment evaluation resulted in a reduction of $1,280.0 million to the carrying value of goodwill on our balance sheet for the SLT segment, primarily due to the decline in our market capitalization that occurred over a period of approximately nine months prior to the impairment review and, to a lesser extent, a decrease in the forecasted future cash flows used in the income approach. Declines in our stock prices in the future as well as any marked decline in our level of revenues or gross margins increase the risk that goodwill and intangible assets may become impaired in future periods. We cannot accurately predict the amount and timing of any impairment of assets.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our future effective tax rates could be subject to volatility or adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates; by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the R&D tax credit laws; by transfer pricing adjustments related to certain acquisitions including the license of acquired intangibles under our intercompany R&D cost sharing arrangement; by tax effects of stock-based compensation; by costs related to intercompany restructurings; or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition.

The investment of our cash balance and our investments in government and corporate debt securities are subject to risks which may cause losses and affect the liquidity of these investments.

At December 31, 2007, we had $1,716.1 million in cash and cash equivalents and $291.1 million in investments in government and corporate debt securities. We have invested these amounts in U.S. government securities, corporate notes and bonds, commercial paper, and money market funds meeting certain criteria. Certain of these investments are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by U.S. sub-prime mortgage defaults that have affected various sectors of the financial markets and caused credit and liquidity issues. These market risks associated with our investment portfolio may have a negative adverse effect on our results of operations, liquidity and financial condition.

Uninsured losses could harm our operating results.

We self-insure against many business risks and expenses, such as intellectual property litigation and our medical benefit programs, where we believe we can adequately self-insure against the anticipated exposure and risk or where insurance is either not deemed cost-effective or is not available. We also maintain a program of insurance coverage for various types of property, casualty, and other risks. We place our insurance coverage with various carriers in numerous jurisdictions. The types and amounts of insurance that we obtain vary from time to time and

from location to location, depending on availability, cost, and our decisions with respect to risk retention. The policies are subject to deductibles, policy limits and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and unpredictable and could adversely affect our results of operations.

ITEM 1B. *Unresolved Staff Comments*

None.

ITEM 2. *Properties*

We lease approximately 1.8 million square feet worldwide, with nearly 70 percent being in North America. Our corporate headquarters is located in Sunnyvale, California and consists of seven buildings totaling approximately 0.9 million square feet. Each building is subject to an individual lease or sublease, which provides various option, expansion and extension provisions. The corporate headquarters leases expire between January 2011 and December 2014. We also own approximately 80 acres of land adjacent to our leased corporate headquarters location. Additionally, we lease an approximately 0.2 million square foot facility in Westford, Massachusetts. The leases expire between January and March 2011.

In addition to our offices in Sunnyvale and Westford, we also lease offices in various locations throughout the United States, Canada, South America, Europe, the Middle East, Africa, and the Asia Pacific region, including offices in Australia, China, Hong Kong, India, Ireland, Israel, Japan, the Netherlands, Russia, United Arab Emirates, and the United Kingdom. Our longest lease expires in October 2016. Our current offices are in good condition and appropriately support our business needs.

ITEM 3. *Legal Proceedings*

The information set forth under “Legal Proceedings” in Note 8 of Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our common stock is quoted on the NASDAQ Global Select Market under the symbol “JNPR”.

Price Range of Common Stock

The following table sets forth the high and low closing bid prices as reported on NASDAQ:

2007	High	Low
First quarter	$20.77	$17.74
Second quarter	$25.50	$20.09
Third quarter	$37.09	$25.79
Fourth quarter	$37.65	$28.55

2006		
First quarter	$22.38	$17.06
Second quarter	$20.30	$14.55
Third quarter	$17.34	$12.20
Fourth quarter	$21.56	$16.77

Holders

There were approximately 1,336 stockholders of record at February 1, 2008 and we have a substantially larger number of beneficial owners.

Dividends

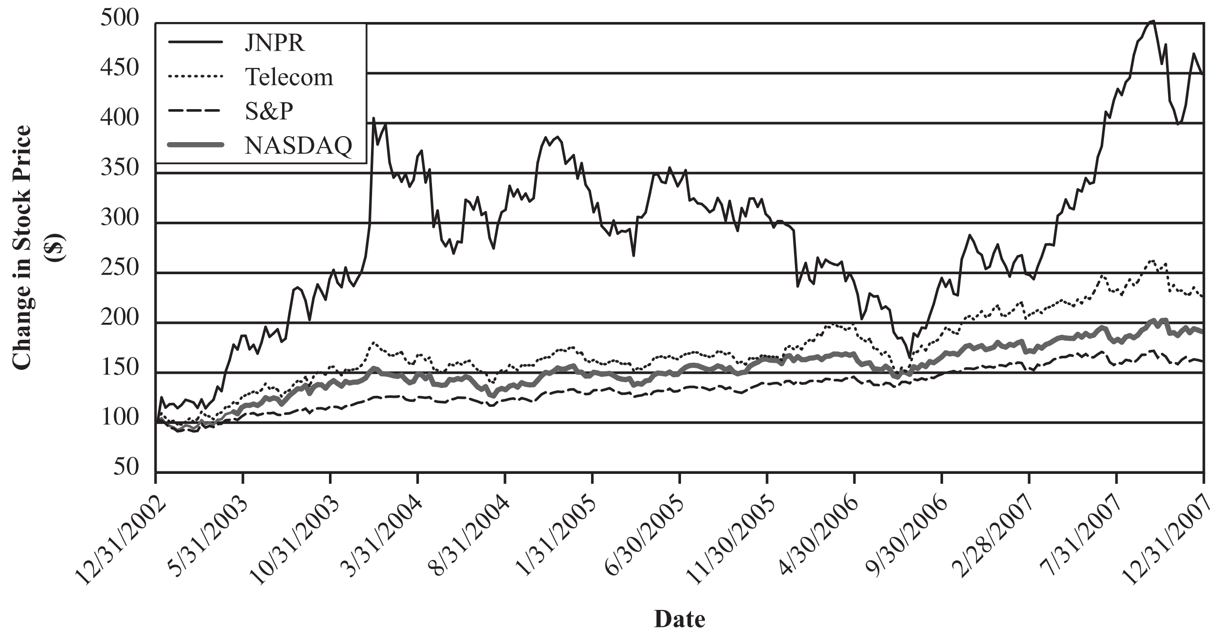
We have never paid cash dividends on our common stock and have no present plans to do so.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Company Stock Performance

The graph below shows the cumulative total stockholder return over a five year period assuming the investment of $100 on December 31, 2002 in each of Juniper Networks common stock, the NASDAQ Composite Index, the S&P 500 Index and the NASDAQ Telecommunications Index. Due to our inclusion in the S&P Index, we plan to replace the NASDAQ Composite Index with the S&P 500 Index in future presentations of this graph. The graph shall not be deemed to be incorporated by reference into other SEC filings; nor deemed to be soliciting material or filed with the Commission or subject to Regulation 14A or 14C or subject to Section 18 of the Exchange Act.



ITEM 6. *Selected Consolidated Financial Data*

The following selected consolidated financial data should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the notes thereto in Item 8 "Consolidated Financial Statements and Supplementary Data."

The information presented below reflects the impact of certain significant transactions and the adoption of certain accounting pronouncements, which makes a direct comparison difficult between each of the last five fiscal years. For a complete description of matters affecting the results in the tables below, including acquisitions by the Company during the three years ended December 31, 2007, see "Notes to Consolidated Financial Statements" in Item 8.

Consolidated Statements of Operations Data

	Year Ended December 31,				
	2007(a)	2006(b)	2005(c)	2004(d)	2003(e)
				(Unaudited)	(Unaudited)
	(In millions, except per share data)				
Net revenues	$2,836.1	$ 2,303.6	$2,064.0	$1,336.0	$701.4
Cost of revenues	927.6	754.3	653.5	415.1	259.9
Gross margin	1,908.5	1,549.3	1,410.5	920.9	441.5
Operating expenses	1,501.4	2,547.1	969.5	728.6	403.8
Operating income (loss)	407.1	(997.8)	441.0	192.3	37.7
Other income and expense, net	103.5	100.7	56.5	15.8	1.9
Income (loss) before income taxes	510.6	(897.0)	497.5	208.1	39.6
Provision for income taxes	(149.8)	(104.4)	(146.8)	(79.9)	(8.9)
Net income (loss)	360.8	(1,001.4)	350.7	128.2	30.7
Net income (loss) per share:					
Basic	$ 0.67	$ (1.76)	$ 0.63	$ 0.26	$ 0.08
Diluted	$ 0.62	$ (1.76)	$ 0.58	$ 0.24	$ 0.07
Shares used in computing net income (loss) per share:					
Basic	537.8	567.5	554.2	493.1	382.2
Diluted	579.1	567.5	600.2	543.7	414.1

(a) Includes the following significant pre-tax items: stock-based compensation of $88.0 million, stock option tender offer and tax related charges of $8.0 million, stock option investigation costs of $6.0 million, a gain from a minority equity investment of $6.7 million, and a net legal settlement gain of $5.3 million.

(b) Includes the following significant pre-tax items: goodwill and intangible assets impairment charges of $1,283.4 million, stock-based compensation of $87.6 million, stock option investigation costs of $20.5 million, other tax related charges of $10.1 million, and restructuring and acquisition related charges of $5.9 million.

(c) Includes the following significant pre-tax items: stock-based compensation expense of $22.3 million, in-process research and development charges of $11.0 million, a gain from the sale of equity investment of $1.7 million, a patent related charge of $10.0 million, a charge of $5.9 million from the impairment of certain purchased intangible assets and a reversal of acquisition related reserves of $6.6 million.

(d) Includes the following significant pre-tax items: stock-based compensation expense of $54.9 million, in-process research and development charges of $27.5 million, merger integration costs of $5.1 million, loss on redemption of the convertible subordinated notes of $4.1 million, an investment write-down charge of $2.9 million, and a credit of $5.1 million from changes in restructuring estimates.

(e) Includes the following significant pre-tax items: stock-based compensation expense of $21.4 million, restructuring charges of $14.0 million and gains on sales of investments of $8.7 million.

Consolidated Balance Sheet Data

	As of December 31,				
	2007	2006	2005	2004	2003
				(Unaudited)	(Unaudited)
			(In millions)		
Cash, cash equivalents and available-for-sale investments	$2,015.8	$2,614.3	$2,047.1	$1,713.1	$ 975.8
Working capital	1,175.3	1,759.2	1,261.4	903.9	423.2
Goodwill	3,658.6	3,624.7	4,879.7	4,409.4	983.4
Total assets	6,885.4	7,368.4	8,183.6	6,981.3	2,411.1
Total long-term liabilities	151.7	490.7	468.0	504.1	583.3
Total stockholders' equity	5,353.9	6,115.1	7,088.2	5,974.3	1,562.4

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains forward-looking statements regarding future events and the future results of our Company that are based on current expectations, estimates, forecasts, and projections about the industry in which we operate and the beliefs and assumptions of our management. Words such as 'expects,' 'anticipates,' 'targets,' 'goals,' 'projects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled "Risk Factors" in Item 1A of Part I and elsewhere, and in other reports we file with the Securities and Exchange Commission ("SEC"), specifically the most recent reports on Form 10-Q. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

The following discussion is based upon our Consolidated Financial Statements included elsewhere in this report, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and spare parts, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. On an on-going basis, we evaluate our estimates, including those related to sales returns, pricing credits, warranty costs, allowance for doubtful accounts, impairment of long-term assets, especially goodwill and intangible assets, contract manufacturer exposures for carrying and obsolete material charges, assumptions used in the valuation of stock-based compensation, and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

To aid in understanding our operating results for the periods covered by this report, we have provided an executive overview and a summary of the significant events that affected the most recent fiscal year and a discussion of the nature of our operating expenses. These sections should be read in conjunction with the more detailed discussion and analysis of our financial condition and results of operations in this Item 7, our "Risk Factors" section included in Item 1A of Part I, and our audited consolidated financial statements and notes included in Item 8 of Part II of this report.

Executive Overview

Our 2007 performance was the result of a combination of strong market demand for networking and security products as well as our focused execution and market share gains. In addition, we began shipment of several new products which contributed to our revenue growth during the year. During 2007, we also implemented a series of operational excellence initiatives. These initiatives are intended to strengthen the management systems and processes throughout our organization to support our growth.

(In millions, except percentages)	Total Consolidated	Reportable Segments		
		Infrastructure	SLT	Service
Net revenues	$2,836.1	$1,753.2	$573.8	$509.1
Year-over-year net revenues increase	23%	24%	20%	24%
Management operating income (loss)	$ 603.6	$ 495.5	$ (18.3)	$126.4
Year-over-year management operating income increase (decrease)	18%	18%	(62)%	25%
Operating income	$ 407.1			
Year-over-year operating income increase	141%			
Net income	$ 360.8			
Year-over-year net income increase	N/M			
Net income per share:				
Basic	$ 0.67			
Diluted	$ 0.62			

N/M — Not meaningful.

- *Net Revenues:* Net revenue increased $532.5 million, or 23%, to $2,836.1 million in 2007, compared to 2006. We experienced growth in both product and service revenues, which represented 82.0% and 18.0% of our total net revenue in 2007. Product revenue increased $433.7 million, or 23%, to $2,327.0 million in 2007, compared to the year-ago period. Service revenue increased $98.8 million, or 24%, to $509.1 million in 2007, compared to 2006. Infrastructure product, SLT product and Service revenues represented 61.8%, 20.2% and 18.0% of our total net revenues, respectively, for 2007. Our revenue performance and share gains were driven by Infrastructure product and SLT product sales. Infrastructure product revenue increased $339.8 million, or 24%, in 2007 as compared to 2006 primarily attributable to revenue growth in our M- and T-series routers, as well as our recently introduced MX-series routers. SLT product revenue increased in 2007 as compared to 2006 primarily attributable to the increased sales of our firewall virtual private network ("Firewall") products, including our recently introduced SSG320M and SSG350M firewall appliances, and to a lesser extent, increases in secure socket layer virtual private network ("SSL"), J-series, and WAN Optimization products. Service revenue increased in 2007 over the prior year primarily due to the increase in our installed base of equipment under service contracts and, to a lesser extent, growth in professional service revenue.

  New Infrastructure products shipped in 2007 include the T1600 router and our MX-series product family. Our T1600 product is a high-capacity and energy-efficient core router. Our MX-series family of Ethernet Service Routers enables service providers to deliver advance services including IPTV and video-on-demand at scale. The MX-series includes MX960, a large capacity and high-density Carrier Ethernet platform, and MX480, which began shipping in the fourth quarter of 2007.

  New SLT products introduced in 2007 include the SSG320M and SSG350M products, which are purpose-built appliances that deliver high performance and secure connectivity for regional and branch office. We also introduced new products within the J-series service router family, such as J2320 and J2350, which are designed to enable enterprises to accelerate the secure delivery of business critical applications across their networks. Additionally, we continued to make enhancements and design updates to other SLT product families during 2007.

From a geographical perspective, net revenues grew across the Americas, Europe, Middle East and Africa ("EMEA") and Asia Pacific ("APAC") regions.

- *Operating Margin:* Operating income increased $1,404.9 million to $407.1 million in 2007, compared to an operating loss of $997.8 million in 2006. Operating margin was 14.4% in 2007 as compared to -43.3% in 2006. The increase in operating margin was primarily attributable to decreases in operating expenses as a percentage of net revenue. Such decreases were largely due to the goodwill and intangible impairment charges of $1,283.4 million in 2006 and the absence of such charges in 2007. Additionally, to a lesser extent, operating margin improved due to the decrease in sales and marketing expenses as a percentage of net revenue as well as decreases in other charges associated with our internal stock option investigation, partially offset by increases in research and development expenses in 2007 as compared to 2006.

- *Net Income and Net Income Per Share:* Net income was $360.8 million, or $0.62 per share on a diluted basis, in 2007, compared to a net loss of $1,001.4 million, or $1.76 per share on a diluted basis, in 2006. The increases in 2007 were primarily attributable to the goodwill and intangible impairment charges of $1,283.4 million in 2006 that were absent in 2007 as well as the revenue growth and an increase in operating margin as discussed above.

- *Other Financial Highlights:* We used $1,623.2 million to repurchase 69.4 million shares of our common stock in 2007. Cash used in our stock repurchases was offset by cash flows from operating activities, investing activities and common stock issued to our employees in connection with our equity incentive plans of $786.5 million, $571.8 million, and $355.0 million, respectively, in 2007.

Significant Events

Business and Market Environment

In 2007, we benefited from the continued progress by our service provider customers in the build-out of Next Generation Networks ("NGN") designed to support a fast and cost-effective deployment of multiple types of services ("multi-play services"), such as voice, data, and video, that enable our customers to develop new sources of revenue and profitability. We maintained a strong position in the Infrastructure product business and gained share in key market segments. We also experienced an increased interest in our SLT portfolio due to increased network demand from our enterprise customers as well as growth from service providers using our SLT products for both managed service offerings and outsourced solutions for their customers. Additionally, we continued our momentum in the enterprise market for our SLT products as well as routing products portfolio. We now serve over 95 of the Fortune 100 companies and more than 30,000 enterprise customers worldwide. In addition, over 45 out of the 50 state governments in the United States have deployed our technologies.

We believe our innovation and market momentum have enabled us to maintain relationships with our partners, including strategic resellers Alcatel-Lucent, Ericsson, Inc., and Nokia-Siemens Networks B.V. ("NSN"), while developing broader relationships with technology leaders such as International Business Machines Corporation ("IBM") and Microsoft Corporation to better serve our customers.

Stock Repurchase Activity

We repurchased and retired 69.4 million common shares, at an average price of $23.37 per share for a total of $1,623.2 million as part of our $2.0 billion common stock repurchase program approved by our Board in July 2006 and February 2007 (the "2006 Stock Repurchase Program"). As of December 31, 2007, our 2006 Stock Repurchase Program had a remaining authorization of $376.8 million for repurchases. See Note 15 in Item 8 for discussion of our stock repurchase activity in 2008.

Stock Option Investigation and Amendment of Certain Stock Options

In 2007, we completed the restatement of our historical financial statements as a result of our independent stock option investigation and review of historical stock compensation practices. In addition, we regained compliance with listing standards of the NASDAQ Global Select Market. We recorded $6.0 million in operating

expenses during 2007 in connection with this stock option investigation, compared to $20.5 million and nil in 2006 and 2005, respectively.

In April 2007, we completed a tender offer to amend certain options granted under the Juniper Networks, Inc. Amended & Restated 1996 Stock Plan and the Juniper Networks, Inc. 2000 Nonstatutory Stock Option Plan that had original exercise prices per share that were less than the fair market value per share of the common stock underlying the option on the option's grant date, as determined by us for financial accounting purposes. Under this tender offer, employees subject to taxation in the United States and Canada had the opportunity to increase their strike price on affected options to the appropriate fair market value per share on the date of grant so as to avoid unfavorable tax consequences under United States Internal Revenue Code Section 409A ("409A issue") or Canadian tax laws and regulations. In exchange for increasing the strike price of these options, we committed to make a cash payment to employees participating in the offer so as to make these employees whole for the incremental strike price as compared to their original option exercise price. In connection with the offer, we amended options to purchase 4.3 million shares of our common stock in 2007 and made aggregate cash payments of $7.6 million to offer participants in January 2008. We accrued this aggregate payment liability and recognized an operating expense for the corresponding amount during 2007.

Settlement with the Securities and Exchange Commission

On August 28, 2007, we announced that the Commissioners of the SEC authorized the settlement between us and the SEC regarding the previously disclosed SEC inquiry into our historical stock option granting practices. Without admitting or denying the allegations in the SEC's complaint, we agreed to settle the charges by consenting to a permanent injunction against any future violations of the antifraud, reporting, books-and-records and internal control provisions of the federal securities laws. No monetary penalties were assessed against us in conjunction with this settlement. This settlement concludes the SEC's formal investigation of the company with respect to our historical stock option granting practices.

Adoption of FIN 48

We adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* ("FIN 48") on January 1, 2007, the first day of fiscal 2007. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The cumulative effect of applying FIN 48 was a $19.2 million increase to the opening balance of accumulated deficit as of January 1, 2007 and a $1.0 million increase to goodwill.

As of the date of adoption, the total amount of gross unrecognized tax benefits was $85.2 million, of which $70.8 million, if recognized, would affect our effective tax rate.

In accordance with our accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense in the consolidated statement of operations. This policy did not change as a result of the adoption of FIN 48. We accrued interest expense and penalties of $4.1 million within other long-term liabilities in the consolidated balance sheets as of the date of adoption.

We conduct business globally and, as a result, we or one or more of our subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Ireland, Hong Kong, U.K., France, Germany, The Netherlands, Japan, China, Australia, and the U.S. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2003, although carryforward attributes that were generated prior to 2003 may still be adjusted upon examination by the IRS if the attributes either have been or will be used in a future period.

Nature of Expenses

Most of our manufacturing, repair and supply chain operations are outsourced to independent contract manufacturers. Accordingly, most of our cost of revenues consists of payments to our independent contract manufacturers for the standard product costs. The independent contract manufacturers produce our products using design specifications, quality assurance programs and standards that we establish. Controls around manufacturing, engineering and documentation are conducted at our facilities in Sunnyvale, California and Westford, Massachusetts. Our independent contract manufacturers have facilities primarily in Canada, China, Malaysia, and the United States. We generally do not own the components and title to products transfers from the contract manufacturers to us and immediately to our customers upon shipment.

The contract manufacturers procure components based on our build forecasts and if actual component usage is lower than our forecasts, we may be, and have been in the past, liable for carrying or obsolete material charges.

We have employees in our manufacturing and operations organization who manage relationships with our contract manufacturers, manage our supply chain, and monitor product testing and quality.

Employee related costs have historically been the primary driver of our operating expenses and we expect this trend to continue. Employee related costs include items such as wages, commissions, bonuses, vacation, benefits, stock-based compensation and travel. We had 5,879, 4,833, and 4,145 employees as of December 31, 2007, 2006, and 2005, respectively. The year-over-year increases were primarily attributable to increases in our research and development, sales and customer service activities. Our headcount is expected to increase in 2008 as we continue to expand these functions. We accounted for stock-based compensation under the fair value approach of FAS 123R in 2007 and 2006. In 2005, we accounted for stock-based compensation under the intrinsic value approach of APB 25. Details of our stock-based compensation expense are described in Note 1 and Note 9 in Notes to Consolidated Financial Statements of this Form 10-K.

Facility and information technology departmental costs are allocated to other departments based on headcount. These departmental costs have increased in 2007 and 2006 due to increases in headcount and facility leases resulting from infrastructure systems added to support our growth and past acquisitions. Facility and information technology related headcount was 224, 177, and 168 as of December 31, 2007, 2006, and 2005, respectively. In 2008, we expect to further invest in our company-wide information technology infrastructure as we implement our operational excellence initiatives.

Our operating expenses are denominated in U.S. dollars as well as other foreign currencies including the British Pound, the Euro, Indian Rupee, and Japanese Yen. Changes in related currency exchange rates may affect our operating results. Periodically, we use foreign currency forward and/or option contracts to hedge certain forecasted foreign currency transactions relating to operating expenses. The effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and, upon occurrence of the forecasted transaction, is subsequently reclassified into the consolidated statements of operations line item to which the hedged transaction relates. Any ineffectiveness of the hedging instruments is reported in other income (expense) on our consolidated statements of operations. The increase in operating expenses including research and development, sales and marketing, as well as general and administrative expenses, due to foreign currency fluctuations, net of hedging, was approximately 2% in 2007.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. We regularly evaluate our estimates and assumptions. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from management's estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements:

- *Revenue Recognition.* Our products are integrated with software that is essential to the functionality of our equipment. Additionally, we provide unspecified upgrades and enhancements related to our integrated software through our maintenance contracts for most of our products. Accordingly, we account for revenue in accordance with Statement of Position No. 97-2, *Software Revenue Recognition,* and all related interpretations. We recognize revenue when persuasive evidence of an arrangement exists, delivery or performance has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Evidence of an arrangement generally consists of customer purchase orders and, in certain instances, sales contracts or agreements. Shipping terms and related documents, or written evidence of customer acceptance, when applicable, are used to verify delivery or performance. In instances where we have outstanding obligations related to product delivery or the final acceptance of the product, revenue is deferred until all the delivery and acceptance criteria have been met. We assess whether the sales price is fixed or determinable based on payment terms and whether the sales price is subject to refund or adjustment. We assess collectibility based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to us. Accounts receivable are recorded net of allowance for doubtful accounts, estimated customer returns and pricing credits.

  For arrangements with multiple elements, such as sales of products that include services, we allocate revenue to each element using the residual method based on vendor specific objective evidence of fair value of the undelivered items. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. Vendor specific objective evidence of fair value is based on the price charged when the element is sold separately. We then recognize revenue on each deliverable in accordance with our policies for product and service revenue recognition. If vendor specific objective evidence of fair value of one or more undelivered items does not exist, revenue is deferred and recognized at the earlier of (i) delivery of those elements or (ii) when fair value can be established unless maintenance is the only undelivered element, in which case, the entire arrangement fee is recognized ratably over the contractual support period. Our ability to recognize revenue in the future may be affected if actual selling prices are significantly less than fair value. In addition, our ability to recognize revenue in the future could be impacted by conditions imposed by our customers.

  For sales to direct end-users and value-added resellers, we recognize product revenue upon transfer of title and risk of loss, which is generally upon shipment. It is our practice to identify an end-user prior to shipment to a value-added reseller. For our end-users and value-added resellers, there are no significant obligations for future performance such as rights of return or pricing credits. A portion of our sales are made through distributors under agreements allowing for pricing credits and/or rights of return. We recognize product revenue on sales made through these distributors upon sell-through as reported to us by the distributors. Deferred revenue on shipments to distributors reflects the effects of distributor pricing credits and the amount of gross margin expected to be realized upon sell-through. Deferred revenue is recorded net of the related product costs of revenue.

  We record reductions to revenue for estimated product returns and pricing adjustments, such as rebates and price protection, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns and price protection credits, specific criteria included in rebate agreements, and other factors known at the time. Additional reductions to revenue would result if actual product returns or pricing adjustments exceed our estimates. In addition, we report revenue net of sales taxes.

  Services include maintenance, training and professional services. Maintenance is offered under renewable contracts. Revenue from maintenance service contracts is deferred and is recognized ratably over the contractual support period, which is generally one to three years. Revenue from training and professional services is recognized as the services are completed or ratably over the contractual period, which is generally one year or less.

  We sell certain interests in accounts receivables as part of a distributor accounts receivable financing arrangement which was established by us with a major financing company. Accounts receivables sold under

this arrangement in advance of revenue recognition are accounted for as debt and were $10.0 million and nil as of December 31, 2007 and 2006, respectively.

- *Contract Manufacturer Liabilities.* We outsource most of our manufacturing, repair and supply chain management operations to our independent contract manufacturers and a significant portion of our cost of revenues consists of payments to them. Our independent contract manufacturers procure components and manufacture our products based on our demand forecasts. These forecasts are based on our estimates of future demand for our products, which are in turn based on historical trends and an analysis from our sales and marketing organizations, adjusted for overall market conditions. We establish reserves for carrying charges and obsolete material charges for excess components purchased based on historical trends. If the actual component usage and product demand are significantly lower than forecasted, which may be caused by factors outside of our control, we have contractual liabilities and exposures with the independent contract manufacturers, such as carrying costs and obsolete material exposures, which would have an adverse impact on our gross margins and profitability.

- *Warranty Reserve.* We generally offer a one-year warranty on all of our hardware products and a 90-day warranty on the media that contains the software embedded in the products. We establish reserves for estimated product warranty costs at the time revenue is recognized. Although we engage in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, use of materials and technical labor costs and associated overhead incurred in correcting any product failure. Should actual product failure rates, use of materials or service delivery costs differ from our estimates, additional warranty reserves could be required, which could reduce gross margins.

- *Goodwill and Purchased Intangible Assets.* Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The amounts and useful lives assigned to other intangible assets impact the amount and timing of future amortization, and the amount assigned to in-process research and development is expensed immediately. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) significant slowdown in the worldwide economy or the networking industry or (iv) failure to meet the performance projections included in our forecasts of future operating results. We evaluate these assets on an annual basis as of November 1 or more frequently if we believe indicators of impairment exist. In the process of our annual impairment review, we use the market approach as well as the income approach methodology of valuation that includes the discounted cash flow method to determine the fair value of our intangible assets. Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation. The estimates we have used are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges.

- *Stock-Based Compensation.* We account for stock-based compensation in accordance with FAS No. 123R beginning in 2006. Under the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("FAS 123R"), stock-based compensation cost is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton ("BSM") option-pricing model and is recognized as expense ratably over the requisite service period. The BSM model requires various highly subjective assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the BSM model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. In conjunction with the adoption of FAS 123R, we also adopted the single-approach method for valuing our stock-based awards as well as the straight-line method for amortizing the related stock-based compensation expense under the modified prospective approach. Prior to the adoption of FAS 123R, we accounted for stock-based compensation under the intrinsic value recognition provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25").

- *Income Taxes.* Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We regularly assess the likelihood that our deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth under FAS 109, *Accounting for Income Taxes,* and record a valuation allowance to reduce our deferred tax assets to the amount that we believe to be more likely than not realizable. We believe it is more likely than not that forecasted income together with the tax effects of the deferred tax liabilities will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. Similarly, if we subsequently realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in a positive adjustment to earnings or a decrease in goodwill in the period such determination is made. In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities based on our estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities may result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities is less than the amount ultimately assessed, a further charge to expense would result.

  On January 1, 2007, we adopted FIN 48. FIN 48 is an interpretation of FASB Statement 109, *Accounting for Income Taxes*, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. Additionally, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. In addition, the application of FIN 48 may increase an entity's future effective tax rates and its future intra-period effective tax rate volatility. Our cumulative effect of applying FIN 48 was a $19.2 million increase to the opening balance of accumulated deficit as of January 1, 2007 and a $1.0 million increase to goodwill.

- *Loss Contingencies.* We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted and whether new accruals are required. In addition, from time to time, we are involved in disputes, litigation and other legal actions. We are aggressively defending our current litigation matters; however, there are many uncertainties associated with any litigation, and these actions or other third party claims against us may cause us to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any future intellectual property litigation may require us to make royalty payments, which could adversely impact gross margins in future periods. If any of those events were to occur, our business, financial condition and results of operations and cash flows could be materially and adversely affected. We record a charge equal to at least the minimum estimated liability for litigation costs or a loss contingency only when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. However, the actual liability in any such litigation may be materially different from our estimates, which could result in the need to record additional expenses.

Results of Operations

Net Revenues

The following table shows total net product and service revenues and net product and service revenues as a percentage of total net revenues (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	$ Change	% Change	2006	2005	$ Change	% Change
Net revenues:								
Product	$2,327.0	$1,893.3	$433.7	23%	$1,893.3	$1,771.0	$122.3	7%
Percentage of net revenues	*82.0%*	*82.2%*			*82.2%*	*85.8%*		
Service	509.1	410.3	98.8	24%	410.3	293.0	117.3	40%
Percentage of net revenues	*18.0%*	*17.8%*			*17.8%*	*14.2%*		
Total net revenues	$2,836.1	$2,303.6	$532.5	23%	$2,303.6	$2,064.0	$239.6	12%

Our total net revenues increased $532.5 million, or 23% to $2,836.1 million in 2007 as compared to 2006. Our total net revenues increased $239.6 million, or 12% to $2,303.6 million in 2006 as compared to 2005. The increases in both years were primarily due to the demand growth in the markets we serve. In addition, we gained market share in several areas and capitalized on the opportunities in our targeted markets with our new and existing product and service offerings during 2007.

Net Product Revenues

Our net product revenue increased $433.7 million, or 23%, from 2006 to $2,327.0 million in 2007. The increase was the result of increased activity in both Infrastructure product and SLT product sales to service provider and enterprise markets. In particular we had success in selling our products to customers who are adopting NGN IP networks, which are designed to reduce total operating costs and to be able to offer multiple services over a single network. In addition, we had a number of new product releases and expanded into new emerging markets during 2007. Net product revenue grew $122.3 million, or 7% from 2005 to 2006, the majority of which was generated from our SLT product revenue growth in 2006.

The following table shows total net product revenues and net product revenues as a percentage of total net revenues by product category (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	$ Change	% Change	2006	2005	$ Change	% Change
Net product revenues:								
Infrastructure	$1,753.2	$1,413.4	$339.8	24%	$1,413.4	$1,371.6	$ 41.8	3%
Percentage of net revenues	*61.8%*	*61.4%*			*61.4%*	*66.5%*		
SLT	573.8	479.9	93.9	20%	479.9	399.4	80.5	20%
Percentage of net revenues	*20.2%*	*20.8%*			*20.8%*	*19.3%*		
Total net product revenues	$2,327.0	$1,893.3	$433.7	23%	$1,893.3	$1,771.0	$122.3	7%

Infrastructure Product Revenues

Infrastructure product revenues accounted for $1,753.2 million, or 61.8%, of total net revenues, and increased $339.8 million, or 24%, in 2007, compared to 2006. We benefited from the strong worldwide demand for high-performance router products as our service provider customers seek simplified, scalable network infrastructures across fiber, cable and mobile access technologies to support increasing performance demands on their networks. The Infrastructure product revenue increase in 2007 was primarily attributable to increased revenue from our M-, T-, and

MX-series router products driven by our service provider customers' continued build out of NGN as their bandwidth requirement increases. Our service provider customers also moved towards NGNs designed to enable a fast and cost-effective deployment of differentiating multi-play services that allow them to generate new sources of revenue. Also contributing to the revenue growth was an increase in Infrastructure product sales to the content service provider and the enterprise markets. From a geographical perspective, we experienced strength in the Americas region. We also experienced revenue increases in APAC and EMEA.

Infrastructure products accounted for $1,413.4 million, or 61.4%, of our total net revenues during 2006 and $1,371.6 million, or 66.5%, of our total net revenues during 2005. Infrastructure product net revenue grew by $41.8 million, or 3%, from 2005 to 2006 primarily due to continued success from a very significant year of growth in 2005, which strengthened our position as a supplier to the largest service providers in the world, particularly in the Americas and in EMEA. We experienced revenue growth in higher-end infrastructure chassis products and increased penetration by our core and edge router portfolio as service providers acquired products for their NGNs and multi-play service offerings. This growth was partially offset by a pause in the build out of NGNs and associated purchase decisions, particularly in Japan, as major carriers prepare for the next stage of bandwidth and services expansion, and a large product revenue deferral as of December 31, 2006 for products shipped to one of our largest customers.

We track Infrastructure chassis revenue units recognized and ports shipped to analyze customer trends and indicate areas of potential network growth. Our Infrastructure product platforms are essentially modular, with the chassis serving as the base of the platform. Each chassis has a certain number of slots that are available to be populated with components we refer to as modules or interfaces. The modules are the components through which the router receives incoming packets of data from a variety of transmission media. The physical connection between a transmission medium and a module is referred to as a port. The number of ports on a module varies widely depending on the functionality and throughput offered by the module. Chassis revenue units represent the number of chassis on which revenue was recognized during the period. The following table shows infrastructure revenue units recognized and ports shipped:

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	Unit Change	% Change	2006	2005	Unit Change	% Change
Infrastructure chassis revenue units	11,195	10,211	984	10%	10,211	9,977	234	2%
Infrastructure ports shipped	225,452	160,318	65,134	41%	160,318	153,763	6,555	4%

Chassis revenue units increased 10% from 2006 to 2007 as our customers expanded the capacity in their existing networks. The increase was mainly due to the introduction of the MX-series products, which are our Carrier Ethernet base routers. We also experienced growth in our M- and T-series products, driven by bandwidth demand as service provider customers sought to expand voice and video capability in their existing networks. Port shipment units increased by 41% in 2007 as compared to 2006. The increase was associated with the growth in chassis revenue units with larger expansion capacity and the customers' need to differentiate themselves by providing feature-rich multi-play services.

Chassis revenue units slightly increased from 2005 to 2006 due primarily to the sales of higher-end T-series and M-series products and the inclusion of the chassis units related to a 2005 acquisition, partially offset by decreases in sales of lower-end E-series and M-series products. Sales of higher-end chassis units increased as our customers continued to adopt and expand IP networks in order to reduce total operating costs and to be able to offer multiple services over a single network. Port shipment units increased from 2005 to 2006 primarily due to the increase in port demands driven by the larger expansion capacity in the higher-end chassis revenue units shipped during 2006, partially offset by the lower port capacity in the CTP-series chassis revenue units.

SLT Product Revenues

SLT product revenues accounted for 20.2% of total net revenues and increased $93.9 million, or 20%, to $573.8 million in 2007, compared to 2006. The revenue increase was due to sales increases across the majority of the SLT product families particularly the Firewall, SSL, WAN Optimization and J-series products. Our customers'

demands for SLT products grew due to their increasing focus on addressing the risks associated with connecting and delivering critical network services and business applications. The integrated systems introduced prior to 2007, such as the ISG and SSG firewall products, gained traction in the market place and generated additional revenue in 2007. The revenue increase from our SSL products was due to our deployments of SSL solutions to enterprises and governments who were seeking to enhance their remote access to data and applications. We experienced considerable improvement in revenue from our WAN Optimization application acceleration platforms as customers sought to boost the responsiveness of their networks. All three geographic regions had significant growth in SLT sales during 2007. We experienced a growing demand for our SLT products in both the enterprise and service provider markets as we focused on cross-selling more integrated products and solutions in the enterprise and service provider markets while leveraging partnerships with open standards based interoperability of our SLT products. In addition, we benefited from typical fourth-quarter seasonality. We generally experienced seasonality and fluctuations in the demand for our SLT products, which may result in greater variations in our quarterly revenue.

In January 2008, we announced a plan to phase out our DX product line. These products will be supported until 2013. We do not expect this plan to have a material impact on our consolidated results of operations, cash flows, and financial condition.

SLT products accounted for $479.9 million, or 20.8%, of our total net revenues in 2006 and $399.4 million, or 19.3%, of total net revenues during 2005. SLT product net revenue increased $80.5 million, or 20%, from 2005 to 2006 due to a growing demand and brand recognition for our SLT products from large enterprises and the U.S. Federal Government. Sales increased across various SLT product families including Firewalls, IDP, J-series, DX, and SSL. In addition, the new products announced in 2006 and the DX and application acceleration products added to our portfolio through the various acquisitions in 2005 contributed to this increase. In addition, we experienced success in cross-selling SLT products to service providers for both their own IT infrastructure and resale built upon the acquisitions we completed in 2005. A further part of the increase was due to successfully selling to much larger enterprise customers with increased footprint and complexity.

The following table shows SLT revenue units recognized:

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	Unit Change	% Change	2006	2005	Unit Change	% Change
Service Layer Technologies units	239,021	183,575	55,446	30%	183,575	170,181	13,394	8%

SLT product units increased in 2007 as compared to 2006 primarily attributable to the growing demand for our SLT products in the market place. The 30% increase in the number of SLT units was greater than the revenue increase of 20% primarily due to the increased revenue from sales of our branch firewall products, which have lower average selling price than other SLT products. SLT product units increased 8% while SLT product revenue increased 20% in 2006 as compared to 2005 primarily due to sales of high-end firewalls.

Net Service Revenues

Net service revenues increased $98.8 million, or 24%, to $509.1 million in 2007, compared to 2006, and represent 18.0% of net revenues. The growth in service revenue was primarily driven by increased technical support service contracts associated with higher Infrastructure and SLT product sales, which have resulted in increased renewals and a larger installed base of equipment being serviced. Installed base is calculated by each customer based on the number of systems that the customers has under maintenance. A majority of our service revenue is earned from customers who purchase our products and enter into maintenance contracts that are generally for one-year renewable periods. We also have multi-year maintenance contracts. These contracts are typically for services such as 24-hour customer support, non-specified updates and hardware repairs. We recognize revenue from service contracts as the services are completed or ratably over the period of the obligation. In addition to support services and professional services, we also provide educational services. Consistent with 2006, support service revenues represents 89% of net service revenues in 2007. To a lesser extent, professional services also contributed to the growth in net service revenues in 2007. Professional service revenue increased primarily due to large customer deployments requiring consulting services.

Net service revenues increased $117.3 million, or 40%, from 2005 to 2006 primarily due to the growth in support services driven by an increase in the installed base that we are servicing, as well as increased attach rates on new product sales, improved enterprise service infrastructure allowing more rapid implementation of services and the addition of new professional service offerings. Professional service revenue also increased, to a lesser extent, in 2006 compared to 2005 due primarily to maintenance-related on-site engineering services as well as additional consulting projects in 2006.

Total Net Revenues by Geographic Region

The following table shows total net revenues by geographic region (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	**2006***	**$ Change**	**% Change**	**2006***	**2005***	**$ Change**	**% Change**
Americas:								
United States	$1,215.8	$ 950.3	$265.5	28%	$ 950.3	$ 879.0	$ 71.3	8%
Other	124.7	83.0	41.7	50%	83.0	53.9	29.1	54%
Total Americas	1,340.5	1,033.3	307.2	30%	1,033.3	932.9	100.4	11%
Percentage of net revenues	*47.3%*	*44.8%*			*44.8%*	*45.2%*		
Europe, Middle East and Africa	918.0	817.4	100.6	12%	817.4	610.1	207.3	34%
Percentage of net revenue	*32.4%*	*35.5%*			*35.5%*	*29.6%*		
Asia Pacific	577.6	452.9	124.7	28%	452.9	521.0	(68.1)	13%
Percentage of net revenues:	*20.3%*	*19.7%*			*19.7%*	*25.2%*		
Total	$2,836.1	$2,303.6	$532.5	23%	$2,303.6	$2,064.0	$239.6	12%

* Prior year information has been reclassified to conform to the current period presentation.

We continue to experience varying distribution of revenue among our three geographic regions for the three years ended December 31, 2007 and we expect this trend to continue.

Net revenues in the Americas region increased $307.2 million, or 30%, to $1,340.5 million in 2007 as compared to 2006. The Americas region represented 47.3% of net revenues in 2007, an increase of 2.5 percentage points over 2006. The increases were largely due to strength in the United States and in Latin America. Net revenue from the United States increased $265.5 million in 2007 compared to 2006, primarily due to revenue growth in the Infrastructure product segment from our service provider and internet content provider customers and, to a lesser extent, SLT product and Service segments. Net revenues from Latin America increased $39.1 million in 2007, compared to 2006, primarily due to strength in Brazil driven by sales to a major local carrier. Total 2006 revenue recorded by the Americas region grew by $100.4 million from its 2005 level and remained at approximately 45% of worldwide revenue, as compared to 2005, due to significant success in the United States and with the main service providers in Canada and various South American countries including Brazil and Argentina. Net revenue in the United States increased by $71.3 million in 2006 from 2005 due to continued success both with enterprise customers such as the U.S. Federal Government, as well as with major service providers in the United States. The increase was also due in part to sales to major internet content providers and cable providers. This success was partially offset by a significant product revenue deferral for products shipped to one of our largest customers. Net revenue in Americas as a percentage of total net revenue decreased slightly in 2006 compared to 2005 as a result of the strong growth in EMEA.

Net revenue in the EMEA region increased $100.6 million, or 12%, to $918.0 million in 2007, compared to 2006, due to increased Infrastructure product and SLT product revenues along with increased service revenue driven by strong bandwidth demands in the region. Revenue increased in Belgium, Ireland, United Kingdom, and France,

partially offset by a decrease in the Netherlands as well as revenue growth in the emerging markets such as Eastern Europe and the Middle East. Net revenue from EMEA as a percentage of net revenues decreased 3.1 percentage points to 32.4% in 2007 over 2006 primarily due to relative strength in the Americas region. Revenue in the EMEA region grew by $207.3 million, or 34%, in 2006, compared to 2005, due to significant success with NGN deployments across the region, in particular Sweden, the Netherlands, France, and Germany, as well as sales growth in emerging regions including Russia, Eastern Europe and the Middle East. As a result, net revenue from EMEA as a percentage of net revenues increased 5.9 percentage points to 35.5% in 2006 over 2005.

Net revenue in the Asia Pacific region increased $124.7 million, or 28%, to $577.6 million in 2007, compared to 2006, due to increased revenue from Infrastructure products, SLT products and Service driven by demands from service providers as well as enterprise customers resulting from cross-selling of our product portfolio. We experienced revenue growth across the region with strength in Korea, Australia, Malaysia, India and Indonesia. Revenue from the Asia Pacific region declined $68.1 million, or 13%, in 2006 as compared to 2005 primarily due to the impact of certain NGN project decision delays in Japan driving revenue down year over year, partially offset by increased demands in China.

NSN accounted for greater than 10% of our net product and service revenues for the years ended December 31, 2007, 2006, and 2005. We expect that our largest customers, as well as key strategic partners, will continue to account for a substantial portion of our net revenues in 2008.

Cost of Revenues

The following table shows cost of product and service revenues and the related gross margin ("GM") percentages (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	**2006**	**$ Change**	**% Change**	**2006**	**2005**	**$ Change**	**% Change**
Cost of revenues:								
Product	$676.2	$555.1	$121.1	22%	$555.1	$506.3	$ 48.8	10%
GM percentage of revenue	*70.9%*	*70.7%*			*70.7%*	*71.4%*		
Service	251.4	199.2	52.2	26%	199.2	147.2	52.0	35%
GM percentage of revenue	*50.6%*	*51.4%*			*51.4%*	*49.8%*		
Total cost of revenues	$927.6	$754.3	$173.3	23%	$754.3	$653.5	$100.8	15%
GM percentage of revenue	67.3%	67.3%			67.3%	68.3%		

Cost of Product Revenues

Product gross margin improved from 70.7% in 2006 to 70.9% in 2007. The slight increase in product gross margin was mainly due to favorable product mix and, to a lesser extent, improvements in standard costs of our Infrastructure products, partially offset by a slight decrease in our SLT product gross margin. The improvement of standard costs as a percentage of product revenue was primarily due to our increased purchases from contract manufacturers and suppliers in lower cost regions. As of December 31, 2007 and 2006, we employed 190 and 149 people, respectively, in our manufacturing and operations organization. These personnel manage relationships with our contract manufacturers, manage our supply chain, and monitor product testing and quality.

Infrastructure product gross margin percentages improved slightly in 2007 compared to 2006. Our Infrastructure chassis revenue units increased 10% while our Infrastructure ports shipped increased 41% during 2007, on a year-over-year basis, compared to the Infrastructure product revenues increase of 24% for the year. We experienced a favorable product mix and derived a larger portion of revenues from richly configured high-end M-series and T-series router products. We also generated revenues from high-margin port shipments, which are add-on components to the chassis routers. The increases in chassis units and port shipments were driven by bandwidth demand as customers are seeking to expand capabilities in their networks and to offer differentiating feature-rich multi-play services that allow them to generate new revenue sources. See further details in the "Infrastructure Product Revenues" section.

The gross margin improvement from Infrastructure products was offset by a slight decrease in our SLT product gross margin in 2007. The decrease in SLT product gross margin was primarily due to product mix, particularly from an increase in the mix of lower margin branch Firewall and J-series products in 2007. In addition, higher manufacturing costs associated with newer and more complex products were also impacting SLT gross margin. The higher manufacturing costs were partially offset as we realized the benefit of our cost-reduction efforts of moving more manufacturing to lower cost regions. See further details in the "SLT Product Revenues" section.

Cost of product revenues increased $48.8 million, or 10%, in 2006 as compared to 2005. The increase was primarily attributable to increased product revenue in both the enterprise and service provider markets. Net product gross margin of 70.7% for 2006 slightly decreased, compared to 71.4% for 2005, primarily due to the impact of the mix of products and the mix of territories, partially offset by reduced manufacturing costs. As of December 31, 2006 and 2005, we employed 149 and 134 people, respectively, in our manufacturing and operations organization. The increase in stock compensation expense in cost of product revenue from 2005 to 2006 of $0.9 million was primarily due to the impact of adopting FAS 123R on January 1, 2006.

Product gross margins tend to fluctuate due to changes in the mix of products sold and our gross margins may be impacted as we introduce new products and manage production costs among multiple contract manufacturers or when our customers change the timing of their purchases. We will continue to seek reductions in our production costs as we enter into new markets, including markets with different pricing structures and cost structures. Our margins are impacted by changes in distribution channels and price competition as well as changes in the geographic mix of our sales. Sales discounts, warranty costs, changes in shipment volume, loss of cost savings due to changes in component pricing also impact gross margins. These factors, combined with how well we execute on our strategy and operating plans, may lead to margin variability.

Cost of Service Revenues

Cost of service revenues increased $52.2 million, or 26%, to $251.4 million in 2007 as compared to 2006. Service gross margin decreased by less than one percentage point to 50.6% in 2007 as compared to 2006. The increase in service costs and the decrease in gross margin were primarily attributable to increases in headcount related expenses associated with expanding our service delivery infrastructure and professional service organization, particularly in North America and in India, as well as increasing our resources for supporting network build-outs and deployments by our customers. Service related headcount increased by 137 employees, or 22%, to 748 employees in 2007, compared to 611 in 2006. Employee salary and related expenses, including stock-based compensation expense, represented the majority of the increases in cost of service revenues in 2007. Total employee salary and related expenses as a percentage of service revenues were approximately 25% for 2007 and 20% for 2006. Outside service expense increased as we used outside providers to support the increase in customer support contracts and professional engagements. Freight related expense increased due to the deployment of spare parts in supporting our growth overseas. Facility and IT expenses allocation to the cost of service revenues increased in 2007, which is consistent with other areas of our organization, due to our headcount growth and investment in internal infrastructure to support our growing business. Partially offsetting the increases was a decrease in spares expense due to the large spares purchase we made in 2006.

Cost of service revenues increased $52.0 million, or 35%, to $199.2 million in 2006 as compared to 2005. The increase was a direct result of a larger installed base of products covered by service contracts. However, our service gross margin increased one percentage point from 2005 to 2006 as a result of improved efficiencies and economies of scale, which result in a better leveraged service organization. Total employee salary and related expenses as a percentage of service revenue were approximately 20% for 2006 and 20% for 2005; however, in absolute dollars, employee salary and related expenses increased from 2005 to 2006 primarily due to an investment in new customer service personnel, particularly to support our enterprise customers. Stock compensation expense in cost of service revenue also increased from 2005 to 2006 primarily due to the impact of adopting FAS 123R in 2006. In addition to personnel expenses, outside services costs increased from 2005 to 2006 primarily due to contracting for engineers to provide professional services revenue, particularly for the Middle East and other emerging markets. Spares and freight costs increased from 2005 to 2006 due to a significant investment in spares around the world to support the increase in customer contracts, particularly in the enterprise market. Finally, the costs associated with facilities,

depreciation and other expenses allocated to cost of service revenue increased from 2005 to 2006 due to increases in revenue and investment in infrastructure to support the growing business.

Research and Development, Sales and Marketing and General and Administrative Expenses

The table below highlights our operating expenses and operating income (loss) (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	$ Change	% Change	2006	2005	$ Change	% Change
Research and development	$ 623.0	$ 480.3	$ 142.7	30%	$ 480.3	$357.3	$ 123.0	34%
Sales and marketing	666.7	558.0	108.7	19%	558.0	441.6	116.4	26%
General and administrative	116.4	97.1	19.3	20%	97.1	75.0	22.1	29%
Amortization of purchased intangible assets	85.9	91.8	(5.9)	(6)%	91.8	85.2	6.6	8%
Impairment of goodwill and intangible assets	—	1,283.4	(1,283.4)	(100)%	1,283.4	5.9	1,277.5	N/M
In-process research and development	—	—	—	—	—	11.0	(11.0)	(100)%
Other charges, net	9.4	36.5	(27.1)	(74)%	36.5	(6.5)	43.0	N/M
Total operating expenses	$1,501.4	$2,547.1	$(1,045.7)	(41)%	$2,547.1	$969.5	$ 1,577.6	163%
Operating income (loss)	$ 407.1	$ (997.8)	$ 1,404.9	141%	$ (997.8)	$441.0	$(1,438.8)	N/M

N/M — Not meaningful.

The following table highlights our operating expenses and operating income (loss) as a percentage of net revenues:

	Years Ended December 31,		
	2007	2006	2005
Research and development	22.0%	20.8%	17.3%
Sales and marketing	23.5%	24.2%	21.4%
General and administrative	4.1%	4.2%	3.6%
Amortization of purchased intangible assets	3.0%	4.0%	4.1%
Impairment of goodwill and intangible assets	—	55.7%	0.3%
In-process research and development	—	—	0.6%
Other charges, net	0.3%	1.7%	(0.3)%
Total operating expenses	52.9%	110.6%	47.0%
Operating income (loss)	14.4%	(43.3)%	21.4%

Research and Development Expenses

Research and development expenses include:

- the costs of developing our products from components to prototypes to finished products,
- the costs for outside services such as certifications of new products, and
- expenditures associated with equipment used for testing.

Several components of our research and development effort require significant expenditures, such as the development of new components and the purchase of prototype equipment, the timing of which can cause quarterly variability in our expenses. We expense our research and development costs as they are incurred.

Research and development expense increased $142.7 million, or 30%, and increased 1.2 percentage points of net revenues in 2007 over 2006. The increase was largely due to our commitment to continue innovation of our

products. In particular in 2007, we continued the development of our Ethernet products, including the MX-series and our new EX-series Ethernet switching products introduced in January 2008, as well as the development of our new T1600 product, which was released in November 2007. Personnel related expenses, which comprise the majority of our research and development expenses, increased primarily due to headcount growth and merit-based salary increases in 2007. Research and development related headcount increased by 493 employees, or 24%, in 2007 to 2,563 employees as of December 31, 2007. Headcount increase was primarily due to additional hires in the engineering organization within the Infrastructure segment. In addition to personnel related expenses, we also increased prototype and lab equipment expenses in 2007 for the development of our new products. Additionally our allocated facilities and information technology, as well as depreciation expenses, for our research and development organization increased in 2007 due to increases in headcount from additional internal systems to support our growth. In general, we grew our engineering organizations to support product innovation, expand and improve our product portfolio and address growth opportunities in NGN bandwidth and features for our service provider and enterprise customers.

Research and development expenses increased $123.0 million, or 3.5 percentage points of net revenues, in 2006 over 2005 as a result of our focus on the development of a broader portfolio of networking products. The increase in absolute dollars was primarily due to increases in personnel related expenses, depreciation, facility related expenses, engineering and testing expenses, outside service expenses and equipment related expenses. The increases in personnel related expenses in 2006 were primarily due to additional hires in the engineering organization across the Infrastructure and SLT segments. Headcount increased 19% from 1,736 individuals to 2,070 individuals during 2006. The headcount increase was attributable to product innovation efforts in areas including router security and integration in order to capture potential future NGN infrastructure growth and other opportunities in the enterprise and the service provider markets. To a lesser extent, the increases in personnel expenses were attributable to merit-based salary increases beginning in April 2006. Facility, engineering and testing expense increased in 2006 to support our product innovation efforts. Outside service expenses increased in 2006 primarily due to additional consulting projects on developing future product roadmaps. The increase in stock compensation expense in research and development expenses from 2005 to 2006 of $24.0 million was primarily due to the impact of adopting FAS 123R in 2006. Our investment and expansion on our global research and development efforts were primarily in China and India.

We plan to increase our investment in research and development during 2008, compared to 2007, to further advance our competitive advantage. As a percentage of net revenues, we anticipate our research and development spending will decrease slightly in 2008.

Sales and Marketing Expenses

Sales and marketing expenses include costs for promoting our products and services, demonstration equipment and advertisements. These costs vary quarter-to-quarter depending on revenues, product launches and marketing initiatives. We have an extensive distribution channel in place that we use to target new customers and increase sales. We have made substantial investments in our distribution channel during 2007, 2006 and 2005.

Sales and marketing expenses increased $108.7 million, or 19%, to $666.7 million and represented 23.5% of total net revenues in 2007, compared to 24.2% in 2006. As a percentage of net revenue, sales and marketing expenses decreased slightly in 2007 due to our focus on increasing our operating margin and the efficiency of our sales activities. The increases in absolute dollars were primarily headcount related increases. Sales and marketing related headcount increased 272 employees, or 17%, in 2007 to 1,863 as of December 31, 2007 as we hired additional personnel across our Infrastructure and SLT organizations to support the larger product portfolio and to expand our presence in the enterprise marketplace. In addition, commission expenses increased primarily as a result of strong revenue growth. In 2007, we also increased consulting expenses to support our sales and marketing initiatives. Likewise our need and expenses for demonstration equipment has grown as we seek to capture new markets and release new products. As the sales and marketing organization grows, we have also grown our information technology and facilities to these organizations, accounting for the increases of related expense allocations in 2007 over 2006.

Sales and marketing expenses increased $116.4 million, or 26%, to $558.0 million in 2006 compared to 2005 and increased as a percent of total net revenues. The increases were primarily due to increases in personnel related expenses, facility related expenses, travel expenses, marketing related activities, and equipment related expenses. Personnel related expenses increased in 2006 primarily due to additional hires to support the expansion of our distribution channels and customer base, as well as to support the larger portfolio of products. In particular, we expanded our enterprise sales force, and targeted key growth areas such as China, the Middle East and India. We added 171 individuals to our sales and marketing function during 2006. Travel expense increased in 2006 due primarily to increased headcount and more activity in emerging markets. Marketing related activities increased primarily as a result of specific activities designed to expand and improve our brand recognition, support of our distribution channels, introduction of new products, targeted solution value propositions and increase awareness of our existing products to a broader range of customers. Equipment related expenses increased in 2006 due to the introduction of new products. The increase in stock compensation expenses in sales and marketing from 2005 to 2006 of $24.5 million was primarily due to the impact of adopting FAS 123R in 2006.

We plan to continue our investment in sales and marketing activities in both direct and channel sales as well as our service provider and enterprise focus. We anticipate our sales and marketing expenses to increase in absolute dollars but decrease as a percentage of net revenues in 2008.

General and Administrative Expenses

General and administrative expenses include professional fees, bad debt provisions and other corporate expenses. Professional fees include legal, audit, tax, accounting and certain corporate strategic services.

General and administrative expenses increased $19.3 million, or 20%, and represented 4.1% of total net revenues in 2007, compared to 4.2% in 2006. As a percentage of net revenue, general and administrative expenses slightly decreased in 2007 due to our focus on increasing our operating margin. The increases in absolute dollars were primarily due to increases in personnel related expenses and outside professional services. Employee related expenses, including salaries, bonuses, stock-based compensation, and fringe benefits expenses, increased in 2007 over 2006, as headcount increased by 56 employees, or 24%, in 2007 to 291 employees as of December 31, 2007. The headcount increases were primarily in the finance and human resources organizations as we expanded our organization infrastructure in lower cost regions, improved internal processes and continued our initiatives to update our information systems. Outside services increased $4.5 million in 2007, compared to 2006, as we invested in designing a more efficient organizational structure and improving our internal systems. Such increases were offset by the decreases in accounting and legal fees of $1.5 million for 2007, compared to 2006. Consistent with other areas of our organization, facilities and information technology allocations increased in order to support these initiatives and the growth of our business.

General and administrative expenses increased $22.1 million, or 29%, in 2006 compared to 2005. As a percentage of net revenues, general and administrative expenses increased slightly from 3.6% in 2005 to 4.2% in 2006. The increases were driven by increases in personnel related expenses and other related expenses. General and administrative world-wide headcount increased 11%, or 24 individuals, during 2006, to support the overall growth in the business. Bad debt expense increased in 2006 primarily due to a bad debt expense benefit in 2005. Facility and IT related allocation expense increased as a result of our personnel growth and development of our systems infrastructure. The increase of general and administrative related stock compensation expense from 2005 to 2006 of $11.8 million was primarily due to the impact of adopting FAS 123R in 2006.

We anticipate our general and administrative expenses to increase in absolute dollars but decrease as a percentage of net revenues in 2008.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets decreased $5.9 million due to purchased intangible assets reaching the end of the amortization period during 2007 as compared to 2006. Amortization of purchased intangible assets increased $6.6 million in 2006, compared to 2005, as a result of recognizing a full year of amortization associated with the five acquisitions completed in 2005. See Note 3 in Item 8 for more information on our purchased intangible assets.

Impairment of Goodwill and Purchased Intangible Assets

We had no impairment against our goodwill or intangible assets in 2007. Impairment charges increased by $1,277.5 million in 2006, compared to 2005, as a result of the impairment of both goodwill and purchased intangible assets during 2006. Due primarily to the decline in the Company's market capitalization that occurred over a period of approximately six months prior to the impairment review and, to a lesser extent, to a decrease in the forecasted future cash flows used in the income approach, we evaluated the carrying value of our goodwill and reduced the goodwill within the SLT segment by $1,280.0 million. In addition, we recorded a $3.4 million impairment expense pertaining to a write-down of intangible assets as a result of a decrease in forecasted revenue for the SBC stand-alone products during the second quarter of 2006. In 2005, we wrote down $5.9 million of purchased intangible assets acquired from Kagoor Networks, Inc. ("Kagoor"). See Note 3 in Item 8 for more information on our impairment of goodwill and purchased intangible assets.

In-Process Research and Development

We had no in-process research and development ("IPR&D") charges in 2007 and 2006. In 2005, a total of $11.0 million was charged to IPR&D expense in connection with three of our five acquisitions during the year. Of the total Funk purchase price, $5.3 million was allocated to IPR&D. Of the total Peribit purchase price, $3.8 million was allocated to IPR&D. Of the total Kagoor purchase price, $1.9 million was allocated to IPR&D. None of the Acorn Packet Solutions, Inc. ("Acorn") or Redline Networks, Inc. ("Redline") purchase prices were allocated to IPR&D.

Projects that qualify as IPR&D represent those that have not yet reached technological feasibility and which have no alternative future use. Technological feasibility is defined as being equivalent to a beta-phase working prototype in which there is no remaining risk relating to the development. At the time of acquisition, Funk, Peribit, and Kagoor had multiple IPR&D efforts under way for certain current and future product lines.

- For Funk, these efforts included development of new versions for the Steel-Belted Radius ("SBR"), SBR High Availability ("HA"), and Mobile IP Module ("MIM") II products — all related to the Radius product offering. IPR&D as of the acquisition date also included development of new versions for Endpoint Assurance, Proxy (Remote Control), and Odyssey product families. At the time of the Funk acquisition, it was estimated that these development efforts would be completed over the next four months at an estimated cost of approximately $0.9 million. These development efforts had been completed as of December 31, 2007.
- For Peribit, these efforts included the development of next versions of software for the Sequence Reducer ("SR") family, Sequence Mirror ("SM") family, the Central Management System ("CMS") products, as well as a hardware program for both the SR and SM families. At the time of the Peribit acquisition, it was estimated that these development efforts would be completed over the next twelve months at an estimated cost of approximately $2.3 million. These development efforts had been completed as of December 31, 2007.
- For Kagoor, these efforts included a variety of signaling protocols and next generation products and operating systems. At the time of the Kagoor acquisition, it was estimated that these development efforts would be completed over the next eight months at an estimated cost of approximately $0.8 million. These development efforts had been completed as of December 31, 2007.

Other Charges, Net

Other charges are summarized as follows:

- *Restructuring and Acquisition Related Reserves.* In 2007, we recorded net restructuring and acquisition related charges of $0.7 million, of which $1.1 million pertained to bonus accruals associated with past acquisitions, partially offset by a benefit of $0.4 million pertaining to net restructuring adjustments. We recorded net restructuring and acquisition related bonus expenses of $5.9 million in 2006, of which $5.6 million was due to bonus accruals associated with the Funk and Acorn acquisitions and $0.3 million was due to net restructuring related charges, including $0.7 million in restructuring charges associated with

the initiation of a restructuring plan which focused on some product development costs reductions and the discontinuation of our SBC product. The $6.5 million restructuring and acquisition related benefit in 2005 primarily consisted of $6.9 million in adjustments related to our restructuring accrual when we re-occupied a portion of the former NetScreen facility that was previously included in this acquisition related restructuring reserve, partially offset by a $0.3 million bonus and earn-out accrual related to the Funk and Acorn acquisitions.

- *Stock Option Investigation Costs.* We recorded expenses of $6.0 million and $20.5 million in 2007 and 2006, respectively, relating to professional fees and other costs in connection with our stock option investigation. There were no such charges in 2005.

- *Stock Option Amendment and Tax Related Charges.* We recorded $8.0 million and $10.1 million in operating expense during 2007 and 2006, respectively, in relation to the amendment of stock options and to the payment of certain taxes and penalties associated with stock option exercises by employees. There were no such charges in 2005.

- *Net Settlement Gain.* We recognized a net legal settlement gain of $5.3 million in 2007 in connection with cash settlement proceeds of $6.2 million, net of the $0.9 million legal expense related to direct transaction costs incurred in the third quarter of 2007.

Other Income and Expenses

Interest and Other Income, Interest and Other Expense, Gain on Minority Equity Investment, and Income Tax Provision

The following table highlights other income, other expenses and income tax provision for the indicated periods (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	$ Change	% Change	2006	2005	$ Change	% Change
Interest and other income, net	$ 96.8	$100.7	$ (3.9)	(4)%	$100.7	$ 55.2	$ 45.5	82%
Percentage of net revenues	*3.4%*	*4.4%*			*4.4%*	*2.7%*		
Gain on and (write-down of) investments, net	6.7	—	6.7	100%	—	1.3	(1.3)	(100)%
Percentage of net revenues	*0.2%*	—			—	*0.1%*		
Income tax provision	149.8	104.4	45.4	43%	104.4	146.8	(42.4)	(29)%
Percentage of net revenues	*5.3%*	*4.5%*			*4.5%*	*7.1%*		

Interest and Other Income, Net

Net interest and other income decreased $3.9 million, or 4%, in 2007 compared to 2006. This decrease was due to decreases in interest income resulting from a lower cash, cash equivalents and investment balance attributable to our funding of our repurchase of approximately $1.6 billion of our common stock during the first and second quarters of 2007. Partially offsetting the decreases was the higher interest yield combined with a higher average cash, cash equivalents and investment balances particularly in the beginning of 2007, primarily due to higher positive cash flows from operations compared to 2006. Interest and other expenses slightly increased in 2007 compared to 2006, primarily due to costs associated with our distributor financing program. Other interest and expenses include short-term debt expenses, debt issuance cost amortization, foreign exchange losses and other expenses such as bank fees.

Net interest and other income increased $45.5 million in 2006 compared to 2005 primarily due to a $45.8 million increase in interest income from 2005 to 2006 as a result of higher cash, cash equivalents and investment balances and an increase in rates of return realized from our investments throughout 2006. Also, interest and other expense decreased $0.3 million from 2005 and 2006 primarily due to lower portfolio management fees.

Gain on and (Write-Down of) Investments, Net

In June 2007, one of the companies in which we had a minority equity investment completed an initial public offering ("IPO"). As a result, we realized a gain of $6.7 million during 2007 based upon the difference between the market value of our investment at the time of the IPO and our cost basis. During 2006, none of our investments had any gain or loss. In 2005, we recorded a gain of $1.7 million in connection with a business combination transaction of a privately held company in our investment portfolio. Our cost basis of this equity investment was $1.0 million. We have certain minority equity investments in privately held companies that are carried at cost, adjusted for any impairment, as we do not have a controlling interest and do not have the ability to exercise significant influence over these companies. In addition, during 2005, we wrote-down these investments by $0.4 million for changes in market value that we believed were other-than-temporary.

Income Tax Provision

Provision for income taxes increased to $149.8 million in 2007 from $104.4 million in 2006. The 2007 effective rate was 29.3% and differs from the federal statutory rate of 35.0% primarily due to the benefit of income in foreign jurisdictions which is subject to lower rates and research and development credits in the United States.

Provision for income taxes decreased to $104.4 million in 2006 from $146.8 million in 2005. The 2006 effective rate was (11.6%) and differs from the federal statutory rate of 35.0% primarily due to the inability to benefit from a substantial portion of the goodwill impairment charge recorded in 2006. The 2005 effective rate was 29.5% and differs from the federal statutory rate of 35.0% due primarily to the benefit of tax credits, income in foreign jurisdictions taxed at lower rates and a reduction in deferred tax liabilities related to the repatriation in 2005 of $225.0 million under the American Jobs Creation Act of 2004.

The gross unrecognized tax benefits increased by approximately $9.5 million for 2007, of which $8.4 million, if recognized, would affect the effective tax rate. Interest and penalties accrued for the same period were approximately $1.7 million.

It is reasonably possible that the amount of the liability for unrecognized tax benefits may change within the next 12 months due to audit examinations. However, an estimate of the range of possible change cannot be made at this time due to the high uncertainty of the resolution of and/or closure on open audits.

We are currently under examination by the IRS for the 2004 tax year and by the German tax authorities for the 2005 tax year. Additionally, we have not reached a final resolution with the IRS on an adjustment it proposed for the 1999 and 2000 tax years. We are not under examination by any other major jurisdictions in which the Company files its income tax returns as of December 31, 2007. It is possible that the amount of the liability for unrecognized tax benefits may change within the next 12 months. However, an estimate of the range of possible change cannot be made at this time. We have provided for uncertain tax positions that require a FIN 48 liability.

Additional details related to our income tax provision can be found in Note 13 of Notes to the Consolidated Financial Statements.

Segment Information

A description of the products and services for each segment can be found in Note 11 to the Consolidated Financial Statements. We began to track financial information by our three segments in 2005 as our management structure and responsibilities began to measure the business based on management operating income (loss). A description of the measures included in management operating income (loss) can also be found in Note 11 to the Consolidated Financial Statements. We have included segment financial data for each of the three years in the period ended December 31, 2007 for comparative purposes.

Financial information for each segment used by management to make financial decisions and allocate resources is as follows (in millions, except percentages):

	Years Ended December 31,				Years Ended December 31,			
	2007	2006	$ Change	% Change	2006	2005	$ Change	% Change
Net revenues:								
Infrastructure	$1,753.2	$ 1,413.4	$ 339.8	24%	$ 1,413.4	$1,371.6	$ 41.8	3%
Service Layer Technologies	573.8	479.9	93.9	20%	479.9	399.4	80.5	20%
Service	509.1	410.3	98.8	24%	410.3	293.0	117.3	40%
Total net revenues	$2,836.1	$ 2,303.6	$ 532.5	23%	$ 2,303.6	$2,064.0	$ 239.6	12%
Management operating income (loss)(1):								
Infrastructure	$ 495.5	$ 420.9	$ 74.6	18%	$ 420.9	$ 489.2	$ (68.3)	(14)%
Service Layer Technologies	(18.3)	(11.3)	(7.0)	(62)%	(11.3)	10.4	(21.7)	(209)%
Service	126.4	101.5	24.9	25%	101.5	72.2	29.3	41%
Total management operating income	603.6	511.1	92.5	18%	511.1	571.8	(60.7)	(11)%
Amortization of purchased intangible assets	(91.4)	(97.3)	5.9	(6)%	(97.3)	(85.2)	(12.1)	14%
Stock based compensation expense	(88.0)	(87.6)	(0.4)	—	(87.6)	(22.3)	(65.3)	N/M
Stock based compensation related payroll tax	(7.7)	(2.7)	(5.0)	185%	(2.7)	(2.9)	0.2	(10)%
Impairment of goodwill and intangible assets	—	(1,283.4)	1,283.4	(100)%	(1,283.4)	(5.9)	(1,277.5)	N/M
In-process research and development	—	—	—	—	—	(11.0)	11.0	(100)%
Other expense, net(2)	(9.4)	(37.9)	28.5	(75)%	(37.9)	(3.5)	(34.4)	N/M
Total operating income (loss)	407.1	(997.8)	1,404.9	141%	(997.8)	441.0	(1,438.8)	N/M
Interest and other income, net	96.8	100.7	(3.9)	(4)%	100.7	55.2	45.5	82%
Gain on (write-down of) investments, net	6.7	—	6.7	100%	—	1.3	(1.3)	(100)%
Income (loss) before income taxes	$ 510.6	$ (897.1)	$1,407.7	157%	$ (897.1)	$ 497.5	$(1,394.6)	N/M

(1) Prior year information has been reclassified to conform to our current year presentation.

(2) Other expense, net, for 2007 included charges such as restructuring, acquisition related charges, stock option investigation costs, as well as stock amendment and tax related charges. Other expense, net, for 2006 included charges such as restructuring, acquisition related charges, stock option investigation costs and tax related charges, as well as certain restructuring charges in cost of product revenues. Other expense, net, for 2005 included charges such as restructuring, acquisition related charges and patent related charges.

The following table shows financial information for each segment as a percentage of total net revenues:

	Years Ended December 31,		
	2007	2006	2005
Net revenues:			
Infrastructure	61.8%	61.4%	66.5%
Service Layer Technologies	20.2%	20.8%	19.3%
Service	18.0%	17.8%	14.2%
Total net revenues	100.0%	100.0%	100.0%
Management operating income (loss):			
Infrastructure	17.4%	18.3%	23.7%
Service Layer Technologies	(0.6)%	(0.5)%	0.5%
Service	4.5%	4.4%	3.5%
Total management operating income	21.3%	22.2%	27.7%
Amortization of purchased intangible assets	(3.2)%	(4.2)%	(4.1)%
Stock-based compensation expense	(3.1)%	(3.8)%	(1.1)%
Stock-based compensation related payroll expense	(0.3)%	(0.1)%	(0.1)%
Impairment of goodwill and intangible assets	—	(55.7)%	(0.3)%
In-process research and development	—	—	(0.6)%
Other expense, net	(0.3)%	(1.7)%	(0.1)%
Total operating income (loss)	14.4%	(43.3)%	21.4%
Interest and other income, net	3.4%	4.4%	2.7%
Gain on minority equity investment	0.2%	—	—
Income (loss) before income taxes	18.0%	(38.9)%	24.1%

Infrastructure Operating Segment

An analysis of the change in revenue for the Infrastructure segment, and the change in units, can be found above in the section titled "Net Revenues."

Infrastructure management operating income increased $74.6 million, or 18%, from 2006 to $495.5 million in 2007 due to revenue growth outpacing expense growth. Our increase in revenue was partially offset by our continued investments in research and development efforts as we seek to continue our innovation of products and expand our Infrastructure product portfolio. We also allocate sales and marketing, general and administrative, as well as facility and information technology expenses to the Infrastructure segment generally based on headcount and revenue. In 2007, our sales and marketing expenses decreased slightly as a percentage of net revenues but increased in absolute dollars as we increased our efforts to reach enterprise and service provider customers. We will continue to make these investments to expand our product features and functionality based upon the trends in the market place.

Infrastructure management operating income decreased $68.3 million, or 14%, from 2005 to $420.9 million in 2006 primarily due to higher personnel related costs associated with our investments in product innovation for next generation core and edge infrastructure products as well as increased operating expenses associated with marketing related efforts and improvements to our internal infrastructure, partially offset by savings in sales expense during 2006 as we increasingly leveraged our existing distribution channel.

SLT Operating Segment

An analysis of the change in revenue for the SLT segment, and the change in units, can be found in the section titled "Net Revenues."

SLT management operating loss increased $7.0 million, or 62%, from 2006 to $18.3 million in 2007 due to product mix and increases in manufacturing related costs. The loss was primarily due to our effort to build a foundation to help enable future SLT revenue growth and due to slight decreases in the SLT product gross margins. The increase in SLT operating expenses was due in large part to our increased allocated expenses to the SLT segment from both information technology investments and the higher variable compensation expenses associated with company-wide revenue growth. Additionally, we strategically invested in our research and development efforts to develop technologies and products for the JUNOS platform. In an effort to control costs, we have moved a significant portion of the SLT development organization to lower cost regions while expanding our product portfolio. SLT management operating loss was also impacted by continued investments in our sales and distribution channels. We allocate sales and marketing, general and administrative, as well as facility and information technology expenses to the SLT segment generally based on revenue and headcount. In the third quarter of 2007, we increased our allocation of such expenses to the SLT segment, compared to the same period in 2006, primarily due to information technology investments and the higher variable compensation expenses associated with company-wide revenue increases. SLT gross margin decreased slightly in 2007, as compared to 2006, due to higher manufacturing costs associated with newer and more complex products. Such higher manufacturing costs were partially offset as we realized the benefit of our cost-reduction efforts of moving more manufacturing to lower cost regions. The increases in SLT operating expenses were partially offset by our revenue growth especially in the fourth quarter of 2007 due to customers' demands for security products, particularly Firewall, and due to typical quarterly seasonality. We generally experienced quarterly seasonality and fluctuations in the demand for our SLT products, particularly in the fourth quarter, which may result in greater variations in our quarterly operating results.

The SLT segment incurred a management operating loss of $11.3 million in 2006, compared to the management operating income of $10.4 million in 2005, due primarily to higher product and personnel related costs, partially offset by higher SLT net revenues and gross margin. Increases in personnel related costs were primarily related to headcount growth in order to support product innovation, new products sales and a larger customer base. We made a strategic decision to invest more into the enterprise and SLT markets to drive increased revenues and SLT productivity in the future.

Service Operating Segment

An analysis of the change in revenue for the Service segment can be found above in the section titled "Net Revenue."

Service management operating income increased $24.9 million, or 25%, from 2006 to $126.4 million in 2007 by achieving economies of scale and cost control initiatives. Revenue growth surpassed cost of service expense growth in 2007 primarily due to our growth in installed base of equipment being serviced. We also increased our service offerings and customer service infrastructure. Our Service gross margin slightly decreased from 2006 to 2007 as we increased our headcount to build our global customer service and professional service organizations. We expanded our customer service center in both North America and India as well as increased our resources for supporting network build-outs and deployments by our customers. Service management operating income was also impacted by sales and marketing, general and administrative expenses as well as facilities and information systems management allocations to the service segment.

Service gross margin percentages as well as Service management operating income increased from 2005 to 2006 due primarily to improved economies of scale achieved by faster revenue growth through the Infrastructure products and the SLT products relative to the increases in operating costs. In absolute dollars, employee related expenses increased in 2006 as a result of increased service related headcount from 476 to 611 individuals. Expenses associated with spare components also increased in 2006 to support increased demands driven by additional service contracts as a result of our growing installed base.

Stock-Based Compensation and Related Payroll Taxes

Stock-based compensation expense increased by $0.4 million in 2007 as compared to 2006. The increase was primarily attributable to new stock options and RSU grants, partially offset by the lower stock option expense in 2007 as a result of the acceleration of the vesting of certain unvested and "out-of-the-money" stock options

completed in December 2005 ("2005 stock option vesting acceleration"). Stock-based compensation related payroll tax expense increased $5.0 million in 2007. These expenses represent employment taxes we incurred in connection with our employee stock programs. Changes in such expenses are primarily attributable to the timing of the stock options exercises by our employees. We experienced a considerable increase in these expenses due to the increase in our share price occurring in 2007. In contrast, we had restrictions on stock option exercises during 2006.

Stock-based compensation expense increased by $65.3 million in 2006 as compared to 2005 primarily due to the adoption of FAS 123R. Stock-based compensation related payroll tax expense decreased $0.2 million in 2006, compared to 2005 primarily due to restrictions on stock option exercises in 2006 as a result of our delayed periodic filings with the SEC.

In-Process Research and Development

There were no IPR&D charges in 2007 and 2006. We recognized IPR&D charges of $11.0 million 2005 in connection with the acquisitions completed during the year.

Restructuring Charges in Cost of Product Revenues

There was no restructuring charges included in cost of product revenues during 2007 and 2005. We recognized restructuring charges in cost of product revenues of $1.4 million for 2006 in connection with the restructuring plan implemented during the year.

Amortization of Purchased Intangible Assets, Impairment of Goodwill and Intangible Assets, Other Expense, Gain on Investments, and Net Interest and Other Income

See "Results of Operations" section for further information.

Key Performance Measures

In addition to the financial metrics included in the consolidated financial statements, we use the following key performance measures to assess operating results:

	Years Ended December 31,		
	2007	**2006**	**2005**
Days sales outstanding (DSO)(a)	42	38	42
Book-to-bill ratio(b)	>1	>1	<1

(a) Days sales outstanding, or DSO, is calculated as the ratio of ending accounts receivable, net of allowances, divided by average daily net sales for the preceding 90 days.

(b) Book-to-bill ratio represents the ratio of customer orders divided by the sum of product shipments and service invoicing during the respective period.

Liquidity and Capital Resources

Overview

We have funded our business by issuing securities and through our operating activities. The following table shows our capital resources (in millions):

	December 31, 2007	December 31, 2006	$ Change	% Change
Working capital	$1,175.3	$1,759.2	$(583.9)	(33)%
Cash and cash equivalents	1,716.1	1,596.3	119.8	8%
Short-term investments	240.4	443.9	(203.5)	(46)%
Long-term investments	59.3	574.1	(514.8)	(90)%
Total cash, cash equivalents and available-for-sale investments	$2,015.8	$2,614.3	$(598.5)	(23)%

The significant components of our working capital are cash and cash equivalents, short-term investments and accounts receivable, reduced by accounts payable, accrued liabilities, debt and deferred revenue.

Working capital decreased $583.9 million from December 31, 2006 to December 31, 2007 primarily due to the decrease in cash, cash equivalents, and available-for-sale investments balance in the first and second quarters of 2007. Our total cash, cash equivalents, and available-for-sale investments decreased by $598.5 million during 2007 primarily due to stock repurchases under the 2006 Stock Repurchase Program discussed below. Additionally, because the debt related to our outstanding zero-coupon convertible notes is due within one year, we reclassified $399.5 million of debt underlying such notes from long-term to short-term liabilities and, as a result, further reduced our working capital. In 2007, we generated $786.5 million of cash from operations and $571.8 million from our investing activities. In addition, we received financing cash flows of $355.0 million from common stock issued to our employees through stock option exercises and employee stock purchase plan purchases. In 2007, we repurchased 69.4 million shares of our common stock for $1,623.2 million at an average purchase price of $23.37 per share. As of December 31, 2007, our 2006 Stock Repurchase Program had remaining authorized funds of $376.8 million. We may repurchase additional shares opportunistically under this program, subject to a review of circumstances at the time. See Note 15 in Item 8 for discussion of our stock repurchase activity in 2008.

In June 2007, we entered into a senior secured margin lending agreement with a third-party financial institution for a maximum credit facility of $400.0 million, or 90% of the fair market value of the underlying collateral, to establish a flexible draw down facility to fund additional stock repurchases, as necessary. This credit facility bore a floating interest rate equal to the three-month USD LIBOR plus 40 basis points per annum and, if utilized, would be secured by our publicly traded fixed income securities portfolio equivalent to 111% of any outstanding balance. This credit facility was terminated on September 26, 2007. We did not utilize this credit facility at any time.

Net accounts receivable increased $130.3 million, or 52%, to $379.8 million from December 31, 2006 to December 31, 2007 primarily due to an increase in revenue and shipment linearity. DSO was 42 days as of December 31, 2007 as compared to 38 days as of December 31, 2006. The increase in DSO was primarily a result of shipment linearity and the mix of customers we shipped to in the fourth quarter of 2007. Shipment linearity represents the rate at which products are shipped during a period. Our distributor financing program had minimal impact on DSO during 2007. Approximately $10.0 million of receivables sold under the distributor financing program had not been recognized in net revenues as of December 31, 2007 and therefore such amounts were recorded as debt financing in other accrued liabilities.

Deferred revenue increased $127.7 million or 33% to $513.3 million as of December 31, 2007 as compared to December 31, 2006. Product and service deferred revenue increased $43.2 million and $84.5 million, respectively, in 2007. Our product deferred revenue increased due to increases in the amount of product shipments not having met revenue recognition criteria and service deferred revenue increased due to an increase in the installed base of equipment under service contract.

Liquidity and capital resources may also be impacted by acquisitions and investments in strategic relationships we may make in the networking equipment and information security markets. If we were to repurchase additional shares of our common stock under our 2006 Stock Repurchase Program, our liquidity may be impacted. Additionally, a portion of our cash and investment balance is held overseas and may be subject to U.S. taxes if repatriated.

Based on past performance and current expectations, we believe that our existing cash and cash equivalents, short-term and long-term investments, together with cash generated from operations as well as cash generated from the exercise of employee stock options and purchases under our employee stock purchase plan will be sufficient to fund our operations, repayment of outstanding debt, and growth. We believe our working capital is sufficient to meet our liquidity requirements for capital expenditures, commitments, repurchases of our common stock, and other liquidity requirements associated with our existing operations through at least the next 12 months.

However, our future capital requirements may vary materially from those now planned depending on many factors, including:

- the overall levels of sales of our products and gross profit margins;
- our business, product, capital expenditure and research and development plans;
- the market acceptance of our products;
- repurchases of our common stock;
- issuance and repayment of debt;
- litigation expenses, settlements and judgments;
- volume price discounts and customer rebates;
- the levels of accounts receivable that we maintain;
- acquisitions of other businesses, assets, products or technologies;
- changes in our compensation policies;
- capital improvements for new and existing facilities;
- technological advances;
- our competitors' responses to our products;
- our relationships with suppliers and customers;
- expenses related to our future restructuring plans, if any;
- tax expense associated with stock-based awards;
- issuance of stock-based awards and the related payment in cash for withholding taxes in the current year and possibly during future years;
- the level of exercises of stock options and stock purchases under our equity incentive plans; and
- general economic conditions and specific conditions in our industry and markets, including the effects of international conflicts and related uncertainties.

Cash Requirements and Contractual Obligations

Our principal commitments primarily consist of obligations outstanding under the Zero Coupon Convertible Senior Notes due June 15, 2008 ("Senior Notes"), operating leases, purchase commitments, tax liabilities and other contractual obligations. The following table summarizes our principal contractual obligations as of December 31,

2007 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in millions):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
Operating leases, net of committed subleases(a)	$221.3	$ 49.0	$117.2	$43.6	$11.5	$ —
Senior Notes(b)	399.5	399.5	—	—	—	—
Purchase commitments(c)	102.8	102.8	—	—	—	—
Tax liabilities(d)	41.5	—				41.5
Other contractual obligations(e)	44.4	21.9	22.5	—	—	—
Total	$809.5	$573.2	$139.7	$43.6	$11.5	$41.5

(a) Our contractual obligations under operating leases primarily relate to our leased facilities under our non-cancelable operating leases. Rent payments are allocated to costs and operating expenses in our consolidated statements of operations. We occupy approximately 1.8 million square feet world wide under operating leases. The majority of our office space is in North America, including our corporate headquarters in Sunnyvale, California. Our longest lease expires in May 2016.

(b) Our principal commitment as of December 31, 2007 was our outstanding Senior Notes due June 15, 2008. The Senior Notes were issued in June 2003 and are senior unsecured obligations, rank on parity in right of payment with all of our existing and future senior unsecured debt, and rank senior to all of our existing and future debt that expressly provides that it is subordinated to the notes. The Senior Notes bear no interest, but are convertible into shares of our common stock, subject to certain conditions, at any time prior to maturity or their prior repurchase by Juniper Networks. The conversion rate is 49.6512 shares per each $1,000 principal amount of convertible notes, subject to adjustment in certain circumstances. This is equivalent to a conversion price of approximately $20.14 per share. The carrying value of the Senior Notes as of December 31, 2007 was $399.5 million, which was included in current liabilities as the debt is due in less than one year.

(c) In order to reduce manufacturing lead times and ensure adequate component supply, our contract manufacturers place non-cancelable, non-returnable ("NCNR") orders for components based on our build forecasts. As of December 31, 2007, there were NCNR component orders placed by our contract manufacturers with a value of $102.8 million. The contract manufacturers use the components to build products based on our forecasts and on purchase orders we have received from our customers. Generally, we do not own the components and title to the products transfers from the contract manufacturers to us and immediately to our customers upon delivery at a designated shipment location. If the components go unused or the products go unsold for specified periods of time, we may incur carrying charges or obsolete materials charges for components that our contract manufacturers purchased to build products to meet our forecast or customer orders. As of December 31, 2007, we had accrued $22.2 million based on our estimate of such charges.

(d) Tax liabilities include the long-term liabilities in the consolidated balance sheet for unrecognized tax positions. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes.

(e) Other contractual obligations consist of the escrow amount of $2.2 million and bonus accrual of $0.7 million in connection with past acquisitions, a software subscription requiring payments of $5.0 million in both January 2008 and January 2009 and a joint development agreement requiring quarterly payments of $3.5 million through January 2010.

Summary of Cash Flows

Operating Activities

Net cash provided by operating activities was $786.5 million, $755.6 million, and $642.9 million for 2007, 2006 and 2005, respectively. The cash provided by operating activities for each period was due to our net income (loss) adjusted by:

- Non-cash charges of $257.5 million, $1,536.4 million, and $307.4 million for 2007, 2006 and 2005, respectively, primarily related to depreciation and amortization expenses, stock-based compensation, tax benefit of employee stock option plans, in-process research and development from acquisitions, debt issuance costs, restructuring expense, and impairment charges. Non-cash charges in 2007 and 2006 were reduced by the excess tax benefit from stock-based compensation of $19.7 million and $9.7 million, respectively, and a gain on a minority equity investment of $6.7 million.

  Non-cash charges in 2006 also included charges of $1,283.4 million related to the impairment of goodwill and intangible assets. In 2005 non-cash charges included $128.1 million of tax benefit from employee stock options. Beginning in 2006, tax benefit from employee stock options, in accordance with FAS 123R, are no longer included in cash flows from operations but rather are included in financing activities. Non-cash charges in 2005 also included an in-process research and development charge, a benefit from the reversal of NetScreen's acquisition related liabilities and a loss due to the impairment of an equity investment, partially offset by gains associated with available-for-sale investments.

- Net changes in operating assets and liabilities of $168.2 million, $220.6 million, and $(15.1) million for 2007, 2006 and 2005, respectively, were generally generated in the normal course of business. These changes are highlighted as follows:

  - Net cash increases in 2007 were primarily attributable to increases in accounts payable of $34.9 million, an increase in accrued compensation of $48.3 million, an increase in taxes payable of $71.4 million and an increase in deferred revenue of $127.7 million. The increase in accounts payable was due to the timing of payments to contract manufacturers and the growth of our business. The increase in accrued compensation was due to an increase in headcount, an increase in stock option exercises and the removal of the suspension on employee purchases of shares under ESPP. The increase in taxes payable was due to the increase in the tax provision, movement of deferred tax assets, and timing of payments. The increase in deferred revenue was due to the growing installed base and customer payments in advance of product acceptance. In addition, these increases in cash flows from operations were partially offset by a negative cash flow of $120.9 million primarily due to an increase in net accounts receivable in 2007, which was primarily due to the timing of shipments and the mix of customers who purchased our products, as we shipped a larger amount of products late in the fourth quarter of 2007 and such invoices would not come due until after December 31, 2007.

  - Net cash increases in 2006 were primarily attributable to increases in deferred revenue of $132.8 million due to the growing installed base and customer payments in advance of product acceptance. The increase in operating cash flows was also due to the decreases in accounts receivable of $20.7 million and aggregate decreases in prepaid expenses, other current assets and other long-term assets of $23.0 million. Accounts payable increased $13.6 million and accrued compensation increased $12.7 million primarily due to the costs of headcount increases and related employee bonuses. Changes in taxes payable and other accrued liabilities contributed $18.3 million to cash flows from operations in 2006.

  - Net cash used in 2005 from changes was primarily attributable to increases in net accounts receivable of $68.1 million and decreases in other accrued liabilities of $100.7 million and accrued warranty of $3.7 million, partially offset by decreases in the prepaid expenses, other current assets and other long-term assets accounts of $5.3 million, increases in income taxes payable of $26.6 million, increases in deferred revenue of $64.3 million, increases in accounts payable of $50.3 million and increases in accrued compensation of $10.9 million.

Investing Activities

Net cash provided by investing activities was $571.8 million and $11.9 million for 2007 and 2006, respectively. Net cash used in investing activities was $583.7 million for 2005. Investing activities primarily included the purchases and sale or maturities of available-for-sale securities, the purchase and sale of equity investments, net cash used in acquisitions and capital expenditures.

Net sales and maturities of investments in available-for-sale securities were $1,029.1 million in 2007, compared to net sales and maturities of $632.1 million for 2006, as we used cash to fund our stock repurchase program described under the financing activities section below. Purchases of available-for-sale securities used $298.6 million in 2007 compared to $516.1 million in 2006 primarily due to the funding of our stock repurchase program and our investment strategy during 2007. Positive net cash flows of $115.9 million generated from the sales, maturities and purchases of available-for-sale securities in 2006 was primarily due to the increased cash and cash equivalent holdings as a result of higher short-term interest rates. Purchases and sales or maturities of available-for-sale securities used net cash of $131.0 million in 2005.

Capital expenditures increased $44.8 million to $146.9 million in 2007 and $3.9 million to $102.1 million in 2006 mainly to support new product developments and overseas expansions. Capital expenditures of $98.2 million in 2005 mainly used in support of new product developments, overseas expansions and business acquisitions. Cash flows related to restricted cash decreased by $27.9 million, from a cash inflow of $20.5 million in 2006 to a cash outflow of $7.4 million in 2007, primarily due to the funding to the D&O insurance trust to increase coverage due to the growth of our company. In 2005, we used cash of $309.9 million for the 2005 acquisitions, $34.8 million for restricted cash funding to escrow accounts in relation to the 2005 acquisitions, and $9.8 million for minority equity investment.

Financing Activities

Net cash used in financing activities was $1,238.5 million and $89.6 million for 2007 and 2006 respectively. In 2007 we repurchased 69.4 million shares of our common stock at an average price of $23.37 per share, or a total of $1,623.2 million. In 2006, we repurchased 10.1 million shares of our common stock at an average price of $18.51 per share, or a total of $186.4 million. In addition, cash was provided during both periods from the issuance of common stock related to employee option exercises and stock purchase plans for a total of $355.0 million and $87.1 million during 2007 and 2006, respectively. In 2007 and 2006, tax benefits of $19.7 million and $9.7 million, respectively, from tax deductions in excess of the expense recognized for employee stock options was presented as financing cash flows due to the adoption of FAS 123R, beginning on January 1, 2006. Tax deductions in excess of the expense recognized for employee stock options were included in operating cash flows in 2005 before the adoption of FAS 123R. Approximately $10.0 million of receivables sold under our distributor financing program had not been recognized as revenue as of December 31, 2007 and therefore such amounts were recorded as net borrowings under cash flows from financing activities.

Net cash provided by financing activities was $146.0 million in 2005 primarily due to common stock issued in relation to employee option exercises and purchases under our Employee Stock Purchase Plan.

Recent Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements in Item 8 of Part II for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated herein by reference.

ITEM 7A. *Quantitative and Qualitative Disclosure about Market Risk*

Interest Rate Risk

We maintain an investment portfolio of various holdings, types and maturities. In addition, a portion of our cash and marketable securities are held in non-U.S. domiciled countries. These securities are generally classified as available-for-sale and, consequently, are recorded on our consolidated balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss).

At any time, a rise in interest rates could have a material adverse impact on the fair value of our investment portfolio. Conversely, declines in interest rates could have a material impact on interest earnings of our investment portfolio. We do not currently hedge these interest rate exposures.

The following tables present hypothetical changes in fair value of the financial instruments held at December 31, 2007 and 2006 that are sensitive to changes in interest rates (in millions):

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points (BPS)			Fair Value as of December 31, 2007	Valuation of Securities Given an Interest Rate Increase of X BPS		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
Government treasury and agencies	$ 68.4	$ 68.1	$ 67.7	$ 67.4	$ 67.0	$ 66.7	$ 66.3
Corporate bonds and notes	108.3	107.5	106.7	105.9	105.1	104.3	103.5
Other	370.3	370.1	370.0	369.9	369.7	369.6	369.5
Total	$547.0	$545.7	$544.4	$543.2	$541.8	$540.6	$539.3

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points (BPS)			Fair Value as of December 31, 2006	Valuation of Securities Given an Interest Rate Increase of X BPS		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
Government treasury and agencies	$ 297.5	$ 296.0	$ 294.5	$ 293.0	$ 291.6	$ 290.1	$ 288.6
Corporate bonds and notes	520.4	517.7	515.0	512.3	509.6	506.8	504.1
Asset backed securities and other	333.9	333.4	332.9	332.4	331.9	331.4	331.0
Total	$1,151.8	$1,147.1	$1,142.4	$1,137.7	$1,133.1	$1,128.3	$1,123.7

These instruments are not leveraged and are held for purposes other than trading. The modeling technique used measures the changes in fair value arising from selected potential changes in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points (BPS), 100 BPS and 150 BPS, which are representative of the historical movements in the Federal Funds Rate.

Foreign Currency Risk and Foreign Exchange Forward Contracts

Periodically, we use derivatives to hedge against fluctuations in foreign exchange rates. We do not enter into derivatives for speculative or trading purposes.

We use foreign currency forward contracts to mitigate transaction gains and losses generated by certain foreign currency denominated monetary assets and liabilities. These derivatives are carried at fair value with changes recorded in other income (expense) in the same period as the changes in the fair value from the re-measurement of the underlying assets and liabilities. These foreign exchange contracts have maturities between one and two months.

Our sales and costs of revenues are primarily denominated in U.S. dollars. Our operating expenses are denominated in U.S. dollars as well as other foreign currencies including the British Pound, the Euro, Indian Rupee, and Japanese Yen. Periodically, we use foreign currency forward and/or option contracts to hedge certain forecasted foreign currency transactions relating to operating expenses. These derivatives are designated as cash flow hedges and have maturities of less than one year. The effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and, upon occurrence of the forecasted transaction, is subsequently reclassified into the consolidated statements of operations line item to which the hedged transaction relates. We record any ineffectiveness of the hedging instruments, which was immaterial during the years ended December 31, 2007, 2006 and 2005, respectively, in other income (expense) on our consolidated statements of operations. The increase in operating expenses including research and development, sales and marketing, as well as general and administrative expenses, due to foreign currency fluctuations, net of hedging, was approximately 2% in 2007.

Equity Price Risk

Our portfolio of publicly-traded equity securities is inherently exposed to equity price risk as the stock market fluctuates. We monitor our equity investments for impairment on a periodic basis. In the event that the carrying value of the equity investments exceeds its fair value, and we determine the decline in value to be other than temporary, we reduce the carrying value to its current fair value. We do not purchase our equity securities with the intent to use them for trading or speculative purposes. The aggregate fair value of our marketable equity securities was $8.6 million and $0.8 million as of December 31, 2007 and 2006, respectively. A hypothetical 30% adverse change in the stock prices of our portfolio of publicly-traded equity securities would result in an immaterial loss.

In addition to publicly-traded securities, we have also invested in privately-held companies. These investments are carried at cost. The aggregate cost of our investments in privately-held companies was $23.3 million and $20.4 million as of December 31, 2007 and 2006, respectively.

ITEM 8. ***Consolidated Financial Statements and Supplementary Data***

Management's Annual Report on Internal Control Over Financial Reporting

Juniper Networks Inc.'s management is responsible for establishing and maintaining adequate internal control over the company's financial reporting. We assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework.

Based on our assessment using those criteria, we concluded that, as of December 31, 2007, Juniper Networks Inc.'s internal control over financial reporting was effective.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting. Ernst & Young has issued an attestation report concurring with management's assessment, which is included on page 65 of this Form 10-K.

Please note that there are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Juniper Networks, Inc.

We have audited the accompanying consolidated balance sheets of Juniper Networks, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Juniper Networks, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

As discussed in Note 1 to the Consolidated Financial Statements, Juniper Networks, Inc. changed its method of accounting for stock-based compensation as of January 1, 2006, and its method of accounting for uncertain tax positions as of January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Juniper Networks, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
February 28, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Juniper Networks, Inc.

We have audited Juniper Network, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Juniper Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Juniper Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Juniper Networks, Inc. and our report dated February 28, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
February 28, 2008

Juniper Networks, Inc.

Consolidated Statements of Operations

	Years Ended December 31,		
	2007	2006	2005
	(In thousands, except per share amounts)		
Net revenues:			
Product	$2,326,983	$ 1,893,328	$1,770,988
Service	509,105	410,252	292,969
Total net revenues	2,836,088	2,303,580	2,063,957
Cost of revenues:			
Product	676,258	555,077	506,296
Service	251,380	199,213	147,161
Total cost of revenues	927,638	754,290	653,457
Gross margin	1,908,450	1,549,290	1,410,500
Operating expenses:			
Research and development	622,961	480,247	357,284
Sales and marketing	666,688	557,990	441,596
General and administrative	116,489	97,077	74,982
Amortization of purchased intangibles	85,896	91,823	85,174
Impairment of goodwill and intangibles	—	1,283,421	5,944
In-process research and development	—	—	11,000
Other charges, net	9,354	36,514	(6,526)
Total operating expenses	1,501,388	2,547,072	969,454
Operating income (loss)	407,062	(997,782)	441,046
Interest and other income, net	96,776	100,733	55,220
Gain on investments, net	6,745	—	1,250
Income (loss) before income taxes	510,583	(897,049)	497,516
Provision for income taxes	149,753	104,388	146,815
Net income (loss)	$ 360,830	$(1,001,437)	$ 350,701
Net income (loss) per share:			
Basic	$ 0.67	$ (1.76)	$ 0.63
Diluted	$ 0.62	$ (1.76)	$ 0.58
Shares used in computing net income (loss) per share:			
Basic	537,767	567,454	554,223
Diluted	579,145	567,454	600,189

See accompanying Notes Consolidated Financial Statements

Juniper Networks, Inc.

Consolidated Balance Sheets

	December 31,	
	2007	2006
	(In thousands, except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,716,110	$ 1,596,333
Short-term investments	240,355	443,910
Accounts receivable, net of allowance for doubtful accounts of $8,323 for 2007 and $7,255 for 2006	379,759	249,445
Deferred tax assets, net	171,598	179,989
Prepaid expenses and other current assets	47,293	52,129
Total current assets	2,555,115	2,521,806
Property and equipment, net	401,818	349,930
Long-term investments	59,329	574,061
Restricted cash	35,515	45,610
Goodwill	3,658,602	3,624,652
Purchased intangible assets, net	77,844	169,202
Long-term deferred tax assets, net	59,025	51,499
Other long-term assets	38,158	31,635
Total assets	$ 6,885,406	$ 7,368,395
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 219,101	$ 179,553
Accrued compensation	158,710	110,451
Accrued warranty	37,450	34,828
Deferred revenue	425,579	312,253
Income taxes payable	52,324	38,499
Convertible debt	399,496	—
Other accrued liabilities	87,183	87,033
Total current liabilities	1,379,843	762,617
Long-term deferred revenue	87,690	73,326
Long-term income tax payable	41,482	—
Other long-term liabilities	22,531	17,424
Long-term convertible debt	—	399,944
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, $0.00001 par value; 10,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.00001 par value, 1,000,000 shares authorized; 522,815 and 569,234 shares issued and outstanding at December 31, 2007 and 2006, respectively	5	6
Additional paid-in capital	8,154,932	7,646,047
Accumulated other comprehensive income	12,251	1,266
Accumulated deficit	(2,813,328)	(1,532,235)
Total stockholders' equity	5,353,860	6,115,084
Total liabilities and stockholders' equity	$ 6,885,406	$ 7,368,395

See accompanying Notes Consolidated Financial Statements

Juniper Networks, Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2007	2006	2005
		(In thousands)	
OPERATING ACTIVITIES:			
Net income (loss)	$ 360,830	$(1,001,437)	$ 350,701
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	193,166	173,490	138,904
Stock-based compensation	87,990	87,645	22,320
Non-cash portion of debt issuance costs and disposal of property and equipment	2,765	1,512	1,735
Restructuring, impairments, and special charges	—	1,283,421	5,620
In-process research and development	—	—	11,000
Gain on and write-down of investments	(6,745)	—	(364)
Tax benefit of employee stock option plans	—	—	128,140
Excess tax benefit from employee stock option plans	(19,686)	(9,650)	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(120,904)	20,745	(68,053)
Prepaid expenses, other current assets and other long-term assets	10,719	22,969	5,308
Accounts payable	34,938	13,644	50,310
Accrued compensation	48,259	12,712	10,901
Accrued warranty	2,622	(514)	(3,723)
Income taxes payable	71,403	8,934	26,566
Other accrued liabilities	(6,524)	9,367	(100,702)
Deferred revenue	127,690	132,766	64,280
Net cash provided by operating activities	786,523	755,604	642,943
INVESTING ACTIVITIES:			
Purchases of property and equipment	(146,858)	(102,093)	(98,192)
Purchases of available-for-sale investments	(298,615)	(516,144)	(936,031)
Maturities and sales of available-for-sale investments	1,029,081	632,075	805,047
(Decrease) increase in restricted cash	(7,407)	20,464	(34,848)
Minority equity investments	(4,075)	(7,274)	(9,823)
Payments made in connection with business acquisitions, net	(375)	(15,102)	(309,889)
Net cash provided by (used in) investing activities	571,751	11,926	(583,736)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	355,007	87,140	146,029
Retirement of common stock	(1,623,190)	(186,388)	(17)
Excess tax benefit from employee stock option plans	19,686	9,650	—
Net proceeds from distributor financing arrangement	10,000	—	—
Net cash (used in) provided by financing activities	(1,238,497)	(89,598)	146,012
Net increase in cash and cash equivalents	119,777	677,932	205,219
Cash and cash equivalents at beginning of period	1,596,333	918,401	713,182
Cash and cash equivalents at end of period	$ 1,716,110	$ 1,596,333	$ 918,401
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 1,495	$ —	$ —
Cash paid for taxes	57,856	64,005	27,764
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Common stock issued in connection with business combinations	$ —	$ —	$ 221,221
Stock options assumed in connection with business combinations	—	—	65,185
Deferred stock compensation in connection with business combinations	—	—	19,035
Common stock issued in connection with conversion of the Senior Notes	448	15	41

See accompanying Notes Consolidated Financial Statements

Juniper Networks, Inc.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Deferred Stock Compensation	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
				(In thousands)			
Balance at December 31, 2004	540,526	$ 5	$6,710,325	$(40,171)	$ (716)	$ (695,111)	$ 5,974,332
Issuance of shares in connection with Employee Stock Purchase Plan	912	—	18,262	—	—	—	18,262
Exercise of stock options by employees, net of repurchases	15,466	1	127,766	—	—	—	127,767
Issuance of shares in connection with acquisitions	11,345	—	286,406	(19,035)	—	—	267,371
Issuance of shares in connection with conversion of the Zero Coupon Convertible Senior Notes	2	—	41	—	—	—	41
Retirement of common stock	(8)	—	(17)	—	—	—	(17)
Stock-based compensation	—	—	(19,186)	41,506	—	—	22,320
Tax benefit from employee stock option plans	—	—	128,140	—	—	—	128,140
Tax benefit from options assumed in acquisitions and reversal of deferred tax assets valuation allowance	—	—	212,885	—	—	—	212,885
Tax benefit from options assumed in acquisitions	—	—	(5,960)	—	—	—	(5,960)
Other comprehensive income:							
Change in unrealized loss on investments, net	—	—	—	—	(3,983)	—	(3,983)
Foreign currency translation losses, net	—	—	—	—	(3,625)	—	(3,625)
Net income	—	—	—	—	—	350,701	350,701
Comprehensive income							343,093
Balance at December 31, 2005	568,243	6	7,458,662	(17,700)	(8,324)	(344,410)	7,088,234
Elimination of unearned deferred compensation upon adoption of FAS 123R	—	—	(17,700)	17,700	—	—	—
Issuance of shares in connection with Employee Stock Purchase Plan	1,748	—	22,831	—	—	—	22,831
Exercise of stock options by employees, net of repurchases	9,313	—	64,309	—	—	—	64,309
Release of escrow	—	—	10,343	—	—	—	10,343
Elimination of additional paid-in capital in connection with modification of stock options	—	—	(6,114)	—	—	—	(6,114)
Issuance of shares in connection with conversion of the convertible senior notes	1	—	15	—	—	—	15
Repurchase and retirement of common stock	(10,071)	—	—	—	—	(186,388)	(186,388)
Stock-based compensation expense	—	—	87,645	—	—	—	87,645
Tax benefit from employee stock option plans	—	—	19,890	—	—	—	19,890
Adjustment to deferred tax liabilities in connection with elimination of unearned deferred compensation balance and other	—	—	6,166	—	—	—	6,166
Other comprehensive income (loss):							
Change in unrealized gain on investments, net	—	—	—	—	5,199	—	5,199
Foreign currency translation gains, net	—	—	—	—	4,391	—	4,391
Net loss	—	—	—	—	—	(1,001,437)	(1,001,437)
Comprehensive loss							(991,847)
Balance at December 31, 2006	569,234	6	7,646,047	—	1,266	(1,532,235)	6,115,084
Cumulative effect from the adoption of FIN 48	—	—	—	—	—	(19,195)	(19,195)
Issuance of shares in connection with Employee Stock Purchase Plan	615	—	10,502	—	—	—	10,502
Exercise of stock options by employees, net of repurchases	22,399	—	345,585	—	—	—	345,585
Release of escrow related to an acquisitions, net of cancelled escrow shares	(15)	—	14,840	—	—	—	14,840
Issuance of shares in connection with vesting of restricted share units	3	—	—	—	—	—	—
Issuance of shares in connection with conversion of the convertible senior notes	22	—	448	—	—	—	448
Repurchase and retirement of common stock	(69,443)	(1)	(461)	—	—	(1,622,728)	(1,623,190)
Stock-based compensation expense	—	—	94,453	—	—	—	94,453
Tax benefit from employee stock option plans	—	—	43,518	—	—	—	43,518
Other comprehensive income:							
Change in unrealized gain on investments, net	—	—	—	—	3,169	—	3,169
Foreign currency translation gains, net	—	—	—	—	7,816	—	7,816
Net income	—	—	—	—	—	360,830	360,830
Comprehensive income							371,815
Balance at December 31, 2007	522,815	$ 5	$8,154,932	$ —	$12,251	$(2,813,328)	$ 5,353,860

See accompanying Notes Consolidated Financial Statements

Note 1. Description of Business

Juniper Networks, Inc. ("Juniper Networks" or the "Company") designs, develops and sells products and services that together provide its customers with high-performance network infrastructure that creates responsive and trusted environments for accelerating the deployment of services and applications over a single Internet Protocol ("IP")-based network. The Company organizes its business groups into the following three reportable segments: Infrastructure, Service Layer Technologies ("SLT"), and Service. The Company's Infrastructure segment primarily offers scalable router products that are used to control and direct network traffic. The Company's SLT segment offers networking solutions that meet a broad array of its customers' priorities, from securing the network and the data on the network, to maximizing existing bandwidth and acceleration of applications across a distributed network. Together, these elements provide secure networking solutions to enable customers to convert legacy networks that provide commoditized, best efforts services into more valuable assets that provide differentiation, value and increased reliability, performance and security to end users. The Company's Service segment delivers world-wide services, including technical support and professional services, as well as a number of education and training programs, to customers of the Infrastructure and SLT segments.

Basis of Presentation

The Consolidated Financial Statements include the Company and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of the financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are used for revenue recognition, allowance for sales returns, allowance for doubtful accounts, allowance for contract manufacturer obligations, allowance for warranty costs, stock-based compensation, goodwill and other impairments, income taxes, litigation and settlement costs, and other loss contingencies. The Company bases its estimates on historical experience and also on assumptions that it believes are reasonable. Actual results experienced by the Company may differ materially from management's estimates.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are classified as cash and cash equivalents. Cash and cash equivalents consist of cash on hand, balances with banks, and highly liquid investments in money market funds, commercial paper, government securities, certificates of deposit, and corporate debt securities.

Investments

Management determines the appropriate classification of securities at the time of purchase and reevaluates such classification as of each balance sheet date. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in the Consolidated Statements of Operations. The Company's investments in publicly traded equity securities are classified as available-for-sale. Available-for-sale investments are initially recorded at cost and periodically adjusted to fair value through comprehensive income (loss).

Equity Investments

Juniper Networks has investments in privately held companies. These investments are included in other long-term assets in the Consolidated Balance Sheets and are carried at cost, adjusted for any impairment, as the Company

does not have a controlling interest and does not have the ability to exercise significant influence over these companies. These investments are inherently high risk as the market for technologies or products manufactured by these companies are usually early stage at the time of the investment by Juniper Networks and such markets may never be significant. The Company monitors these investments for impairment by considering financial, operational and economic data and makes appropriate reductions in carrying values when necessary.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments including cash and cash equivalents, accounts receivable, accrued compensation, and other accrued liabilities, approximates fair market value due to the relatively short period of time to maturity. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

Concentrations

Financial instruments that subject Juniper Networks to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Juniper Networks maintains its cash and cash equivalents and investments in fixed income securities with high-quality institutions and only invests in high quality credit instruments. Deposits held with banks, including those held in foreign branches of global banks, may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and therefore bear minimal risk.

Generally, credit risk with respect to accounts receivable is diversified due to the number of entities comprising the Company's customer base and their dispersion across different geographic locations throughout the world. Juniper Networks performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. Juniper Networks maintains reserves for potential credit losses and historically such losses have been within management's expectations. One customer accounted for 12.8%, 14.3% and 13.7% of total net revenues during 2007, 2006 and 2005, respectively.

The Company relies on sole suppliers for certain of its components such as application-specific integrated circuits ("ASICs") and custom sheet metal. Additionally, Juniper Networks relies primarily on a limited number of significant independent contract manufacturers for the production of all of its products. The inability of any supplier or manufacturer to fulfill supply requirements of Juniper Networks could negatively impact future operating results.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful life, generally three to five years, or the lease term of the respective assets. The Company depreciates leasehold improvements over the life of the lease or the respective assets, whichever is shorter. Land is not subject to depreciation.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received. Identifiable intangible assets are comprised of purchased trademarks, developed technologies, customer and maintenance contracts, and other intangible assets. Goodwill is not subject to amortization but is subject to annual assessment, at a minimum, for impairment by applying a fair-value based test. Future goodwill impairment tests could result in a charge to earnings. Purchased intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives ranging from two to nineteen years.

Impairment

The Company evaluates long-lived assets held-for-use for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value. The Company assesses the recoverability of its long-lived and intangible assets by determining whether the unamortized balances can be recovered through undiscounted future net cash flows of the related assets. The amount of impairment, if any, is measured based on projected discounted future net cash flows.

The Company evaluates goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying value, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying value of the reporting unit exceeds the fair value, goodwill is considered impaired and a second step is performed to measure the amount of the impairment loss, if any. As discussed in Note 3, in the second quarter of 2006 the Company concluded that the carrying value of goodwill was impaired and recorded an impairment charge. After recording the impairment charge, Juniper Networks conducted its annual impairment test as of November 1, 2006 and November 1, 2007 and determined that the carrying value of the remaining goodwill was not impaired. There were no events or circumstances from November 1, 2007 through December 31, 2007 that would impact this assessment. Future impairment indicators, including declines in the Company's market capitalization or a decrease in revenue or profitability levels, could require additional impairment charges to be recorded.

Revenue Recognition

Juniper Networks sells products and services through its direct sales force and through its strategic distribution relationships and value-added resellers. The Company's products are integrated with software that is essential to the functionality of the equipment. Additionally, the Company provides unspecified upgrades and enhancements related to the integrated software through maintenance contracts for most of its products. Accordingly, the Company accounts for revenue in accordance with Statement of Position No. 97-2, *Software Revenue Recognition*, and all related interpretations. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery or performance has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Evidence of an arrangement generally consists of customer purchase orders and, in certain instances, sales contracts or agreements. Shipping terms and related documents, or written evidence of customer acceptance, when applicable, are used to verify delivery or performance. In instances where the Company has outstanding obligations related to product delivery or the final acceptance of the product, revenue is deferred until all the delivery and acceptance criteria have been met. The Company assesses whether the sales price is fixed or determinable based on payment terms and whether the sales price is subject to refund or adjustment. Collectibility is assessed based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to the Company. Accounts receivable are recorded net of allowance for doubtful accounts, estimated customer returns and pricing credits.

For arrangements with multiple elements, such as sales of products that include services, the Company allocates revenue to each element using the residual method based on vendor specific objective evidence of fair value of the undelivered items. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. Vendor specific objective evidence of fair value is based on the price charged when the element is sold separately. If vendor specific objective evidence of fair value of one or more undelivered items does not exist, revenue is deferred and recognized at the earlier of (i) delivery of those elements or (ii) when fair value can be established unless

maintenance is the only undelivered element, in which case, the entire arrangement fee is recognized ratably over the contractual support period. For multiple agreements with a single customer, the Company accounts for them as either one arrangement or separate arrangements depending on their interdependency.

For sales to direct end-users and value-added resellers, the Company recognizes product revenue upon transfer of title and risk of loss, which is generally upon shipment. It is the Company's practice to identify an end-user prior to shipment to a value-added reseller. For end-users and value-added resellers, the Company has no significant obligations for future performance such as rights of return or pricing credits. A portion of the Company's sales are made through distributors under agreements allowing for pricing credits and/or rights of return. Product revenue on sales made through these distributors is recognized upon sell-through as reported by the distributors to the Company. The Company sells certain interests in accounts receivables on a non-recourse basis as part of a distributor accounts receivable financing arrangement which was established by the Company with a major financing company. Accounts receivables sold under this arrangement in advance of revenue recognition are accounted for as debt and had a balance of $10.0 million and nil as of December 31, 2007 and 2006, respectively. Deferred revenue on shipments to distributors reflects the effects of distributor pricing credits and the amount of gross margin expected to be realized upon sell — through. Deferred revenue is recorded net of the related product costs of revenue.

The Company records reductions to revenue for estimated product returns and pricing adjustments, such as rebates and price protection, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns and price protection credits, specific criteria included in rebate agreements, and other factors known at the time. In addition, the Company reports revenue net of sales taxes.

Shipping charges billed to customers are included in product revenue and the related shipping costs are included in cost of product revenues. Costs associated with cooperative advertising programs are estimated and recorded as a reduction of revenue at the time the related sales are recognized.

Services include maintenance, training and professional services. In addition to providing unspecified upgrades and enhancements on a when and if available basis, the Company's maintenance contracts include 24-hour technical support, and hardware repair and replacement parts. Maintenance is offered under renewable contracts. Revenue from maintenance contracts is deferred and is generally recognized ratably over the contractual support period, which is generally one to three years. Revenue from training and professional services is recognized as the services are completed or ratably over the contractual period, which is generally one year or less.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. Juniper Networks regularly reviews its receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay.

Warranties

Juniper Networks generally offers a one-year warranty on all of its hardware products and a 90-day warranty on the media that contains the software embedded in the products. The warranty generally includes parts and labor obtained through the Company's 24-hour service center. On occasion, the specific terms and conditions of those warranties vary. The Company accrues for warranty costs based on estimates of the costs that may be incurred under its warranty obligations, including material costs, technical support labor costs and associated overhead. The warranty accrual is included in the Company's cost of revenues and is recorded at the time revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, its estimates of anticipated rates of warranty claims, costs per claim and estimated support labor costs and the associated overhead.

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Contract Manufacturer Liabilities and Inventories

The Company outsources most of its manufacturing, repair and supply chain management operations to its independent contract manufacturers and a significant portion of its cost of revenues consists of payments to them. Its independent contract manufacturers procure components and manufacture the Company's products based on the Company's demand forecasts. These forecasts are based on the Company's estimates of future demand for the Company products, which are in turn based on historical trends and an analysis from the Company's sales and marketing organizations, adjusted for overall market conditions. The Company establishes accrued liabilities, included in other current accrued liabilities on the accompanying consolidated balance sheets, for carrying charges and obsolete material charges for excess components purchased based on historical trends.

In addition, the Company purchases a small amount of strategic component inventory, which is included in other assets, and stated at the lower of cost or market. The costs of distributor inventory not yet recognized as revenue is recorded net of the related product revenue. Service related spares and demonstration equipment are expensed to costs of service revenue and sales and marketing expense, respectively, when purchased.

Research and Development

Costs to research, design, and develop the Company's products are expensed as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Generally, Juniper Networks' products are released soon after technological feasibility has been established. As a result, costs subsequent to achieving technological feasibility have not been significant and all software development costs have been expensed as incurred.

Advertising

Advertising costs are charged to sales and marketing expense as incurred. Advertising expense was $4.8 million, $6.8 million, and $6.6 million, for 2007, 2006 and 2005, respectively.

Loss Contingencies

The Company is subject to the possibility of various loss contingencies arising in the ordinary course of business. It considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as its ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to its management to determine whether such accruals should be adjusted and whether new accruals are required.

In addition, from time to time, the Company is involved in disputes, litigation and other legal actions. The Company records a charge equal to at least the minimum estimated liability for a loss contingency only when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated. However the actual liability in any such litigation may be materially different from the Company's estimates, which could result in the need to record additional expenses.

Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, ("FAS 123R") which requires the measurement and recognition of compensation expense for all

stock-based awards made to employees and directors including employee stock options, restricted stock units ("RSUs") and purchases under the Company's Employee Stock Purchase Plan based on estimated fair values. FAS 123R supersedes the previous accounting under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), as allowed under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), for periods beginning in 2006. In March 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to FAS 123R. The Company has applied the provisions of SAB 107 in conjunction with its adoption of FAS 123R.

The Company adopted FAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal 2006. FAS 123R requires companies to estimate the fair value of stock-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of stock options under FAS 123R, consistent with that used for pro forma disclosures under FAS 123. The fair value of an RSU is equivalent to the market price of the Company's common stock on the grant date. The value of the portion of the stock-based award that is ultimately expected to vest is recognized as expense over the requisite service periods, or in the period of grant if the requisite service period has been provided, in the Company's Consolidated Statement of Operations.

The Company's Consolidated Financial Statements as of and for the years ended December 31, 2007 and 2006 reflect the impact of FAS 123R. In accordance with the modified prospective transition method, the Company's consolidated financial statements for 2005 have not been restated to reflect, and do not include, the impact of FAS 123R.

Stock-based compensation expense recognized in the Company's consolidated statement of operations for the years ended December 31, 2007 and 2006 included (i) compensation expense for stock-based awards granted prior to, but not yet vested as of, December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of FAS 123 and (ii) compensation expense for the stock-based awards granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of FAS 123R. In conjunction with the adoption of FAS 123R, the Company changed its accounting policy of attributing the fair value of stock-based compensation to expense from the accelerated multiple-option approach provided by APB 25, as allowed under FAS 123, to the straight-line single-option approach, as allowed under FAS 123R. Compensation expense for all expected-to-vest stock-based awards that were granted on or prior to December 31, 2005 will continue to be recognized using the accelerated attribution method. Compensation expense for all expected-to-vest stock-based awards that were granted or modified subsequent to December 31, 2005 is recognized on a straight-line basis provided that the amount of compensation cost recognized at any date is no less than the portion of the grant-date value of the award that is vested at that date. FAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's stock-based compensation expense required under APB 25 and the pro forma information required under FAS 123 for 2005, the Company accounted for forfeitures as they occurred.

Prior to the adoption of FAS 123R, stock-based compensation expense was recognized in the Company's consolidated statement of operations under the provisions of APB 25. In accordance with APB 25, no compensation expense was required for the employee stock purchases under the Company's Employee Stock Purchase Plan. Stock-based compensation expense of $22.3 million for 2005 was related to employee stock-based awards and stock options assumed from acquisitions. As a result of adopting FAS 123R, stock-based compensation expense recorded for 2007 and 2006 was $88.0 million and $87.6 million, respectively. Stock-based compensation under FAS 123R for 2006, the year of adoption, was approximately $74.4 million higher than that which would have been reported had the Company continued to account for stock-based compensation under APB 25. Net income for 2006 was approximately $51.4 million lower than that which would have been reported had the Company continued to account for stock-based compensation under APB 25. Unamortized deferred compensation associated with stock options assumed from past acquisitions and employee stock-based awards of $17.7 million has been reclassified to additional paid-in capital in the Company's consolidated balance sheet upon the adoption of FAS 123R on January 1, 2006. Additional information is discussed in Note 9, "Stockholders' Equity."

In accordance with FAS 123R, the Company has presented as financing cash flows the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options beginning in 2006. Tax benefits from employee stock plans of $19.7 million and $9.7 million, which related to tax deductions in excess of the compensation cost recognized, were presented as financing cash flows for 2007 and 2006, respectively. Prior to the adoption of FAS 123R, tax benefits from employee stock plans were presented as operating cash flows. Additionally, in accordance with FAS 123R, FAS No. 109, *Accounting for Income Taxes* ("FAS 109"), and EITF Topic D-32, *Intra-period Tax Allocation of the Effect of Pretax Income from Continuing Operations*, the Company has elected to recognize excess income tax benefits from stock option exercises in additional paid-in capital only if an incremental income tax benefit would be realized after considering all other tax attributes presently available to the Company.

The following table summarizes the pro forma net income and earnings per share, net of related tax effect, had the Company applied the fair value recognition provisions of FAS 123 to employee stock benefits in 2005 (in millions, except per share amounts):

	Year Ended December 31, 2005
Net income as reported	$ 350.7
Add: amortization of deferred stock compensation included in reported net income, net of tax	14.2
Deduct: total stock-based employee compensation expense determined under fair value based method, net of tax	(229.6)
Pro forma net income	$ 135.3
Basic net income per share:	
As reported	$ 0.63
Pro forma	$ 0.24
Diluted net income per share:	
As reported	$ 0.58
Pro forma	$ 0.22

Derivatives

Periodically, the Company uses derivatives to partially offset its market exposure to fluctuations in foreign currencies. The Company does not enter into derivatives for speculative or trading purposes. Juniper Networks uses foreign currency forward contracts to mitigate transaction gains and losses generated by certain foreign currency denominated monetary assets and liabilities. These derivatives are carried at fair value with changes recorded in other income (expense) in the same period as changes in the fair value from re-measurement of the underlying assets and liabilities. Cash flows from such hedges are classified as operating activities. These foreign exchange forward contracts have maturities between one and two months.

The Company also uses foreign currency forward and/or option contracts to hedge certain forecasted foreign currency transactions relating to operating expenses. These derivatives are designated as cash flow hedges and have maturities of less than one year. The effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income, and upon occurrence of the forecasted transaction, is subsequently reclassified into the consolidated statements of operations line item to which the hedged transaction relates. The Company records any ineffectiveness of the hedging instruments, which was immaterial during 2007, 2006 and 2005 in other income (expense) on its Consolidated Statements of Operations. Cash flows from such hedges are classified as operating activities.

Provision for Income Taxes

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth under FAS 109, *Accounting for Income Taxes,* and records a valuation allowance to reduce its deferred tax assets to the amount that it believes to be more likely than not realizable. The Company believes it is more likely than not that forecasted income together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. Similarly, if the Company subsequently realizes deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in a positive adjustment to earnings or a decrease in goodwill in the period such determination is made. In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on its estimate of whether, and the extent to which, additional taxes will be due.

On January 1, 2007, the Company adopted the Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* ("FIN 48"). FIN 48 is an interpretation of FASB Statement 109, *Accounting for Income Taxes*, and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. Additionally, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. In addition, the application of FIN 48 may increase an entity's future effective tax rates and its future intra-period effective tax rate volatility. The Company's cumulative effect of applying FIN 48 was a $19.2 million increase to the opening balance of accumulated deficit as of January 1, 2007 and a $1.0 million increase to goodwill.

Comprehensive Income

Comprehensive income is defined as the change in equity during a period from non-owner sources. The Company has presented its comprehensive income as part of the Consolidated Statements of Stockholders' Equity. Other comprehensive income includes net unrealized gains (losses) on available-for-sale securities and net foreign currency translation gains (losses) that are excluded from net income, and unrealized gains (losses) on derivatives designated as cash flow hedges.

Foreign Currency Translation

Assets and liabilities of foreign operations with non-U.S. dollar functional currency are translated to U.S. dollars using exchange rates in effect at the end of the period. Revenue and expenses are translated to U.S. dollars using average exchange rates for the period. Foreign currency translation gains and losses were not material for the years ended December 31, 2007, 2006 and 2005. The effect of exchange rate changes on cash balances held in foreign currencies was immaterial in the years presented.

Recent Accounting Pronouncements

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of Accounting Research Bulletin No. 51* ("FAS 160"). FAS 160 addresses the accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent,

the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. FAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 is effective for fiscal years beginning after December 15, 2008, and will be adopted by the Company in 2009. The Company is currently assessing the impact of this standard on its future consolidated results of operations and financial condition.

In December 2007, the FASB issued FAS No. 141R, *Business Combinations* ("FAS 141R"). FAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. FAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until January 1, 2009. The Company expects FAS No. 141R will have an impact on its consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions it consummates after the effective date. The Company is currently assessing the impact of this standard on its future consolidated results of operations and financial condition.

In June 2007, the FASB ratified EITF 07-3, *Accounting for Non-Refundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* ("EITF 07-3"). EITF 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred, capitalized and recognized as an expense as the goods are delivered or the related services are performed. EITF 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The Company adopted EITF 07-3 on January 1, 2008 and does not expect any material impact on its consolidated results of operations and financial condition.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115* ("FAS 159"). FAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. The objective of FAS 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under FAS 159, an entity may elect to use fair value to measure eligible items including accounts receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, and issued debt. The adoption of FAS No. 159 is not expected to have a significant impact on the Company's consolidated financial statements.

In September 2006, the FASB issued FAS No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. Under this guidance, fair value measurements would be separately disclosed by level within the fair value hierarchy. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157,* ("FSP FAS 157-2"). FSP FAS 157-2 amends FAS 157 to delay the effective date of FAS 157 for non-financial assets and non-financial liabilities until fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted the effective portion of FAS 157 on January 1, 2008 and does not expect any material impact on its consolidated results of operations and financial condition. The Company is currently assessing the impact of applying FAS 157 to its non-financial assets and liabilities on its future consolidated results of operations and financial condition.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year's presentation.

Note 2. Business Acquisitions

Juniper Networks completed five purchase acquisitions during the three years ended December 31, 2007. There were no acquisitions in 2007 and 2006. The five companies the Company acquired in 2005 included: Funk Software, Inc. ("Funk"), Acorn Packet Solutions, Inc. ("Acorn"), Peribit Networks, Inc. ("Peribit"), Redline Networks, Inc ("Redline"), and Kagoor Networks, Inc. ("Kagoor").

The initial purchase price for each acquisition, as of their respective acquisition dates and not including subsequent escrow and other adjustments, is outlined below (in millions):

	2005					
	Funk	Acorn	Peribit	Redline	Kagoor	Total
Cash	$110.2	$4.0	$ 50.3	$ 97.5	$58.2	$320.2
Common stock	—	—	221.2	—	—	221.2
Pre-acquisition loan	—	—	—	3.0	—	3.0
Fair value of stock options	—	—	36.4	21.1	7.6	65.1
Assumed liabilities	—	—	—	1.0	—	1.0
Acquisition direct costs	1.1	0.3	4.1	0.5	0.5	6.5
Total initial purchase price	$111.3	$4.3	$312.0	$123.1	$66.3	$617.0

The total initial purchase price for certain acquisitions could increase upon the release of the amounts held in escrow for indemnity obligations and upon additional contingent payments.

Allocation of Initial Purchase Consideration

The Company allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed, including IPR&D, based on their fair values. The excess purchase price over those fair values is recorded as goodwill. Goodwill is subject to change due to the release of the amounts held in escrow for indemnity obligations, additional contingent payments, and changes in acquisition related assets and liabilities. The fair values assigned to intangible assets acquired were based on valuations prepared by independent third-party appraisal firms

using estimates and assumptions provided by management. A summary of the initial purchase price allocations for each acquisition is as follows (in millions):

	2005					
	Funk	Acorn	Peribit	Redline	Kagoor	Total
Net tangible assets assumed	$ 3.9	$ 0.2	$ 3.6	$ —	$ 1.9	$ 9.6
Amortizable intangible assets:						
Existing technology	18.8	2.9	26.1	17.2	6.9	71.9
Patents and core technology	2.3	0.8	6.5	4.9	2.1	16.6
Maintenance agreements	—	0.1	1.7	—	0.1	1.9
Customer relationships	2.6	0.5	6.3	3.5	2.4	15.3
Trademark	0.6	0.1	—	—	—	0.7
Non-compete agreements	0.7	—	—	—	—	0.7
Order backlog	—	0.1	0.2	—	0.1	0.4
Total	25.0	4.5	40.8	25.6	11.6	107.5
In-process research and development	5.3	—	3.8	—	1.9	11.0
Deferred compensation related to unvested stock options	—	—	13.2	3.8	2.0	19.0
Goodwill	77.1	(0.4)	250.6	93.7	48.9	469.9
Total initial purchase price	$111.3	$ 4.3	$312.0	$123.1	$66.3	$617.0

Purchased Intangible Assets

The following table summarizes details of the purchased intangible assets acquired through business acquisitions (in millions, except years):

	Technologies and Patents		Customer Relationships		Other		Total
Acquisitions	Estimated Useful Life (in years)	Amount	Estimated Useful Life (in years)	Amount	Estimated Useful Life (in years)	Amount	Amount
Funk	4	$21.1	6	$ 2.6	2 — 5	$1.3	$ 25.0
Acorn	4	3.7	5	0.5	0.5 — 5	0.3	4.5
Peribit	4	32.6	5	6.3	<0.5 — 8	1.9	40.8
Redline	4	22.1	5	3.5	—	—	25.6
Kagoor	6	9.0	7	2.4	<0.5 — 6	0.2	11.6
2005 Total		$88.5	5 — 7	$15.3	<0.5 — 8	$3.7	$107.5

Existing technology consists of products that have reached technological feasibility and includes products in the acquired product lines. Existing technology was valued using the discounted cash flow ("DCF") method. This method calculates the value of the intangible asset as being the present value of the after tax cash flows potentially attributable to it, net of the return on fair value attributable to tangible and other intangible assets.

Patents and core technology represent a combination of processes, patents, and trade secrets that were used for existing and in-process technology. The value of the trade name and trademarks is represented by the benefit of owning these intangible assets rather than paying royalties for their use. Both of these intangible assets were valued using the royalty savings method. This method estimates the value of these intangible assets by capitalizing the royalties saved because the Company owns the assets.

Relationships with customers represent the rights granted to the VAR or distributor to resell certain products. The VAR and distributor relationships were valued using the avoided cost method, which takes into account the cost of establishing each relationship.

Maintenance agreements represent the revenue generated by contracts with customers who pay for annual maintenance and support. The income approach was used to estimate the fair value of the maintenance agreements, which includes estimating the ongoing, after-tax income expected from maintenance agreements in place at the time of each acquisition, including expected renewals.

Pro forma results of operations are not presented for the 2005 acquisitions as the effects of these acquisitions are not material to Juniper Networks on either an individual or an aggregate annual basis.

Funk Acquisition: On December 1, 2005, the Company completed its acquisition of Funk. Funk was a leading provider of standards-based network access security solutions, developed products and technologies that protect the integrity of the network by ensuring both the user and the device meet an organization's security policies before granting access. The purchase price for Funk included a cash payment of $110.2 million. Excluded from the initial purchase price of $111.3 million was a balance of $12.2 million held in escrow for indemnity obligations, of which one-half expired in January 2007 and the remaining one-half in June 2007. The Company paid $4.8 million and $6.6 million in January 2007 and July 2007, respectively, upon resolution of certain acquisition related indemnity issues, and increased goodwill for the corresponding amounts. Contingent payments associated with future employment conditions were recorded as compensation expense ratably over the 13 month period from the acquisition date. As of December 31, 2007, the Company had retained $1.6 million in escrow to satisfy potential indemnity obligations.

Acorn Acquisition: On October 20, 2005, the Company completed its acquisition of Acorn. Acorn's products and technologies provide a smooth migration path by connecting legacy Time Division Multiplexing ("TDM") and other circuit-based applications across next-generation IP networks. The purchase price for Acorn included a cash payment of $4.0 million. Excluded from the initial purchase price of $4.3 million was a balance of $2.5 million held in escrow for indemnity and earn-out obligations, which expired on May 30, 2007. The Company paid $1.6 million in May 2007, upon resolution of certain acquisition related indemnity issues, and increased goodwill by the corresponding amount. Contingent payments associated with future employment conditions were recorded as compensation expense ratably over the 12 month period following the acquisition.

Peribit Acquisition: On July 1, 2005, the Company completed its acquisition of Peribit. The acquisition enabled the Company to secure and assure the delivery and performance of applications over an IP network through premium traffic processing. The purchase price for Peribit included a cash payment of $50.3 million. The acquisition resulted in the issuance of 11.3 million shares of the Company's common stock with a fair value of approximately $256.4 million to the former shareholders of Peribit, of which, approximately 1.6 million shares with a fair value of $35.2 million, established as of the acquisition date, were being held in escrow for indemnity obligations prescribed by the merger agreement. The common stock issued in the acquisition was valued using the average closing price of the Company's common stock over a five-day trading period beginning two days before and ending two days after the date the transaction was announced on April 26, 2005. The Company also assumed all of the outstanding Peribit stock options with a fair value of approximately $36.4 million. Such options were valued using Black-Scholes option pricing model with the volatility assumption of 41%, expected life of 1.8 years, risk-free interest rate of 3.6%, and a market value of the Company's common stock of $22.62 per share, which was determined as described above. At the close of the acquisition, the Company recorded a liability of $3.0 million associated with future lease, severance, and other contractual obligations through March 2009. In July of 2006, the Company released 0.8 million shares valued at $10.3 million to the former shareholders of Peribit which were formerly held in escrow. The remaining shares in escrow expired on February 1, 2007. A total of 0.8 million escrow shares were distributed in February 2007 and July 2007 at the then current market value of $19.15 per share and $27.22 per share, respectively, with an aggregate fair value of $14.8 million. The escrow amounts were excluded from the initial purchase price of $312.0 million.

Redline Acquisition: On May 2, 2005, the Company completed its acquisition of Redline. Redline was a pioneer in the development of Application Front End ("AFE") technology and designed network solutions that improve the performance, flexibility, and scalability of web-enabled enterprise data centers and public web sites. The initial purchase price for Redline included a cash payment of $97.5 million, a $3.0 million pre-acquisition loan from the Company to Redline which was forgiven, and assumed stock options with an aggregate fair value of

$21.1 million. The stock options were valued using the Black-Scholes option pricing model with the inputs of 43% for volatility, 1.56 years for expected life, 3.5% for risk-free interest rate and a market value of Juniper Networks common stock of $22.62 per share, which was determined by using the average closing price of the Company's common stock over a five-day trading period beginning two days before and ending two days after the date the transaction was announced on April 26, 2005. The Company also assumed $1.0 million in net liabilities. In 2006, the Company recorded an additional $13.2 million cash escrow payment to the initial purchase price of $123.1 million related to Redline's indemnity obligations which expired in 2006. There were no escrow payments in connection with the Redline acquisition during 2007. As of December 31, 2007, the Company had retained $0.7 million in escrow to satisfy potential indemnity obligations.

Kagoor Acquisition: On May 1, 2005, the Company completed its acquisition of Kagoor. Kagoor was a leading provider of session border control products for voice-over-Internet Protocol (VoIP) networking. The initial purchase price for Kagoor included $58.2 million in cash and assumed stock options with an aggregate fair value of $7.6 million. The stock options were valued using the Black-Scholes option pricing model with the inputs of 43% for volatility, 1.58 years for expected life, 3.5% for risk-free interest rate and a market value of Juniper Networks common stock of $21.64 per share, which was determined by using the average closing price of the Company's common stock over a five-day trading period beginning two days before and ending two days after the date the transaction was announced on March 29, 2005. Excluded from the initial purchase price of $66.3 million is an escrow payment of $6.8 million related to the indemnity obligations associated with this acquisition, $2.0 million of which was paid in 2006. In February 2007, the Company distributed an additional $4.6 million to former Kagoor stockholders upon final settlement of the escrow account.

In-Process Research & Development: The Company's methodology for allocating the purchase price for purchase acquisitions to in-process research and development ("IPR&D") is determined through established valuation techniques in the high-technology communications equipment industry. Projects that qualify as IPR&D represent those that have not yet reached technological feasibility and have no alternative future use. IPR&D is expensed upon acquisition. There was no IPR&D expense for the years ended December 31, 2007 and 2006. For the year ended December 31, 2005, total IPR&D expense was $11.0 million in connection with the Funk, Peribit and Kagoor acquisitions. There was no IPR&D from the Acorn and Redline acquisitions.

For Funk, these IPR&D efforts pertained to the development of Radius products including Steel-Belted Radius ("SBR"), SBR High Availability ("HA"), and Mobile IP Module ("MIM") II products. Funk's IPR&D as of the acquisition date also included development of the new versions for Endpoint Assurance, for Proxy (Remote Control), and Odyssey product families. At the time of the acquisition, it was estimated that these development efforts would be completed over the next four months at an estimated cost of approximately $0.9 million. These development efforts have been completed as of December 31, 2007.

For Peribit, these IPR&D efforts included the development of the next versions of software for the Sequence Reducer ("SR") family, Sequence Mirror ("SM") family, the Central Management System ("CMS") products, as well as a hardware program for both the SR and SM families. At the time of the acquisition, it was estimated that these development efforts would be completed over the next twelve months at an estimated cost of approximately $2.3 million. These development efforts have been completed as of December 31, 2007.

For Kagoor, these IPR&D efforts included a variety of signaling protocols and next generation products and operating systems. At the time of the acquisition, it was estimated that these development efforts would be completed over the next eight months at an estimated cost of approximately $0.8 million. These development efforts have been completed as of December 31, 2007.

Deferred Stock-Based Compensation: Unvested stock options valued at $13.2 million, $3.8 million, and $2.0 million were issued for the Peribit, Redline, and Kagoor acquisitions, respectively. The unvested portion of the intrinsic value of the replacement stock options, established as of the acquisition date, has been allocated to deferred compensation in the purchase price allocation and is being amortized to expense using the graded-vesting method over the remaining vesting period.

Note 3. Goodwill and Purchased Intangible Assets

Goodwill

The changes in the carrying amount of goodwill during the three years ended December 31, 2007 are as follows (in millions):

Segments	Balance at December 31, 2006	Acquisitions	Adjustments to Existing Goodwill	Escrow and Other Additions	Balance at December 31, 2007
Infrastructure	$ 971.0	$—	$ —	$ 5.6	$ 976.6
Service Layer Technologies	1,856.3	—	1.1	22.3	1,879.7
Service	797.4	—	—	4.9	802.3
Total	$3,624.7	$—	$1.1	$32.8	$3,658.6

Segments	Balance at December 31, 2005	Acquisitions	Adjustments to Existing Goodwill	Escrow and Other Additions	Balance at December 31, 2006
Infrastructure	$ 971.0	$—	$ —	$ —	$ 971.0
Service Layer Technologies	3,111.3	—	(1,280.0)	25.0	1,856.3
Service	797.4	—	—	—	797.4
Total	$4,879.7	$—	$(1,280.0)	$25.0	$3,624.7

Segments	Balance at December 31, 2004	Acquisitions	Adjustments to Existing Goodwill	Escrow and Other Additions	Balance at December 31, 2005
Infrastructure	$ 973.6	$ (0.3)	$(2.3)	$ —	$ 971.0
Service Layer Technologies	2,708.0	399.8	(2.9)	6.4	3,111.3
Service	727.8	70.4	(0.8)	—	797.4
Total	$4,409.4	$469.9	$(6.0)	$6.4	$4,879.7

The Company performed a goodwill impairment review as of November 1, 2007 and concluded that there was no impairment in 2007. In 2006, the Company concluded that the carrying value of goodwill for the SLT segment was impaired and recorded an impairment charge of $1,280.0 million in operating expenses. There was no goodwill impairment in 2005.

A significant portion of the goodwill was initially recorded based on stock prices at the time the related merger agreements were executed and announced. The impairment of goodwill in 2006 was primarily attributable to the decline in the Company's market capitalization that occurred over a period of approximately six months prior to the impairment review as of May 31, 2006 and, to a lesser extent, a decrease in the forecasted future cash flows used in the income approach.

The first step of the 2006 impairment review was to compare the fair value of each reporting unit to its carrying value, including the goodwill related to the respective reporting units. When performing the 2006 goodwill impairment review, the Company determined that it had four reporting units at the time of the impairment calculation, consisting of Infrastructure and Service, which are the same as the respective segments, as well as Security and Application Acceleration which were the two components of SLT segment. The Company utilized an external service provider to calculate the fair value of the reporting units using a combination of the income and market approaches. The income approach requires estimates of expected revenue, gross margin and operating expenses in order to discount the sum of future cash flows using each particular business' weighted average cost of capital. The Company's growth estimates were based on historical data and internal estimates developed as part of its long-term planning process. The Company tested the reasonableness of the inputs and outcomes of its discounted

cash flow analysis by comparing to available market data. In determining the carrying value of the reporting unit, the Company allocated the fair values of shared tangible net assets to each reporting unit based on revenue derived by that reporting unit. As the fair values of the Security and Application Acceleration reporting units were lower than the allocated book values, goodwill was considered impaired. As a result, the Company performed step two of the goodwill impairment calculation for those two reporting units within the SLT segment in order to calculate the extent of the goodwill impairment.

During the second step of the 2006 goodwill impairment review, management calculated the fair value of the Company's tangible and intangible net assets with the assistance of an external service provider. Identified intangible assets were valued specifically for each reporting unit tested. The difference between the calculated fair value of each reporting unit and the sum of the identified net assets results in the residual value of goodwill. Future impairment indicators, including declines in the Company's market capitalization, could require additional impairment charges.

In 2007, goodwill increased $33.9 million primarily due to payments of $32.8 million upon resolution of acquisition related indemnity issues and the release of amount held in escrow funds, as well as the distribution, from an escrow account, of approximately 0.8 million shares of its common stock, with an aggregate fair value of $14.8 million, in connection with the resolution of certain indemnity obligations related to past acquisitions. Additionally, goodwill increased by $1.0 million as the Company recorded the cumulative effect of applying FIN 48 in 2007. In 2006, the goodwill increase of $25.0 million was primarily attributable to the settlements of the Company's escrow obligations. The Company released from its escrow accounts 0.8 million shares of common stock, with a total market value of $10.3 million, and $2.0 million of its restricted cash for the indemnity obligations associated with past acquisitions. The Company also distributed $13.1 million of its restricted cash for the escrow obligations associated with the acquisition of Redline. Goodwill increased in 2005 by $470.3 million from the $469.9 million of goodwill acquired in the 2005 acquisitions and a $6.4 million settlement of the Company's escrow obligation partially offset by a decrease of $6.0 million to reflect the misclassified tax benefits from deductions from stock options assumed in acquisitions.

Purchased Intangible Assets

The following table presents details of the Company's purchased intangible assets with definite lives (in millions):

	Gross	Accumulated Amortization	Net
As of December 31, 2007			
Technologies and patents	$379.6	$(326.0)	$ 53.6
Other	68.9	(44.7)	24.2
Total	$448.5	$(370.7)	$ 77.8
As of December 31, 2006			
Technologies and patents	$379.6	$(242.6)	$137.0
Other	68.9	(36.7)	32.2
Total	$448.5	$(279.3)	$169.2

Amortization expense related to finite-lived purchased intangible assets was $91.4 million, $97.3 million, and $85.2 million in 2007, 2006, and 2005 respectively. Amortization expense of purchased intangible assets of $85.9 million and $5.5 million were included in operating expenses and cost of product revenue in 2007. During 2007, the Company had no impairment charges. During 2006, the Company recorded an impairment charge of $3.4 million in operating expenses due to a significant decrease in forecasted revenues associated with session border control ("SBC"), Kagoor's

stand-alone products. During 2005, the Company recorded an impairment charge to operating expense of $5.9 million due to a significant decrease in forecasted revenues associated with Kagoor's products.

The following table summarizes estimated future amortization expense of purchased intangible assets with definite lives for the future fiscal years (in millions):

Years Ending December 31,	Amount
2008	$ 46.2
2009	17.9
2010	4.2
2011	2.0
2012	1.2
Thereafter	6.3
Total	$ 77.8

Note 4. Investments

Available-For-Sale Investments

The following is a summary of available-for-sale investments, at fair value, as of December 31, 2007 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government securities	$ 87.5	$0.5	$ —	$ 88.0
Corporate debt securities	202.9	0.4	(0.2)	203.1
Other	12.5	1.0	(4.9)	8.6
Total available-for-sale investments	$302.9	$1.9	$(5.1)	$299.7
Reported as:				
Short-term investments	$244.2	$1.3	$(5.1)	$240.4
Long-term investments	58.7	0.6	—	59.3
Total investments	$302.9	$1.9	$(5.1)	$299.7

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Due within one year	$244.2	$1.3	$(5.1)	$240.4
Due between one and five years	58.7	0.6	—	59.3
Total available-for-sale investments	$302.9	$1.9	$(5.1)	$299.7

The following is a summary of available-for-sale investments, at fair value, as of December 31, 2006 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government securities	$ 312.4	$0.1	$(1.6)	$ 310.9
Corporate debt securities	623.3	0.3	(2.7)	620.9
Asset-backed securities	85.5	0.1	(0.2)	85.4
Other	0.2	0.6	—	0.8
Total available-for-sale investments	$1,021.4	$1.1	$(4.5)	$1,018.0
Reported as:				
Short-term investments	$ 445.2	$0.6	$(1.9)	$ 443.9
Long-term investments	576.2	0.5	(2.6)	574.1
Total investments	$1,021.4	$1.1	$(4.5)	$1,018.0

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Due within one year	$ 445.2	$0.6	$(1.9)	$ 443.9
Due between one and five years	576.2	0.5	(2.6)	574.1
Total available-for-sale investments	$1,021.4	$1.1	$(4.5)	$1,018.0

There was no significant realized gain or loss from the sale of available-for-sale securities in 2007 and 2006. There were realized losses from the sale of available-for-sale securities of $0.9 million in 2005. We generated cash proceeds of $1,029.1 million, $632.1 million, and $805.0 million from sales and maturities of our available-for-sale investments during 2007, 2006 and 2005, respectively.

As of December 31, 2007, the Company had approximately 60 investments that were in an unrealized loss position. As of December 31, 2006 the Company had approximately 250 investments that were in an unrealized loss position. The gross unrealized losses related to these investments were due to changes in interest rates. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Given that the Company has the ability and intent to hold each of these investments until a recovery of the fair values, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2007 and 2006. The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company aggregated its investments by category and length of time the securities have been in a continuous unrealized loss position.

The following table shows a summary of the fair value and unrealized losses of our investments as of December 31, 2007 (in millions):

	Securities with Unrealized Loss Positions for Less than 12 Months		Securities with Unrealized Loss Positions for Over 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government	$ 20.3	$ —	$ —	$ —	$ 20.3	$ —
Agency	82.8	—	—	—	82.8	—
Corporate	58.3	(0.1)	105.9	(0.1)	164.2	(0.2)
Other	7.3	(5.0)	—	—	7.3	(5.0)
Total	$168.7	$(5.1)	$105.9	$(0.1)	$274.6	$(5.2)

Government securities included governmental sponsored enterprises with an aggregate cost of $54.2 million, an aggregate market value of $54.3 million, and an aggregate unrealized gain of $0.2 million as of December 31, 2007. As of December 31, 2006, government securities included governmental sponsored enterprises with an aggregate cost of $207.1 million, an aggregate market value of $206.1 million, and an unrealized loss of $1.0 million.

Minority Equity Investments

As of December 31, 2007 and 2006, the carrying values of the Company's minority equity investments in privately held companies of $23.3 million and $20.4 million, respectively, were included in other long-term assets in the consolidated balance sheets. In 2007, 2006 and 2005, the Company invested a total of $4.1 million, $7.3 million, and $11.0 million in privately-held companies, respectively.

In 2007, one of the Company's minority equity investments completed an initial public offering ("IPO"). Upon completion of the IPO, the Company reclassified the minority equity investment to available-for-sale investments and realized a gain of $6.7 million, based upon the market value at the time of IPO and the Company's cost basis, during 2007. Subsequent to the IPO, the Company's investment in this publicly traded entity is included in available-for-sale investments. Available-for-sale investments are periodically adjusted to fair value through comprehensive income. Realized gains and losses and declines in value judged to be other than temporary for all available-for-sale investments are included in interest and other income in the consolidated statement of operations. In 2005, the Company recognized a gain of $1.7 million due to a business combination of one of its portfolio companies with a cost basis of $1.0 million and wrote down $0.4 million against its investment in one of the privately held companies.

The Company's minority equity investments in privately held companies are carried at cost as the Company does not have a controlling interest and does not have the ability to exercise significant influence over these companies. The Company adjusts its minority equity investments for any impairment if the fair value exceeds the carrying value of the respective assets.

Note 5. Restructuring and Acquisition Related Reserves

Restructuring Charges

Restructuring charges were based on Juniper Networks' restructuring plans that were committed to by management. Any changes in the estimates of executing the approved plans will be reflected in the Company's results of operations. The following table shows changes in the restructuring liabilities during 2007 (in millions):

	Remaining Liability as of December 31, 2006	Cash Payments	Adjustment	Remaining Liability as of December 31, 2007
Facilities	$1.5	$(0.9)	$—	$0.6
Severance, contractual commitments and other charges	—	—	—	—
Total restructuring charges	$1.5	$(0.9)	$—	$0.6

In 2007 the Company paid $0.9 million for facility charges associated with its restructuring plans initiated in prior years. In June 2006, the Company implemented a restructuring plan that focused on some Infrastructure segment product development cost reduction efforts and the discontinuation of its SBC product line. Approximately $2.0 million including $0.6 million of severance charges for 33 employees was paid in 2006. In addition to the payments relating to the 2006 plan, the Company paid $0.7 million for facility charges associated with its restructuring plans initiated prior to 2006. As of December 31, 2007 and 2006, the restructuring reserve of $0.6 million and $1.5 million, respectively, was related to future facility charges. Amounts related to the net facility charge are included in other accrued liabilities and will be paid over the remaining respective lease term through July 2008. The difference between the actual future rent payments and the net present value will be recorded as operating expenses when incurred.

Acquisition Related Restructuring

Acquisition related reserves pertain to the restructuring reserves established in connection with the Company's past acquisitions. In conjunction with various acquisitions, the Company accrued for acquisition related restructuring charges primarily related to severance and facility charges. As of December 31, 2007, approximately $1.6 million remained unpaid, of which $0.6 million was recorded in other long-term liabilities in the consolidated balance sheet. As of December 31, 2006, approximately $3.6 million remained unpaid, of which $1.5 million was recorded in other long-term liabilities in the consolidated balance sheet.

During 2007, the Company reversed $0.3 million of its existing acquisition restructuring reserve primarily for facility related charges. During 2006, the Company paid $3.0 million primarily for the facility related charges. In addition, the Company reversed its existing acquisition restructuring reserve by $0.4 million that was previously accrued for the Unisphere and NetScreen facilities. During 2005, the Company reversed its existing acquisition related restructuring reserves by $6.9 million primarily due to changes in estimates of the previous accrual for the NetScreen facility.

The following restructuring charges were based on Juniper Networks' restructuring and acquisition related restructuring plans that were committed to by management. Any changes to the estimates of executing the approved

plans will be reflected in Juniper Networks' results of operations. Details of the Company's restructuring reserve and acquisition reserve charges recorded in operating expense are as follows (in millions):

	Twelve Months Ended December 31,		
	2007	2006	2005
Restructuring charges in operating expense	$ —	$ 0.7	$ —
Restructuring and acquisition related restructuring benefits	(0.4)	(0.4)	(6.9)
Total	$(0.4)	$ 0.3	$(6.9)

Note 6. Debt

Senior Convertible Notes

In 2003, Juniper Networks received $392.8 million of net proceeds from an offering of $400.0 million aggregate principal amount of Zero Coupon Convertible Senior Notes due June 15, 2008 (the "Senior Notes"). The Senior Notes are senior unsecured obligations, rank on parity in right of payment with all of the Company's existing and future senior unsecured debt, and rank senior to all of the Company's existing and future debt that expressly provides that it is subordinated to the notes. The Senior Notes are convertible into shares of Juniper Networks common stock, subject to certain conditions, at any time prior to maturity or their prior repurchase by Juniper Networks. The conversion rate is 49.6512 shares per each $1,000 principal amount of convertible notes, subject to adjustment in certain circumstances. The Company reclassified its Senior Notes from long-term liabilities to short-term liabilities in the condensed consolidated balance sheet during the second quarter of 2007 because the Senior Notes are due within the next 12 months.

The carrying amounts and fair values of the Senior Notes were (in millions):

	As of December 31,	
	2007	2006
Carrying amount	$399.5	$399.9
Fair value	$659.2	$427.9

Approximately $0.4 million of the Company's Senior Notes was converted into common shares in 2007. During 2006 and 2005, an immaterial amount of the Company's Senior Notes was converted into common shares.

Credit Facility

In June 2007, the Company entered into a senior secured margin lending agreement with a third-party financial institution for a maximum credit facility of $400.0 million, or 90% of the fair market value of the underlying collateral, to establish a flexible draw down facility to fund additional stock repurchases, as necessary. This credit facility bore a floating interest rate equal to the three-month USD LIBOR plus 40 basis points per annum and, if utilized, would be secured by the Company's publicly traded fixed income securities portfolio equivalent to 111% of any outstanding balance. This credit facility was terminated on September 26, 2007. The Company did not utilize this credit facility at any time.

Distributor Financing Arrangement

The Company recognized the sale of accounts receivable to the financing provider according to Financial Accounting Standard No. 140, *Accounting for Transfers of Financial Assets and Extinguishment of Liabilities, a replacement of FAS 125*. The Company introduced its distributor financing program in 2006 to strengthen its channel business by promoting greater distributor volume and improved customer service. The program does not, and is not intended to, affect the timing of revenue recognition because the Company only recognizes revenue upon sell-through. Under the financing arrangements the proceeds from the financing provider are due to the Company 30 days from the sale of the receivable. The Company pays the financing provider a financing fee based on the

spread over LIBOR or SIBOR. In these transactions with a major financing provider, the Company has surrendered control over the transferred assets. The accounts receivable have been isolated from the Company and put beyond the reach of creditors, even in the event of bankruptcy. The purchaser of the accounts receivable balances has the right to pledge or exchange the assets transferred. The Company does not maintain effective control over the transferred assets through obligations or rights to redeem, transfer or repurchase the receivables after they have been transferred.

Pursuant to the receivable financing arrangements for the sale of receivables, the Company sold net receivables of $38.7 million during the years ended December 31, 2006 and $130.4 million during the year ended December 31, 2007, respectively. During the year ended December 31, 2007 and December 31, 2006, the Company received cash proceeds, net of the financing fee, of $95.4 million and $24.0 million, respectively. The amounts owing by the financing provider recorded as accounts receivable on the Company's consolidated balance sheets as of December 31, 2007 and December 31, 2006 were $40.4 million and $13.0 million, respectively.

The Company has determined that the portion of the receivable financed that has not been recognized as revenue should be accounted for as a financing pursuant to EITF Issue 88-18, *Sales of Future Revenues.* As of December 31, 2007 and December 31, 2006, the estimated amounts of cash received from the financing provider that has not been recognized as revenue from its distributors was $10.0 million at December 31, 2007 and nil at December 31, 2006.

Note 7. Other Financial Information

Property and Equipment

Property and equipment consist of the following (in millions):

	As of December 31,	
	2007	2006
Computers and equipment	$ 301.5	$ 233.8
Software	40.2	31.3
Leasehold improvements	125.6	85.3
Furniture and fixtures	18.5	12.4
Land	192.4	192.4
Property and equipment, gross	678.2	555.2
Accumulated depreciation	(276.4)	(205.3)
Property and equipment, net	$ 401.8	$ 349.9

Depreciation expense was $101.8 million, $76.2 million, and $53.6 million in 2007, 2006, and 2005, respectively.

Restricted Cash

Restricted cash as of December 31, 2007 consisted of escrow accounts required by certain 2005 acquisitions and the Directors & Officers ("D&O") trust. Juniper Networks established the D&O trust to secure its indemnification obligations to certain directors and officers arising from their activities as such in the event that the Company does not provide or is financially incapable of providing indemnification. In 2007 the Company distributed $11.5 million, $1.6 million, and $4.6 million of its restricted cash upon the settlement of certain escrow obligations associated with the acquisitions of Funk, Acorn, and Kagoor, respectively. In 2007, the Company also added $8.9 million to its D&O insurance trust to increase coverage due to the overall growth of the Company. In 2006, the Company reduced restricted cash by $5.9 million as its deposit requirements for standby letters of credits issued for facility leases was removed and distributed $13.1 million and $2.0 million of its restricted cash upon the settlement of certain escrow obligations associated with the Redline and Kagoor

acquisitions, respectively. In 2005, the Company added $12.2 million, $2.5 million, $13.5 million and $6.9 million to restricted cash for the escrow accounts established in connection with the acquisitions of Funk, Acorn, Redline and Kagoor, respectively.

Deferred Revenue

Amounts billed in excess of revenue recognized are included as deferred revenue and accounts receivable in the accompanying consolidated balance sheets. Product deferred revenue, net of the related cost of revenue, includes shipments to end-users, value-add resellers, and distributors. Below is a breakdown of the Company's deferred revenue (in millions):

	As of December 31,	
	2007	2006
Service	$367.3	$282.8
Product	146.0	102.8
Total	$513.3	$385.6
Reported as:		
Current	$425.6	$312.3
Non-current	87.7	73.3
Total	$513.3	$385.6

Warranties

Changes in the Company's warranty reserve are as follows (in millions):

	Years Ended December 31,	
	2007	2006
Beginning balance	$ 34.8	$ 35.3
Provisions made	43.3	38.9
Changes in estimates	—	(5.0)
Actual costs incurred	(40.6)	(34.4)
Ending balance	$ 37.5	$ 34.8
Warranty reserve in current liabilities	$ 37.5	$ 34.8

Other Comprehensive Income

The activity of other comprehensive income is as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005
Change in net unrealized gain (loss) on investments, net of tax of nil	$ 3.2	$5.2	$(4.9)
Net gains on investments realized and included in net income, net of tax of nil	—	—	0.9
Change in foreign currency translation adjustment	7.8	4.4	(3.6)
Net change for the year	$11.0	$9.6	$(7.6)

Net gain on investment of $6.7 million realized and included in operating income during 2007 was not reclassified to and deducted from other comprehensive income since such gain had never been included in other comprehensive income as an unrealized gain in the period in which it arose.

The components of accumulated other comprehensive gain (loss) are as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005
Accumulated net unrealized loss on available-for-sale investments	$ (0.2)	$(3.4)	$(8.6)
Accumulated foreign currency translation adjustment	12.5	4.7	0.3
Total accumulated other comprehensive gain (loss)	$12.3	$ 1.3	$(8.3)

Stock-Based Compensation

Stock-based compensation relates to the following categories by period (in millions):

	Years Ended December 31,		
	2007	2006	2005
Cost of revenues — Product	$ 2.1	$ 1.9	$ 1.0
Cost of revenues — Service	8.7	5.6	1.5
Research and development	36.6	35.8	11.8
Sales and marketing	27.9	31.3	6.8
General and administrative	12.7	13.0	1.2
Total	$88.0	$87.6	$22.3

Other Charges, Net

Other charges, net, recognized consist of the following (in millions):

	Years Ended December 31,		
	2007	2006	2005
Restructuring and acquisition related expenses (benefits), net	$ 0.7	$ 5.9	$(6.5)
Stock option investigation charges	6.0	20.5	—
Stock option amendment and tax related charges	8.0	10.1	—
Gain on legal settlement, net	(5.3)	—	—
Total other charges (benefits), net	$ 9.4	$36.5	$(6.5)

Restructuring and acquisition related expenses of $0.7 million in 2007 primarily consisted of a $1.1 million bonus accrual payable to employees of a past acquisition, net of $0.4 million in adjustments made to restructuring reserves. Restructuring and acquisition related expenses of $5.9 million in 2006 primarily consisted of the $5.6 million bonus and earn-out accrual associated with the Funk and Acorn acquisitions. During 2006, the Company also recorded $0.3 million in net restructuring charges and acquisition related restructuring charges. The $6.5 million credit to restructuring expense in 2005 primarily consisted of a $6.9 million reversal adjustment related to its restructuring accrual when the Company re-occupied a portion of the former NetScreen facility that was previously included in the acquisition-related reserve.

In 2007 and 2006, the Company incurred legal and professional fees of $6.0 million and $20.5 million, respectively, in connection with its stock option investigation. There were no such charges in 2005.

In addition, the Company recognized stock option amendment and tax related charges of $8.0 million and $10.1 million in 2007 and 2006, respectively, pertaining to the amendment of stock options and to the settlement

with the Internal Revenue Service ("IRS") for employment tax assessments primarily related to the timing of tax deposits related to employee stock option exercises. There were no such charges in 2005.

During 2007, the Company recorded a $5.3 million net gain in connection with cash proceeds totaling $6.2 million from legal settlement, net of related transaction costs of $0.9 million.

Interest and Other Income, Net

Interest and other income, net, consist of the following (in millions):

	Years Ended December 31,		
	2007	2006*	2005*
Interest income and expense, net	$99.2	$102.9	$57.1
Other income and expense, net	(2.4)	(2.2)	(1.9)
Total interest and other income, net	$96.8	$100.7	$55.2

* Prior year information has been reclassified to conform to the current period presentation.

Note 8. Commitments and Contingencies

Commitments

The following table summarizes the Company's principal contractual obligations as of December 31, 2007 (in millions):

	Total	2008	2009	2010	2011	2012	Thereafter	Other
Operating leases	$224.2	$ 50.5	$43.6	$40.1	$34.9	$28.9	$26.2	$ —
Sublease rental income	(2.9)	(1.5)	(0.8)	(0.6)	—	—	—	—
Senior Notes	399.5	399.5	—	—	—	—	—	—
Purchase commitments	102.8	102.8	—	—	—	—	—	—
Tax liabilities	41.5	—	—	—	—	—	—	41.5
Other contractual obligations	44.4	21.9	19.0	3.5	—	—	—	—
Total	$809.5	$573.2	$61.8	$43.0	$34.9	$28.9	$26.2	$41.5

Operating Leases

Juniper Networks leases its facilities under operating leases that expire at various times, the longest of which expires in 2016. Rental expense for 2007, 2006, and 2005, was approximately $48.7 million, $40.3 million, and $36.4 million, respectively. Future minimum payments under the non-cancellable operating leases, net of committed sublease income, totaled $221.3 million as of December 31, 2007. Rent and related expenses paid to a related party was $6.2 million, $4.9 million, and $4.4 million for 2007, 2006, and 2005, respectively.

Senior Notes

As of December 31, 2007, the Company's Senior Notes had a carrying value of $399.5 million. The Senior Notes are due on June 15, 2008. The Company reclassified its Senior Notes from long-term liabilities to short-term liabilities in the condensed consolidated balance sheet during the second quarter of 2007 because the Senior Notes are due within the next 12 months.

Purchase Commitments

In order to reduce manufacturing lead times and ensure adequate component supply, the contract manufacturers place non-cancelable, non-returnable ("NCNR") orders for components based on the Company's build forecasts. As of December 31, 2007, there were NCNR component orders placed by the contract manufacturers with a value of $102.8 million. The contract manufacturers use the components to build products based on the Company's forecasts and on purchase orders the Company has received from customers. Generally, the Company does not own the components and title to the products transfers from the contract manufacturers to the Company and immediately to the Company's customers upon delivery at a designated shipment location. If the components go unused or the products go unsold for specified periods of time, the Company may incur carrying charges or obsolete materials charges for components that the contract manufacturers purchased to build products to meet the Company's forecast or customer orders. As of December 31, 2007, the Company had accrued $22.2 million based on its estimate of such charges.

Tax Liabilities

As of December 31, 2007, the Company had $41.5 million included in long-term liabilities in the consolidated balance sheet for unrecognized tax positions. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of tax and audit outcomes.

Other Contractual Obligations

Other contractual obligations consist of the escrow amount of $2.2 million and bonus accrual of $0.7 million in connection with past acquisitions for indemnity obligations expired in 2007, a software subscription requiring payments of $5.0 million in both January 2008 and January 2009, and a joint development agreement requiring quarterly payments of $3.5 million through January 2010.

Guarantees

The Company has entered into agreements with some of its customers that contain indemnification provisions relating to potential situations where claims could be alleged that the Company's products infringe the intellectual property rights of a third-party.

Other guarantees or indemnification arrangements include guarantees of product and service performance and standby letters of credit for certain lease facilities. The Company has not recorded a liability related to these indemnification and guarantee provisions and its guarantees and indemnification arrangements have not had any significant impact on the Company's financial position, results of operations, or cash flows.

Legal Proceedings

The Company is subject to legal claims and litigation arising in the ordinary course of business, such as employment or intellectual property claims, including the matters described below. The outcome of any such matters is currently not determinable. Although the Company does not expect that any such legal claims or litigation will ultimately have a material adverse effect on its consolidated financial position or results of operations, an adverse result in one or more matters could negatively affect the Company's results in the period in which they occur.

Federal Derivative Lawsuits

Between May 24, 2006 and August 17, 2006, seven purported shareholder derivative actions were filed in the United States District Court for the Northern District of California against us and certain of our current and former officers and directors. The lawsuits allege that our officers and directors either participated in illegal back-dating of

stock option grants or allowed it to happen. On October 19, 2006, the Court ordered the consolidation of these actions as *In Re Juniper Derivative Actions*, No. 06-03396, and appointed as the lead plaintiffs Timothy Hill, Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund, and Indiana State District Council of Laborers and HOD Carriers Pension Fund. Lead plaintiffs filed a consolidated complaint on April 11, 2007. The consolidated complaint asserts causes of action for violations of federal securities laws, violations of California securities laws, breaches of fiduciary duty, aiding and abetting breaches of fiduciary duty, abuse of control, corporate waste, breach of contract, unjust enrichment, gross mismanagement, and insider selling and misappropriation of information. The consolidated complaint also demands an accounting and rescission of allegedly improper stock option grants. The Company has formed a Special Litigation Committee, consisting of directors Michael Rose and Michael Lawrie, to determine whether it is in the best interests of Juniper Networks and its shareholders to pursue any of the claims asserted in the derivative litigation. The Special Litigation Committee is authorized to pursue, settle or release such claims.

State Derivative Lawsuits — California

On May 24, 2006 and June 2, 2006, two purported shareholder derivative actions were filed in the Santa Clara County Superior Court in the State of California against the Company and certain of the Company's current and former officers and directors. These two actions were consolidated as *In re Juniper Networks Derivative Litigation,* No. 1:06CV064294, by order dated June 20, 2006. An amended consolidated complaint was filed on April 9, 2007. The amended consolidated complaint alleges that certain of the Company's current and former officers and directors either participated in illegal back-dating of stock options or allowed it to happen. The complaint asserts causes of action for unjust enrichment, breach of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets, insider selling and misappropriation of information, and violations of California securities laws. Plaintiffs also demand an accounting and rescission of allegedly improper stock options grants, and a constructive trust of proceeds derived from allegedly illicit stock options. The Company has formed a Special Litigation Committee, consisting of directors Michael Rose and Michael Lawrie, to determine whether it is in the best interests of Juniper Networks and its shareholders to pursue any of the claims asserted in the derivative litigation. The Special Litigation Committee is authorized to pursue, settle or release such claims.

Federal Securities Class Action

On July 14, 2006 and August 29, 2006, two purported class actions were filed in the Northern District of California against the Company and certain of the Company's current and former officers and directors. On November 20, 2006, the Court consolidated the two actions as *In re Juniper Networks, Inc. Securities Litigation,* No. C06-04327-JW, and appointed the New York City Pension Funds as lead plaintiffs. The lead plaintiffs filed a Consolidated Class Action Complaint on January 12, 2007, and filed an Amended Consolidated Class Action Complaint on April 9, 2007. The Amended Consolidated Complaint alleges that the defendants violated federal securities laws by manipulating stock option grant dates to coincide with low stock prices and issuing false and misleading statements including, among others, incorrect financial statements due to the improper accounting of stock option grants. The Amended Consolidated Complaint asserts claims for violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 on behalf of all persons who purchased or otherwise acquired Juniper Networks' publicly traded securities from July 12, 2001 through and including August 10, 2006. On June 7, 2007, the defendants filed a motion to dismiss certain of the claims, and a hearing was held on September 10, 2007. The Court has not yet issued a ruling.

Calamore Proxy Statement Action

On March 28, 2007 an action titled *Jeanne M. Calamore v. Juniper Networks, Inc., et al.,* No. C-07-1772-JW, was filed by Jeanne M. Calamore in the Northern District of California against the Company and certain of the Company's current and former officers and directors. The complaint alleges that the proxy statement for the Company's 2006 Annual Meeting of Stockholders contained various false and misleading statements in that it failed

to disclose stock option backdating information. As a result, plaintiff seeks preliminary and permanent injunctive relief with respect to the Company's 2006 Equity Incentive Plan, including seeking to invalidate the plan and all equity awards granted and grantable thereunder. On May 21, 2007, the Company filed a motion to dismiss and plaintiff filed a motion for preliminary injunction. On July 19, 2007, the Court issued an order denying plaintiff's motion for a preliminary injunction and dismissing the complaint in its entirety with leave to amend. Plaintiff filed an amended complaint on August 27, 2007, and defendants filed a motion to dismiss on October 9, 2007. Plaintiff filed her opposition on December 21, 2007 and defendants filed their reply on January 25, 2008. A hearing was held on February 11, 2008. The Court has not yet issued a ruling.

Settlement with the Securities and Exchange Commission (SEC)

On August 28, 2007, the Company announced that the Commissioners of the SEC authorized the settlement between the Company and the SEC regarding the previously disclosed SEC inquiry into the Company historical stock option granting practices. Without admitting or denying the allegations in the SEC's complaint, the Company agreed to settle the charges by consenting to a permanent injunction against any future violations of the antifraud, reporting, books-and-records and internal control provisions of the federal securities laws. The SEC filed the complaint, *SEC v. Juniper Networks, Inc.*, Case No. C 07 4430-JW, in the Northern District of California on August 28, 2007. The Company's consent to entry of final judgment was also filed on August 28, 2007. No monetary penalties were assessed against the Company in conjunction with this settlement. This settlement concludes the SEC's formal investigation of the company with respect to the Company's historical stock option granting practices. The Court entered the final judgment on December 7, 2007.

IPO Allocation Case

In December 2001, a class action complaint was filed in the United States District Court for the Southern District of New York against the Goldman Sachs Group, Inc., Credit Suisse First Boston Corporation, FleetBoston Robertson Stephens, Inc., Royal Bank of Canada (Dain Rauscher Wessels), SG Cowen Securities Corporation, UBS Warburg LLC (Warburg Dillon Read LLC), Chase (Hambrecht & Quist LLC), J.P. Morgan Chase & Co., Lehman Brothers, Inc., Salomon Smith Barney, Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated (collectively, the "Underwriters"), the Company and certain of the Company's officers. This action was brought on behalf of purchasers of the Company's common stock in the Company's initial public offering in June 1999 and the Company's secondary offering in September 1999.

Specifically, among other things, this complaint alleged that the prospectus pursuant to which shares of common stock were sold in the Company's initial public offering and the Company's subsequent secondary offering contained certain false and misleading statements or omissions regarding the practices of the Underwriters with respect to their allocation of shares of common stock in these offerings and their receipt of commissions from customers related to such allocations. Various plaintiffs have filed actions asserting similar allegations concerning the initial public offerings of approximately 300 other issuers. These various cases pending in the Southern District of New York have been coordinated for pretrial proceedings as *In re Initial Public Offering Securities Litigation*, 21 MC 92. In April 2002, plaintiffs filed a consolidated amended complaint in the action against the Company, alleging violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Defendants in the coordinated proceeding filed motions to dismiss. In October 2002, the Company's officers were dismissed from the case without prejudice pursuant to a stipulation. On February 19, 2003, the court granted in part and denied in part the motion to dismiss, but declined to dismiss the claims against the Company.

In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including the Company, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six test cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings. Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On

June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs have filed amended master allegations and amended complaints in the six focus cases, which the defendants in those actions have moved to dismiss. Plaintiffs have also sought class certification in the six focus cases, which the defendants in those actions have opposed. It is uncertain whether there will be any revised or future settlement.

16(b) Demand

On October 3, 2007, a purported Juniper Networks shareholder filed a complaint for violation of Section 16(b) of the Securities Exchange Act of 1934, which prohibits short-swing trading, against the Company's IPO underwriters. The complaint, Vanessa Simmonds v. The Goldman Sachs Group, et al., Case No. C07-01577, in District Court for the Western District of Washington, seeks the recovery of short-swing profits. The Company is named as a nominal defendant. No recovery is sought from the Company in this matter.

IRS Notices of Proposed Adjustments

The IRS has concluded an audit of the Company's federal income tax returns for fiscal years 1999 and 2000. During 2004, the Company received a Notice of Proposed Adjustment ("NOPA") from the IRS. While the final resolution of the issues raised in the NOPA is uncertain, the Company does not believe that the outcome of this matter will have a material adverse effect on its consolidated financial position or results of operations. The Company is also under routine examination by certain state and non-US tax authorities. The Company believes that it has adequately provided for any reasonably foreseeable outcome related to these audits.

In conjunction with the IRS income tax audit, certain of the Company's US payroll tax returns were examined for fiscal years 1999 — 2001, and the Company received a second NOPA in the amount of $11.7 million for employment tax assessments primarily related to the timing of tax deposits related to employee stock option exercises. The Company agreed to settle this issue with the IRS through the appeals process for approximately $2.7 million and made this payment in the second quarter of 2007.

In 2007, the IRS opened an examination of the Company's U.S. federal income tax and employment tax returns for the 2004 fiscal year. Subsequently, the IRS extended their examination of the Company's employment tax returns to include fiscal years 2005 and 2006. The Company has not received any NOPAs related to these audits.

Note 9. Stockholders' Equity

Stock Repurchase Activities

In July 2004, the Company's Board of Directors ("the Board") authorized a stock repurchase program. This program authorized repurchases of up to $250.0 million of the Company's common stock. In 2006, the Company repurchased 10,071,100 common shares at an average price of $18.51 per share, with an aggregate fair value of $186.4 million, as part of this stock repurchase program. As of December 31, 2006, a total of 12,939,700 common shares had been repurchased and retired since the inception of the program, equating to approximately $250.0 million at an average price of $19.32 per share. The purchase price of the shares of the Company's stock repurchased under this program was reflected as a reduction to retained earnings.

In July 2006, the Board approved a new stock repurchase program ("2006 Stock Repurchase Program") authorizing the Company to repurchase up to $1.0 billion of Juniper Networks' common stock under this program. In February 2007, the Board approved an increase of $1.0 billion under this stock repurchase program. Coupled with the prior authorization of $1.0 billion announced in July 2006, the Company is now authorized to repurchase up to a total of $2.0 billion of its common stock under the 2006 Stock Repurchase Program. Purchases under the 2006 Stock Repurchase Program are made from time to time as permitted by securities laws and other legal requirements and are subject to a review of the circumstances in place at the time. During 2007, the Company repurchased a total of 69,443,946 shares of common stock via open market purchases at an average price of $23.37 per share, or a total

purchase price of $1,623.2 million, of which $1,622.7 million was reflected as an increase to accumulated deficit and the remainder as a decrease to additional paid-in capital. Common stock repurchases under the program were recorded based upon the settlement date of the applicable trade for accounting purposes. All common shares repurchased under this program have been retired. As of December 31, 2007, the 2006 Stock Repurchase Program had remaining authorized funds of $376.8 million.

Additional purchases under this stock repurchase program may be made from time to time and are subject to a review of circumstances in place at the time. This program may be discontinued at any time. See Note 15 below for discussion of our stock repurchase activity in 2008.

Stock Option Plans

Amended and Restated 1996 Stock Plan

The Company's Amended and Restated 1996 Stock Plan (the "1996 Plan") provided for the granting of incentive stock options to employees and non-statutory stock options to employees, directors and consultants. On November 3, 2005, the Board adopted an amendment to the 1996 Plan to add the ability to issue RSUs under the 1996 Plan. RSUs represent an obligation of the Company to issue unrestricted shares of common stock to the grantee only when and to the extent that the vesting criteria of the award are satisfied. In the case of RSUs, vesting criteria can be based on time or other conditions specified by the Board or an authorized committee of the Board. However, until vesting occurs, the grantee is not entitled to any stockholder rights with respect to the unvested shares. The Company had authorized 164,623,039 shares of common stock for issuance under the 1996 Plan. Effective May 18, 2006, additional equity awards under the 1996 Plan have been discontinued and new equity awards are being granted under the 2006 Equity Incentive Plan (the "2006 Plan"). Remaining authorized shares under the 1996 Plan that were not subject to outstanding awards as of May 18, 2006 were canceled on May 18, 2006. The 1996 Plan will remain in effect as to outstanding equity awards granted under the plan prior to May 18, 2006.

Under the 1996 Plan, incentive stock options were not permitted to be granted at an exercise price less than the fair market value per share of the common stock on the date of grant. The Company has not granted incentive stock options since June 1999. Non-statutory stock options were permitted to be granted at an exercise price determined by the Board or a committee authorized by the Board. Vesting and exercise provisions were permitted to be determined by the Board or a committee authorized by the Board. Options granted under the 1996 Plan generally become exercisable over a four-year period beginning on the date of grant and have a maximum term of ten years.

2000 Nonstatutory Stock Option Plan

In July 2000, the Board adopted the Juniper Networks 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). The 2000 Plan provided for the granting of non-statutory stock options to employees, directors and consultants. Non-statutory stock options were permitted to be granted under the terms of the plan at an exercise price determined by the Board or a committee authorized by the Board. Vesting and exercise provisions were permitted to be determined under the terms of the plan by the Board or an authorized committee of the Board. Options granted under the 2000 Plan generally become exercisable over a four-year period beginning on the date of grant and have a maximum term of ten years. The Company had authorized 90,901,437 shares of common stock for issuance under the 2000 Plan. Effective May 18, 2006, additional equity awards under the 2000 Plan have been discontinued and new equity awards are being granted under the 2006 Plan. Remaining authorized shares under the 2000 Plan that were not subject to outstanding awards as of May 18, 2006 were canceled on May 18, 2006. The 2000 Plan will remain in effect as to outstanding equity awards granted under the plan prior to May 18, 2006.

2006 Equity Incentive Plan

On May 18, 2006, the Company's stockholders adopted the 2006 Plan to enable the granting of incentive stock options, nonstatutory stock options, RSUs, restricted stock, stock appreciation rights, performance shares,

performance units, deferred stock units and dividend equivalents to the employees and consultants of the Company. The 2006 Plan also provides for the automatic, non-discretionary award of nonstatutory stock options to the Company's non-employee member of the Board ("outside directors").

The maximum aggregate number of shares authorized under the 2006 Plan is 64,500,000 shares of common stock, plus the addition of any shares subject to outstanding options under the 1996 Plan and 2000 Plan that subsequently expired unexercised after May 18, 2006 up to a maximum of 75,000,000 additional shares of the common stock. To the extent a 2006 Plan award is settled in cash rather than stock, such cash payment shall not reduce the number of shares available for issuance under the 2006 Plan. Performance shares, restricted stock or RSUs with a per share or unit purchase price lower than 100% of market price of the Company's common stock on the day of the grant are counted against the plan share reserve as two and one-tenth shares for every one share subject to the award. In the case of a restricted stock or performance share award, the entire number of shares subject to such award would be counted against the plan share reserve at the time of grant. Such shares could be subject to vesting provisions based on time or other conditions specified by the Board or an authorized committee of the Board. The Company would have the right to repurchase unvested shares subject to a restricted stock or performance share award if the grantee's service to the Company terminated prior to full vesting of the award. Until repurchased, such unvested shares would be considered outstanding for dividend, voting and other purposes.

Incentive and nonstatutory stock options may be granted at an exercise price of not less than the fair market value of the Company's common stock on the date such option is granted. The exercise price of an incentive stock option granted to a 10% or greater stockholder may not be less than 110% of the fair market value of the common stock on the grant date. Vesting and exercise provisions are determined by the Board, or an authorized committee of the Board. Stock options granted under the 2006 Plan generally vest and become exercisable over a four year period. Restricted stock, performance shares, RSUs or deferred stock units that vest solely based on continuing employment or provision of services will vest in full no earlier than the three year anniversary of the grant date. In the event vesting is based on factors other than continued future provision of services, such awards will vest in full no earlier than the one year anniversary of the grant date. Options granted under the 2006 Plan have a maximum term of seven years from the grant date while incentive stock options granted to a 10% or greater stockholder have a maximum term of five years from the grant date.

The 2006 Plan provides each non-employee director an automatic grant of an option to purchase 50,000 shares of common stock upon the date on which such individual first becomes a director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy (the "First Option"). In addition, at each of the Company's annual stockholder meetings (i) each non-employee director who was a non-employee director on the date of the prior year's annual stockholder meeting shall be automatically granted an option to purchase 20,000 shares of common stock, and (ii) each non-employee director who was not an non-employee director on the date of the prior year's annual stockholder meeting shall receive an option to purchase a pro-rata portion of the 20,000 shares of the common stock determined by the time elapsed since the individual's First Option grant ("the Annual Option"). The First Option vests monthly over approximately three years from the grant date subject to the non-employee director's continuous service on the Board. The Annual Option shall vest monthly over approximately one year from the grant date subject to the non-employee director's continuous service on the Board. Under the 2006 Plan, options granted to non-employee directors have a maximum term of seven years. No restricted stock, stock appreciation right, performance unit, deferred stock unit or dividend equivalent has been issued as of December 31, 2007. The Company had issued 21.3 million and 4.3 million of stock options and RSUs, respectively, under the 2006 Plan as of December 31, 2007. The Company had issued 6.6 million and 0.7 million of stock options and RSUs, respectively, under the 2006 Plan as of December 31, 2006.

Plans Assumed Upon Acquisition

In connection with past acquisitions, the Company assumed options and restricted stock under the stock plans of the acquired companies. The Company exchanged those options and restricted stock for Juniper Networks'

options and restricted stock and, in the case of the options, authorized the appropriate number of shares of common stock for issuance pursuant to those options. As of December 31, 2007, there were approximately 3.7 million common shares subject to outstanding awards under plans assumed through past acquisitions. There were no shares of restricted stock subject to repurchase as of December 31, 2007 and 2006. As of December 31, 2006, there were approximately 8.8 million shares subject to outstanding awards under plans assumed through acquisitions. During 2007, there were no repurchases of shares of restricted common stock. During 2006, 333 shares of restricted common stock were repurchased at an average price of $0.35 per share in connection with employee terminations. During 2005, 6,517 shares of restricted common stock have been repurchased at an average price of $0.33 per share in connection with employee terminations.

Equity Award Activity

In 2007, the Company granted RSUs covering approximately 2.9 million shares of common stock to its employees under the 2006 Plan. In 2007, the Company also granted performance share awards to eligible executives covering 0.7 million shares of common stock that vest in 2010 provided certain annual performance targets and other vesting criteria are met. RSUs generally vest over a period of three or four years from the date of grant. Until vested, RSUs and performance share awards do not have the voting rights of common stock and the shares underlying the awards are not considered issued and outstanding. The Company expenses the cost of RSUs, which is determined to be the fair market value of the shares of the Company's common stock at the date of grant, ratably over the period during which the restrictions lapse. In addition to RSUs and performance share awards, during 2007, the Company also granted employee stock options covering 14.7 million shares of common stock under the 2006 Plan. The Company estimated the stock compensation expense for its performance share awards as of December 31, 2007 based on the vesting criteria and recorded $0.4 million in operating expenses for 2007.

Equity award activities and related information as of and for the three years ended December 31, 2007 are summarized as follows:

		Outstanding Options			
	Shares Available for Grant(1)	Number of Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(In thousands)	(In dollars)	(In years)	(In thousands)
Balance at December 31, 2004	62,415	89,170	$15.75		
Options granted and assumed	(14,837)	18,101	19.91		
RSUs granted	(4)	—	—		
Options exercised	—	(15,466)	8.26		
Options canceled(2)	3,878	(6,652)	18.26		
Additional Options Authorized	27,026	—	—		
Balance at December 31, 2005	78,478	85,153	17.79		
RSUs granted(4)	(4,356)	—	—		
Options granted	(15,097)	15,097	17.49		
Options exercised	—	(9,313)	6.91		
RSUs canceled	149	—	—		
Options canceled(2)	3,377	(4,950)	16.77		
Options expired(2)	3,733	(3,895)	25.55		
Shares discontinued(3)	(70,242)	—	—		
Shares authorized under the 2006 Plan	64,500	—	—		
Balance at December 31, 2006	60,542	82,092	18.66		
RSUs and performance share awards granted(4)	(7,573)	—	—		
Options granted	(14,745)	14,745	22.91		
Options exercised	—	(22,399)	15.43		
RSUs canceled	534	—	—		
Options canceled(2)	2,734	(2,879)	19.19		
Options expired(2)	4,530	(4,631)	24.56		
Balance at December 31, 2007(5)	46,022	66,928	$20.36	5.4	$901,544

(1) Shares available for grant under the 1996 Plan, the 2000 Plan and the 2006 Plan, as applicable.

(2) Canceled or expired options under the 1996 Plan, the 2000 Plan and the stock plans of the acquired companies are no longer available for future grant under such plans, except for shares subject to outstanding options under the 1996 Plan and the 2000 Plan that subsequently expired unexercised after May 18, 2006, up to a maximum of 75,000,000 additional shares of common stock, become available for grant under the 2006 Plan.

(3) Authorized shares not subject to outstanding awards under the 1996 Plan and the 2000 Plan as of May 18, 2006 were discontinued.

(4) RSUs and performance share awards with a per share or unit purchase price lower than 100% of the fair market value of the Company's common stock on the day of the grant under the 2006 Plan are counted against shares authorized under the plan as two and one-tenth shares of common stock for each share subject to such award.

(5) Outstanding options of 66.9 million do not include RSUs and performance share awards outstanding as of December 31, 2007. See details under "Restricted Stock Units and Performance Share Awards Activities" below.

The following schedule summarizes information about stock options outstanding under all option plans as of December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding (In thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable (In thousands)	Weighted-Average Exercise Price
$ 0.09 - $ 10.31	12,102	3.9	$ 7.41	11,995	$ 7.44
$ 10.54 - $ 15.32	6,710	5.6	14.58	4,326	14.66
$ 15.41 - $ 18.01	8,180	5.6	17.65	1,688	16.82
$ 18.03 - $ 19.51	7,254	5.5	18.91	2,290	18.65
$ 19.66 - $ 22.59	7,570	6.7	21.66	4,414	22.25
$ 22.97 - $ 24.14	9,736	7.0	23.84	9,156	23.87
$ 24.25 - $ 30.34	6,867	5.7	27.05	6,257	27.18
$ 30.35 - $ 36.61	6,862	4.5	31.93	3,057	30.66
$ 38.13 - $135.67	1,635	2.3	55.41	1,634	55.41
$183.06 - $183.06	12	2.7	183.06	12	183.06
$ 0.09 - $183.06	66,928	5.4	$ 20.36	44,829	$ 20.01

As of December 31, 2007, approximately 44.8 million shares of common stock were exercisable at an average exercise price of $20.01 per share. As of December 31, 2006, approximately 63.2 million shares of common stock were exercisable at an average exercise price of $18.92 per share.

The Company's vested or expected-to-vest stock options and exercisable stock options as of December 31, 2007 are summarized below:

	Number of Shares (In thousands)	Weighted-Average Exercise Price (In dollars)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Vested or expected-to-vest options	61,322	$20.32	5.4	$831,017
Exercisable options	44,829	20.00	5.1	629,808

Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was $33.20 as of December 31, 2007, and the exercise price multiplied by the number of related options.

The intrinsic value of options exercised was $291.7 million, $107.8 million, and $240.1 million for 2007, 2006 and 2005, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of the exercise and the exercise price of each option.

Total fair value of options vested during 2007 was $78.8 million. As of December 31, 2007, approximately $161.4 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.9 years. Approximately $44.0 million of this total unrecognized compensation cost was estimated to be forfeited prior to the vesting of such awards and had been excluded from the preceding cost.

Restricted Stock Units and Performance Share Awards Activities

The following schedule summarizes information about the Company's RSUs and performance share awards for the three years ended December 31, 2007:

	Outstanding RSUs and Performance Share Awards			
	Number of Shares	Weighted-Average Purchase Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(In dollars)	(In years)	(In thousands)
Balance at December 31, 2004	—	$—		
RSUs granted	4	—		
Balance at December 31, 2005	4	—		
RSUs and performance share awards granted	3,574	—		
RSUs and performance share awards vested	—	—		
RSUs and performance share awards canceled	(357)	—		
Balance at December 31, 2006	3,221	—		
RSUs and performance share awards granted	3,606	—		
RSUs and performance share awards vested	(3)	—		
RSUs and performance share awards canceled	(540)	—		
Balance at December 31, 2007	6,284	$—	1.5	$208,644

The weighted-average grant date fair value of RSUs granted during 2007, 2006, and 2005 was $25.39, $18.45, and $21.90 per share, respectively. As of December 31, 2007, approximately $103.6 million of total unrecognized compensation cost related to RSUs and performance share awards was expected to be recognized over a weighted-average period of 2.5 years. Approximately $31.3 million of the total unrecognized compensation cost was estimated to be forfeited prior to the vesting of such awards and had been excluded from the preceding cost.

The Company's vested or expected-to-vest outstanding RSUs and performance share awards as of December 31, 2007 are summarized below:

	Number of Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)	(In dollars)	(In years)	(In thousands)
Shares subject to outstanding RSUs and performance share awards	6,284	$—	1.5	$208,644
Vested and expected-to-vest RSUs and performance Share awards	4,530	—	1.5	150,407

An immaterial number of outstanding RSUs vested during 2007.

Extension of Stock Option Exercise Periods for Former Employees

The Company could not issue any securities under its registration statements on Form S-8 during the period in which it was not current in its SEC reporting obligations to file periodic reports under the Securities Exchange Act of 1934. As a result, during parts of 2006 and 2007, options vested and held by certain former employees of the Company could not be exercised until the completion of the Company's stock option investigation and the Company's public filings obligations had been met (the "trading black-out period"). The Company extended the expiration date of these stock options to April 7, 2007, the end of a 30 — day period subsequent to the Company's filing of its required regulatory reports. As a result of the extensions, the fair values of such stock options had been reclassified to current liabilities subsequent to the modification and were subject to mark-to-market provisions at the end of each reporting period until the earlier of final settlement or April 7, 2007. Stock options covering approximately 660,000 shares of common stock were scheduled to expire and could not be exercised as a result of the trading black-out period restriction during the first quarter of 2007. The Company measured the fair value of these stock options using the Black-Scholes-Merton option valuation model and recorded an expense of approximately $4.3 million in the first quarter of 2007. In addition, the Company recorded an expense of $4.4 million in the first quarter of 2007 associated with the approximately 1,446,000 shares covered by such options which had exercise periods extended in 2006 as a result of the trading black-out period restriction. As of December 31, 2007, all of these extended stock options were either exercised or expired un-exercised. All previously recorded liabilities associated with such extensions were reclassified to additional paid-in capital by the second quarter of 2007.

Amendment of Certain Stock Options

In 2007, the Company completed a tender offer to amend certain options granted under the 1996 Plan and the 2000 Plan that had original exercise prices per share that were less than the fair market value per share of the common stock underlying the option on the option's grant date, as determined by the Company for financial accounting purposes. Under this tender offer, employees subject to taxation in the United States and Canada had the opportunity to increase their strike price on affected options to the appropriate fair market value per share on the date of grant so as to avoid unfavorable tax consequences under United States Internal Revenue Code Section 409A ("409A issue") or Canadian tax laws and regulations. In exchange for increasing the strike price of these options, the Company committed to make a cash payment to employees participating in the offer so as to make employees whole for the incremental strike price as compared to their original option exercise price. In connection with this offer, the Company amended options to purchase 4.3 million shares of its common stock and committed to make aggregate cash payments of $7.6 million to offer participants and recorded such amount as operating expense in 2007.

In addition, the Company entered into a separate agreement with two executives in 2007 to amend their unexercised stock options covering 0.1 million shares of the Company's common stock in order to cure the 409A issue associated with such stock options. As a result, the Company committed to make aggregate cash payments of $0.4 million and recorded this payment liability as operating expense in 2007.

Acceleration of Unvested and "Out-of-the-Money" Employee Stock Options

On December 16, 2005, the Board approved the acceleration of the vesting of certain unvested and "out-of-the-money" stock options that had an exercise price per share equal to or greater than $22.00, all of which were previously granted under its stock option plans and that were outstanding on December 16, 2005. Options to purchase approximately 21.2 million shares of common stock or 49.3% of the total outstanding unvested options on December 16, 2005 were accelerated. The options accelerated excluded options previously granted to certain employees, including all of the Company's executive officers and its directors.

In addition, the acceleration of the unvested and "out-of-the-money" options was accompanied by restrictions imposed on any shares purchased through the exercise of accelerated options. Those restrictions will prevent the sale of any such shares prior to the date such shares would have originally vested had the optionee been employed on such date, whether or not the optionee is actually an employee at that time.

The purpose of the acceleration was to enable the Company to avoid recognizing compensation expense associated with these options in future periods in the Statements of Operations pursuant to FAS 123R. Under FAS 123R, the Company has applied the expense recognition provisions relating to stock options beginning in the first quarter of fiscal 2006. In approving the acceleration, the Company's Board considered its impact on future financial results, stockholder value and employee retention. The Board believes that the acceleration of the unvested and "out-of-the-money" options was in the best interest of stockholders as it will reduce the Company's reported compensation expense in future periods in light of these accounting regulations. As a result of the acceleration, the Company expected to reduce the pre-tax stock option expense it otherwise would have been required to record by approximately $153.0 million, which was estimated at the time of the acceleration, subsequent to the adoption of FAS 123R beginning in 2006. The acceleration of the vesting of these options did not result in a charge to the results of operations in 2005.

Employee Stock Purchase Plan

In April 1999, the Board approved the adoption of Juniper Networks 1999 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan permits eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 10% of base compensation. Each employee may purchase no more than 6,000 shares in any twelve-month period, and in no event, may an employee purchase more than $25,000 worth of stock, determined at the fair market value of the shares at the time such option is granted, in one calendar year. The Purchase Plan is implemented in a series of offering periods, each six months in duration, or a shorter period as determined by the Board. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the applicable offering period.

In January 2007, the Board approved a delay of the start of the next offering period from February 1, 2007 to April 1, 2007. Such offering period ended on July 31, 2007. Compensation expense of $7.6 million was recorded in 2007 for stock costs associated with the Purchase Plan. For 2006, compensation expense related to the common stock issued under the Purchase Plan was $6.6 million. Compensation expense for the Purchase Plan in the same 2005 periods was only required as a footnote disclosure prior to the adoption of FAS 123R. As a result of the Company's failure to file its Quarterly Reports on Form 10-Q for the second and third quarters of 2006, the Company had suspended its employee payroll withholdings for the purchase of its common stock under the Purchase Plan from August 2006 through March 2007.

Employees purchased approximately 0.6 million, 1.7 million, and 0.9 million shares of common stock through the Purchase Plan at an average exercise price of $17.08, $13.06 and $19.96 per share during fiscal years 2007, 2006 and 2005, respectively. During 2006, the number of authorized shares under the Purchase Plan increased by 3,000,000 shares. As of December 31, 2007, approximately 7.1 million shares had been issued and 10.9 million shares remained available for future issuance under the Purchase Plan. As of December 31, 2006, approximately 6.5 million shares had been issued and 8.5 million shares remained available for future issuance under the Purchase Plan.

Common Stock Reserved for Future Issuance

As of December 31, 2007, Juniper Networks had reserved an aggregate of approximately 150.0 million shares of common stock for future issuance under all its Stock Option Plans, the 1999 Employee Stock Purchase Plan and for future issuance upon conversion of convertible senior notes.

Stock-Based Compensation

Valuation of Stock-Based Compensation

FAS 123R requires the use of a valuation technique, such as an option-pricing model, to calculate the fair value of stock-based awards. The Company has elected to use the Black-Scholes-Merton option-pricing model, which incorporates various assumptions including volatility, expected life, and risk-free interest rates. The expected volatility is based on the implied volatility of market traded options on the Company's common stock, adjusted for other relevant factors including historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options. The expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees, as well as the potential effect from options that had not been exercised at the time.

In 2006, the Company began granting stock option awards that have a contractual life of seven years from the date of grant. Prior to 2006, stock option awards generally had a ten year contractual life from the date of grant. As a result, the expected term assumption used in the year ended December 31, 2007 reflects the shorter contractual life of the new option awards granted during the period.

The assumptions used and the resulting estimates of weighted-average fair value per share of options granted and for employee stock purchases under the ESPP during those periods are summarized as follows:

	Years Ended December 31,		
	2007	2006	2005
Employee Stock Options			
Dividend yield	—	—	—
Volatility factor	40%	39%	42%
Risk-free interest rate	4.47%	4.75%	3.97%
Expected life (years)	3.6	3.6	4.3
Employee Stock Purchase Plan			
Dividend yield	—	—	—
Volatility factor	38%	33%	39%
Risk-free interest rate	5.0%	4.2%	2.8%
Expected life (years)	0.4	0.5	0.5

In anticipation of adopting FAS 123R, the Company refined the variables used in the Black-Scholes-Merton model during 2005. As a result, the Company refined its methodology of estimating the expected term to be more representative of future exercise patterns. The Company also refined its computation of expected volatility by considering the volatility of publicly traded options to purchase its common stock and its historical stock volatility. The weighted average estimated fair value of employee stock options granted during 2007, 2006, and 2005 was $8.03, $6.09 and $9.23 per option, respectively. The weighted average estimated fair value of shares granted under the Employee Stock Purchase Plan during 2007, 2006, and 2005 was $6.52, $5.19 and $6.36 per share, respectively.

Convertible Preferred Stock

There are 10,000,000 shares of convertible preferred stock with a par value of $0.00001 per share authorized for issuance. No preferred stock was issued and outstanding as of December 31, 2007 and 2006.

Note 10. 401(k) Plan

Juniper Networks maintains a savings and retirement plan qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended. Employees meeting the eligibility requirement, as defined, may contribute up

to the statutory limits of the year. The Company has matched employee contributions since January 1, 2001. Effective on January 1, 2005, the Company increased the match from 50% to 100% of eligible pay, up to an annual maximum of $2,000. Effective January 1, 2007, the Company matches 25% of all employee contributions. All matching contributions vest immediately. The Company's matching contributions to the plan totaled $9.5 million, $5.8 million, and $5.1 million in 2007, 2006, and 2005, respectively.

Note 11. Segment Information

The Company's chief operating decision maker ("CODM") and senior management team (together, "management") allocate resources and assess performance based on financial information by the Company's business groups which are categorized into the following three reportable segments: Infrastructure, SLT, and Service. For arrangements with both Infrastructure and SLT products, revenue is attributed to the segment based on the underlying purchase order, contract or sell-through report.

The Infrastructure segment includes products from the E-, M-, T- and MX-series router product families as well as the circuit-to-packet products. The SLT segment consists primarily of Firewall virtual private network ("Firewall") systems and appliances, secure sockets layer virtual private network ("SSL") appliances, intrusion detection and prevention appliances ("IDP"), application front end platforms, the J-series router product family and wide area network ("WAN") optimization platforms. The Service segment delivers world-wide services to customers of the Infrastructure and the SLT segments.

The primary financial measure used by management in assessing performance and allocating resources to the segments is management operating income, which includes certain cost of revenues, research and development expenses, sales and marketing expenses, and general and administrative expenses. Direct costs and operating expenses, such as standard costs, research and development, and product marketing expenses, are generally applied to each segment. Indirect costs, such as manufacturing overhead and other cost of sales, are allocated based on standard costs. Indirect operating expenses, such as sales, marketing, business development, and general and administrative expenses are generally allocated to each segment based on factors including headcount and revenue. The CODM does not allocate stock-based compensation, amortization, impairment, gain or loss on minority equity investments, interest income and expense, other income and expense, income taxes, as well as certain other charges to segments. With management's organizational alignment initiatives and the ever-evolving business environment such as changes in products or markets, acquisitions, long-term growth strategies, and the experience and responsibilities of the senior executives in charge, the Company may reorganize its segments consistent with corresponding changes in its organizational structure in 2008.

Financial information for each segment used by management to make financial decisions and allocate resources is summarized as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005(1)
Net Revenues:			
Infrastructure	$1,753.2	$ 1,413.4	$1,371.6
Service Layer Technologies	573.8	479.9	399.4
Service	509.1	410.3	293.0
Total net revenues	2,836.1	2,303.6	2,064.0
Operating Income:			
Management operating income(1):			
Infrastructure	495.5	420.9	489.2
Service Layer Technologies	(18.3)	(11.3)	10.4
Service	126.4	101.5	72.2
Total management operating income	603.6	511.1	571.8
Amortization of purchased intangible assets(2)	(91.4)	(97.3)	(85.2)
Stock-based compensation expense	(88.0)	(87.6)	(22.3)
Stock-based compensation related payroll tax expense	(7.7)	(2.7)	(2.9)
Impairment of goodwill and intangible assets	—	(1,283.4)	(5.9)
In-process research and development	—	—	(11.0)
Other expense, net(3)	(9.4)	(37.9)	(3.5)
Total operating (loss) income	407.1	(997.8)	441.0
Interest and other income, net	96.8	100.7	55.2
Gain on investments, net	6.7	—	1.3
Income (loss) before income taxes	$ 510.6	$ (897.1)	$ 497.5

(1) Prior period amounts have been reclassified to exclude stock-based compensation related payroll tax expense in order to conform to current year presentation.

(2) Amount includes amortization expense of purchased intangible assets in operating expenses and in costs of revenues.

(3) Other expense for 2007 includes charges such as restructuring, acquisition related charges, stock option investigation costs, as well as stock amendment and tax related charges. Other expense for 2006 includes charges such as restructuring, acquisition related charges, stock option investigation costs and tax related charges, as well as certain restructuring costs included in cost of revenues. Other expense for 2005 includes charges such as restructuring, acquisition related charges and patent related charges.

Nokia-Siemens Networks B.V. ("NSN") and its predecessor companies accounted for 12.8%, 14.3%, and 13.7% of the Company's net revenues for 2007, 2006, and 2005, respectively. The revenue attributed to this significant customer was derived from the sale of products and services in all three operating segments.

The Company attributes sales to geographic region based on the customer's ship-to location. The following table shows net revenue by geographic region (in millions):

	Years Ended December 31,		
	2007	2006*	2005*
Americas			
United States	$1,215.8	$ 950.3	$ 879.0
Other	124.7	83.0	53.9
Total Americas	1,340.5	1,033.3	932.9
Europe, Middle East, and Africa	918.0	817.4	610.1
Asia Pacific	577.6	452.9	521.0
Total	$2,836.1	$2,303.6	$2,064.0

* Prior year information has been reclassified to conform to current year presentation.

The Company tracks assets by physical location. The majority of the Company's assets, including property and equipment, as of December 31, 2007 and 2006 were attributable to its U.S. operations. Although management reviews asset information on a corporate level and allocates depreciation expense by segment, the CODM does not review asset information on a segment basis.

Note 12. Net Income Per Share

Basic net income per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for that period. Diluted net income per share is computed giving effect to all dilutive potential shares that were outstanding during the period. Dilutive potential common shares consist of incremental common shares subject to repurchase, common shares issuable upon exercise of stock options, and shares issuable upon conversion of the Subordinated Notes. The following table presents the calculation of basic and diluted net income (loss) per share (in millions, except per share data):

	Years Ended December 31,		
	2007	2006	2005
Net income	$360.8	$(1,001.4)	$350.7
Basic and diluted:			
Weighted-average shares of common stock outstanding	537.8	567.5	554.3
Less: weighted-average shares subject to repurchase	—	—	(0.1)
Weighted-average shares used in computing basic net income per share	537.8	567.5	554.2
Effect of dilutive securities:			
Shares subject to repurchase	—	—	0.1
Shares issuable upon conversion of the Subordinated Notes	19.8	—	19.9
Employee stock options	21.5	—	26.0
Weighted-average shares used in computing diluted net income per share	579.1	567.5	600.2
Basic net (loss) income per share	$ 0.67	$ (1.76)	$ 0.63
Diluted net (loss) income per share	$ 0.62	$ (1.76)	$ 0.58

For 2006, the Company excluded 34.6 million common stock equivalents consisting of convertible debt, outstanding stock options, RSUs and shares subject to repurchase from the calculation of diluted loss per share because all such securities were anti-dilutive due to the net loss in the year. For the years ended 2007, 2006, and 2005, approximately 11.5 million, 51.1 million, and 28.8 million common stock equivalents were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

Note 13. Income Taxes

The components of (loss) income before the provision for income taxes are summarized as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005
Domestic	$225.9	$(1,146.0)	$226.6
Foreign	284.7	249.0	270.9
Total income before provision for income taxes	$510.6	$ (897.0)	$497.5

The provision for income taxes is summarized as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005
Current Provision:			
Federal	$ 52.9	$ 17.9	$ 13.7
State	15.2	13.6	3.0
Foreign	48.0	29.0	34.6
Total current provision	116.1	60.5	51.3
Deferred benefit:			
Federal	(0.5)	24.1	(20.6)
State	(5.7)	(4.5)	(9.4)
Foreign	(3.6)	3.7	(2.8)
Total deferred benefit	(9.8)	23.3	(32.8)
Income tax benefits attributable to employee stock plan activity	43.5	20.6	128.3
Total provision for income taxes	$149.8	$104.4	$146.8

The provision for income taxes differs from the amount computed by applying the federal statutory rate to income (loss) before provision for income taxes as follows (in millions):

	Years Ended December 31,		
	2007	2006	2005
Expected provision at 35% rate	$178.7	$(314.0)	$174.1
State taxes, net of federal benefit	6.5	3.8	12.5
Foreign income at different tax rates	(21.7)	(25.3)	(14.9)
Research and development credits	(18.6)	(7.3)	(10.7)
Non-deductible goodwill and in-process research and development	—	438.2	3.8
Jobs Act repatriation, including state taxes	—	—	(19.7)
Stock-based compensation	1.2	4.2	0.4
Other	3.7	4.8	1.3
Total provision for income taxes	$149.8	$ 104.4	$146.8

Deferred income taxes reflect the net tax effects of tax carry-forward items and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows (in millions):

	As of December 31,	
	2007	2006
Deferred tax assets:		
Net operating loss carry-forwards	$ 10.8	$ 16.2
Foreign tax credit carry-forwards	20.6	13.4
Research and other credit carry-forwards	47.1	91.8
Deferred revenue	50.6	32.2
Property and equipment basis differences	2.4	3.5
Stock-based compensation	73.0	72.4
Reserves and accruals not currently deductible	171.1	151.8
Other	18.4	16.6
Total deferred tax assets	394.0	397.9
Valuation allowance	(34.3)	(38.7)
Net deferred tax assets	359.7	359.2
Deferred tax liabilities:		
Purchased intangibles	(49.3)	(73.6)
Unremitted foreign earnings	(79.3)	(51.6)
Deferred compensation and other	(0.5)	(2.5)
Total deferred tax liabilities	(129.1)	(127.7)
Net deferred tax assets	$ 230.6	$ 231.5

As of December 31, 2007 and 2006, the Company had a valuation allowance on its U.S. domestic deferred tax assets of approximately $34.3 million and $38.7 million, respectively, which relates to capital losses that will carry forward to offset future capital gains.

The valuation allowance decreased $4.4 million and $1.9 million in the years ended December 31, 2007 and 2006, respectively. The 2007 reduction was attributable primarily to the reversal of investment losses previously

disallowed for income tax purposes and mark-to-market of the Company's investments. The 2006 reduction was attributable to use of capital losses carryovers.

As of December 31, 2007, the Company had federal and California net operating loss carry-forwards of $28.7 million and $8.5 million, respectively. The Company also had federal and California tax credit carry-forwards of approximately $14.3 million and $84.0 million, respectively. Approximately $14.3 million of the federal tax credit carryforwards and $10.8 million of the California tax credit carryforwards will be credited to additional paid in capital when utilized on the Company's income tax returns since they have not met the realization criteria of FAS 123R. Unused net operating loss carry-forwards and research and development tax credit carryforwards will expire at various dates beginning in the years 2012 and 2022, respectively. The California tax credits carry forward indefinitely.

The Company provides U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered indefinitely reinvested outside of the United States. The Company has made no provision for U.S. income taxes on approximately $436.9 million of cumulative undistributed earnings of certain foreign subsidiaries through December 31, 2007 because it is the Company's intention to permanently reinvest such earnings. If such earnings were distributed, the Company would accrue additional income taxes expense of approximately $130.9 million. These earnings are considered indefinitely invested in operations outside of the U.S. as we intend to utilize these amounts to fund future expansion of our international operations.

The Company adopted the provisions of FIN 48 on January 1, 2007, the first day of fiscal 2007. The cumulative effect of applying FIN 48 was a $19.2 million increase to the opening balance of accumulated deficit as of January 1, 2007 and a $1.0 million increase to goodwill. As of December 31, 2007, the total amount of gross unrecognized tax benefits was $94.7 million, of which approximately $79.3 million, if recognized, would affect the effective tax rate.

The following is a rollforward of the Company's total gross unrecognized tax benefit liabilities for fiscal 2007 (in millions):

	Total
Balance at January 1, 2007 (after adoption of FIN 48)	$85.2
Tax positions related to current year:	
Additions	9.5
Reductions	—
Tax positions related to prior years:	
Additions	—
Reductions	—
Settlements	—
Lapses in statutes of limitations	—
Balance at December 31, 2007	$94.7

In accordance with the Company's accounting policy, it recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense in the consolidated statement of operations. This policy did not change as a result of the adoption of FIN 48. As of the date of adoption, the Company had accrued interest expense and penalties related to unrecognized tax benefits of $4.1 million. As of December 31, 2007, the Company accrued interest expense and penalties related to unrecognized tax benefits of $5.9 million within other long-term liabilities in the consolidated balance sheets. The Company recorded net interest expense of $1.7 million in its consolidated income statements during 2007.

It is reasonably possible that the amount of the liability for unrecognized tax benefits may change within the next 12 months due to audit examinations. However, an estimate of the range of possible change cannot be made at this time due to the high uncertainty of the resolution of and/or closure on open audits.

The Company conducts business globally and, as a result, Juniper Networks or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Ireland, Hong Kong, U.K., France, Germany, The Netherlands, Japan, China, Australia, and the U.S. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2003, although carryforward attributes that were generated prior to 2003 may still be adjusted upon examination by the IRS if the attributes either have been or will be used in a future period.

The Company is currently under examination by the IRS for the 2004 tax year and by the German tax authorities for the 2005 tax year. Additionally, the Company has not reached a final resolution with the IRS on an adjustment it proposed for the 1999 and 2000 tax years. The Company was not under examination by any other major jurisdictions in which the Company files its income tax returns as of December 31, 2007. It is possible that the amount of the liability for unrecognized tax benefits may change within the next 12 months. However, an estimate of the range of possible change cannot be made at this time. We have provided for uncertain tax positions that require a FIN 48 liability.

American Jobs Creation Act of 2004 — Repatriation of Foreign Earnings

In 2005, the Company's Chief Executive Officer and Board of Directors approved and repatriated $225.0 million in foreign earnings under a domestic reinvestment plan in accordance with the American Jobs Creation Act of 2004 ("Jobs Act"). The Company recorded a net tax benefit in 2005 of $19.7 million related to this repatriation dividend. The net tax benefit consists of a federal and state tax provision, net of federal benefit, of $9.7 million, offset by a tax benefit of $29.4 million related to an adjustment of deferred tax liabilities on un-repatriated earnings.

Note 14. Selected Quarterly Financial Data (Unaudited)

The table below sets forth selected unaudited financial data for each quarter of the last two years (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2007				
Net revenues:				
Product	$509.8	$541.7	$606.8	$668.7
Service	117.1	123.2	128.3	140.5
Total net revenues	626.9	664.9	735.1	809.2
Cost of revenues:				
Cost of revenues — Product	154.9	159.9	168.1	193.3
Cost of revenues — Service	57.2	60.9	64.2	69.2
Total cost of revenues	212.1	220.8	232.3	262.5
Gross margin	414.8	444.1	502.8	546.7
Operating expenses:				
Research and development	141.1	148.7	167.9	165.3
Sales and marketing	150.6	156.9	177.8	181.4
General and administrative	27.3	28.0	29.2	32.0
Amortization of purchased intangibles	22.7	22.7	20.2	20.2
Other charges, net	12.6	1.6	(5.1)	0.2
Total operating expenses	354.3	357.9	390.0	399.1
Operating income	60.5	86.2	112.8	147.6
Other income and expense	32.9	32.3	17.9	20.4
Income before income taxes	93.4	118.5	130.7	168.0
Provision for income taxes	26.8	32.3	45.6	45.1
Net income	$ 66.6	$ 86.2	$ 85.1	$122.9
Basic income per share	$ 0.12	$ 0.16	$ 0.17	$ 0.24
Diluted income per share	$ 0.11	$ 0.15	$ 0.15	$ 0.22

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2006				
Net revenues:				
Product	$474.1	$ 468.8	$467.3	$483.1
Service	92.6	98.7	106.3	112.7
Total net revenues	566.7	567.5	573.6	595.8
Cost of revenues:				
Cost of revenues — Product	140.9	139.4	140.8	134.0
Cost of revenues — Service	44.0	49.5	49.4	56.3
Total cost of revenues	184.9	188.9	190.2	190.3
Gross margin	381.8	378.6	383.4	405.5
Operating expenses:				
Research and development	113.7	116.2	123.4	126.8
Sales and marketing	129.4	136.0	139.4	153.2
General and administrative	23.1	24.2	24.6	25.2
Amortization of purchased intangibles	23.2	23.2	23.0	22.4
Impairment charges	—	1,283.4	—	—
Other charges, net	1.4	4.4	15.3	15.5
Total operating expenses	290.8	1,587.4	325.7	343.1
Operating income (loss)	91.0	(1,208.8)	57.7	62.4
Other income and expense	19.6	23.2	27.8	30.1
Income (loss) before income taxes	110.6	(1,185.6)	85.5	92.5
Provision for income taxes	34.8	20.9	27.2	21.5
Net income (loss)	$ 75.8	$(1,206.5)	$ 58.3	$ 71.0
Basic income (loss) per share	$ 0.13	$ (2.13)	$ 0.10	$ 0.12
Diluted income (loss) per share	$ 0.13	$ (2.13)	$ 0.10	$ 0.12

Note 15. Subsequent Events

Stock Repurchases

In February 2008, the Company repurchased 2.2 million shares of its common stock, for $53.1 million at an average purchase price of $24.61 per share, under its 2006 Stock Repurchase Program. As of the report filing date, the Company's 2006 Stock Repurchase Program had remaining authorized funds of $323.8 million. Purchases under this plan are subject to a review of the circumstances in place at the time. Acquisitions under the share repurchase program may be made from time to time as permitted by securities laws and other legal requirements. The program may be discontinued at any time.

Phase Out of DX Products

In January 2008, the Company announced its plan to phase out its DX product line. The action has no material impact on the Company's consolidated results of operations, cash flows, and financial condition for the year ended December 31, 2007.

ITEM 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosures*

None.

ITEM 9A. *Controls and Procedures*

(a) *Management's Annual Report on Internal Control Over Financial Reporting:* Please see Management's Annual Report on Internal Control over Financial Reporting under Item 8 on page 62 of this Form 10-K, which report is incorporated herein by reference.

(b) For the "Report of Independent Registered Public Accounting Firm," please see the report under Item 8 on page 65 of this Form 10-K, which report is incorporated herein by reference.

Evaluation of Disclosure Controls and Procedures

Attached as exhibits to this report are certifications of our CEO and CFO, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended. This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

We carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the CEO and CFO concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the company in reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that material information relating to our consolidated operations is made known to our management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Changes in Internal Controls

In 2007, we initiated a multi-year implementation to upgrade certain key internal IT systems, including our company-wide human resources management system, customer relationship management ("CRM") system and our enterprise resource planning ("ERP") system. This project is the result of our normal business process to evaluate and upgrade or replace our systems software and related business processes to support our evolving operational needs. There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our controls and procedures are designed to provide reasonable assurance that our control system's objective will be met and our CEO and CFO have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Projections of any evaluation of the effectiveness of controls in future periods are subject to risks. Over time,

controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. *Other Information*

None

PART III

ITEM 10. *Directors and Executive Officers of the Registrant*

We have adopted a Worldwide Code of Business Conduct and Ethics that applies to our principal executive officer and all other employees. This code of ethics is posted on our Website at www.juniper.net, and may be found as follows:

1. From our main Web page, first click on "Company" and then on "Investor Relations Center."
2. Next, select Corporate Governance and then click on "Worldwide Code of Business Conduct and Ethics."

Alternatively, you may obtain a free copy of this code of ethics by contacting the Investor Relations Department at our corporate offices by calling (888) 586-4737 or by sending an e-mail message to investor-relations@juniper.net.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our Website, at the address and location specified above.

For information with respect to Executive Officers, see Part I, Item 1 of this Annual Report on Form 10-K, under "Executive Officers of the Registrant."

Information concerning directors, including director nominations, and our audit committee and audit committee financial expert, appearing in our definitive Proxy Statement to be filed with the SEC in connection with the 2008 Annual Meeting of Stockholders (the "Proxy Statement") under "Corporate Governance Principles and Board Matters, "Director Compensation" and "Election of Directors" is incorporated herein by reference.

Information concerning Section 16(a) beneficial ownership reporting compliance appearing in the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance," is incorporated herein by reference.

ITEM 11. *Executive Compensation*

Information concerning executive compensation appearing in the Proxy Statement under "Executive Compensation" is incorporated herein by reference.

Information concerning compensation committee interlocks and insider participation appearing in the Proxy Statement under "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

Information concerning the compensation committee report appearing in the Proxy Statement under "Compensation Committee Report" is incorporated herein by reference.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information concerning the security ownership of certain beneficial owners and management appearing in the Proxy Statement, under "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," is incorporated herein by reference.

Information concerning our equity compensation plan information appearing in the Proxy Statement, under "Equity Compensation Plan Information," is incorporated herein by reference.

ITEM 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information appearing in the Proxy Statement under the heading "Certain Relationships and Related Transactions" is incorporated herein by reference.

The information appearing in the Proxy Statement under the heading "Board Independence" is incorporated herein by reference.

ITEM 14. ***Principal Accountant Fees and Services***

Information concerning principal accountant fees and services and the audit committee's preapproval policies and procedures appearing in the Proxy Statement under the headings "Principal Accountant Fees and Services" is incorporated herein by reference.

PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules***

(a) 1. *Consolidated Financial Statements*

See Index to Consolidated Financial Statements at Item 8 herein.

2. *Financial Statement Schedules*

Schedule	Page
Schedule II — Valuation and Qualifying Account	120

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes herein.

3. *Exhibits*

See Exhibit Index on page 121 of this report.

(b) *Exhibits*

See Exhibit Index on page 121 of this report.

(c) *None*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in this City of Sunnyvale, State of California, on the 28th day of February 2008.

Juniper Networks, Inc.

By: /s/ Robyn M. Denholm

Robyn M. Denholm
Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Mitchell Gaynor and Robyn M. Denholm, and each of them individually, as his attorney-in-fact, each with full power of substitution, for him in any and all capacities to sign any and all amendments to this Report on Form 10-K, and to file the same with, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or her substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated have signed this report below.

Signature	Title	Date
/s/ Scott Kriens Scott Kriens	Chairman and Chief Executive Officer (Principal Executive Officer)	February 28, 2008
/s/ Robyn M. Denholm Robyn M. Denholm	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2008
/s/ Pradeep Sindhu Pradeep Sindhu	Chief Technical Officer and Vice Chairman of Board	February 28, 2008
/s/ Robert M. Calderoni Robert M. Calderoni	Director	February 28, 2008
/s/ Mary B. Cranston Mary B. Cranston	Director	February 28, 2008
William R. Hearst III	Director	
/s/ Michael Lawrie Michael Lawrie	Director	February 28, 2008
/s/ Michael Rose Michael Rose	Director	February 28, 2008
/s/ Stratton Sclavos Stratton Sclavos	Director	February 28, 2008
/s/ William R. Stensrud William R. Stensrud	Director	February 28, 2008

Juniper Networks, Inc.

Schedule II — Valuation and Qualifying Account
Years Ended December 31, 2007, 2006 and 2005

	Balance at Beginning of Year	Amount Acquired through Acquisitions	Charged to (Reversed from) Costs and Expenses	Recoveries (Deductions), Net	Balance at End of Year
			(In millions)		
Year ended December 31, 2007					
Allowance for doubtful accounts	$ 7.3	$ —	$ 0.4	$ 0.6	$ 8.3
Sales returns reserve	$15.0	$ —	$56.8	$(46.7)	$25.1
Year ended December 31, 2006					
Allowance for doubtful accounts	$ 7.7	$ —	$ (0.2)	$ (0.2)	$ 7.3
Sales returns reserve	$16.7	$ —	$34.3	$(36.0)	$15.0
Year ended December 31, 2005					
Allowance for doubtful accounts	$10.2	$1.2	$ (2.7)	$ (1.0)	$ 7.7
Sales returns reserve	$17.3	$0.2	$21.9	$(22.7)	$16.7

Exhibit Index

Exhibit No.	Exhibit	Incorporated by Reference			
		Filing	Exhibit No.	File No.	File Date
3.1	Juniper Networks, Inc. Amended and Restated Certificate of Incorporation	10-K	3.1	000-26339	3/27/2001
3.2	Amended and Restated Bylaws of Juniper Networks, Inc.	8-K	3.1	000-26339	11/19/2007
4.1	Indenture, dated as of June 2, 2003, between the Company and Wells Fargo Bank Minnesota National Association	S-3	4.1	333-106889	7/11/2003
4.2	Form of Note (included in Exhibit 4.1)	S-3	4.1	333-106889	7/11/2003
10.1	Form of Indemnification Agreement entered into by the Registrant with each of its directors, officers and certain employees	10-Q	10.1	000-26339	11/14/2003
10.2	Amended and Restated 1996 Stock Plan++	8-K	10.1	000-26339	11/09/2005
10.3	Form of Stock Option Agreement for the Juniper Networks, Inc. Amended and Restated 1996 Stock Plan++	10-Q	10.16	000-26339	11/2/2004
10.4	Form of Notice of Grant and Restricted Stock Unit Agreement for the Juniper Networks, Inc. Amended and Restated 1996 Stock Plan++	8-K	10.2	000-26339	11/09/2005
10.5	Amended and Restated Juniper Networks 1999 Employee Stock Purchase Plan++	10-Q	10.2	000-26339	8/9/2007
10.6	Juniper Networks 2000 Nonstatutory Stock Option Plan++	S-8	10.1	333-92086	7/9/2002
10.7	Form of Option Agreement for the Juniper Networks 2000 Nonstatutory Stock Option Plan++	10-K	10.6	000-26339	3/4/2005
10.8	Unisphere Networks, Inc. Second Amended and Restated 1999 Stock Incentive Plan++	S-8	10.1	333-92090	7/9/2002
10.9	NetScreen Technologies, Inc. 1997 Equity Incentive Plan++	S-1+	10.2	333-71048	10/5/2001
10.10	NetScreen Technologies, Inc. 2001 Equity Incentive Plan++	S-1+	10.3	333-71048	12/10/2001
10.11	NetScreen Technologies, Inc. 2002 Stock Option Plan++	S-8	4.7	333-114688	4/21/2004
10.12	Neoteris 2001 Stock Plan++	S-8+	4.1	333-110709	11/24/2003
10.13	Kagoor Networks, Inc. 2003 General Stock Option Plan++	S-8	4.1	333-124572	5/3/2005
10.14	Kagoor Networks, Inc. 2003 Israel Stock Option Plan++	S-8	4.2	333-124572	5/3/2005
10.15	Redline Networks 2000 Stock Plan++	S-8	4.1	333-124610	5/4/2005
10.16	Peribit Networks 2000 Stock Plan++	S-8	99.1	333-126404	7/6/2005
10.17	Juniper Networks, Inc. 2006 Equity Incentive Plan++	8-K	10.1	000-26339	5/24/2006
10.18	Form of Stock Option Agreement for the Juniper Networks, Inc. 2006 Equity Incentive Plan++	8-K	10.2	000-26339	5/24/2006
10.19	Form of Non-Employee Director Stock Option Agreement for the Juniper Networks, Inc. 2006 Equity Incentive Plan++	S-8	10.3	000-26339	5/24/2006
10.20	Form of Notice of Grant and Restricted Stock Unit Agreement for the Juniper Networks, Inc. 2006 Equity Incentive Plan++*				
10.21	Form of Notice of Grant and Performance Share Agreement for the Juniper Networks, Inc. 2006 Equity Incentive Plan++*				
10.22	Agreement for ASIC Design and Purchase of Products between IBM Microelectronics and the Registrant dated August 26, 1997	S-1	10.8	333-76681	6/18/1999

Exhibit No.	Exhibit	Incorporated by Reference Filing	Exhibit No.	File No.	File Date
10.23	Amendment One dated January 5, 1998 to Agreement for ASIC Design and Purchase of Products between IBM Microelectronics and the Registrant dated August 26, 1997	S-1	10.8.1	333-76681	4/23/1999
10.24	Amendment Two dated March 2, 1998 to Agreement for ASIC Design and Purchase of Products between IBM Microelectronics and the Registrant dated August 26, 1997	S-1	10.8.2	333-76681	4/23/1999
10.25	Lease between Mathilda Associates LLC and the Registrant dated June 18, 1999	S-1	10.10	333-76681	6/23/1999
10.26	Lease between Mathilda Associates LLC and the Registrant dated February 1, 2000	10-K	10.9	000-26339	3/27/2001
10.27	Lease between Mathilda Associates II LLC and the Registrant dated August 15, 2000	10-Q	10.15	000-26339	11/2/2004
10.28	Amended and Restated Aircraft Reimbursement Policy++	10-K	10.23	000-26339	3/4/2005
10.29	Summary of Compensatory Arrangements for Certain Officers adopted on January 4, 2007++	8-K	N/A	000-26339	1/8/2007
10.30	Summary of Compensatory Arrangements for Certain Officers adopted on March 9, 2007++	8-K	99.1	000-26339	3/12/2007
10.31	Option Amendment Agreement by and between the Registrant and Kim Perdikou++	8-K	99.2	000-26339	5/2/2007
10.32	Form of Executive Officer Change of Control Agreement++	10-Q	10.3	000-26339	5/8/2007
10.33	Form of Executive Officer Severance Agreement++	10-Q	10.4	000-26339	5/8/2007
10.34	Summary of Compensatory Arrangements for Certain Officers announced on August 14, 2007++	8-K	N/A	000-26339	8/14/2007
10.35	Severance Agreement by and between the Registrant and Robyn M. Denholm effective as of August 14, 2007++	10-Q	10.2	000-26339	11/9/2007
10.36	Change of Control Agreement by and between the Registrant and Robyn M. Denholm effective as of August 14, 2007++	10-Q	10.3	000-26339	11/9/2007
12.1	Computation of Ratio of Earnings to Fixed Charges*				
21.1	Subsidiaries of the Company*				
23.1	Consent of Independent Registered Public Accounting Firm*				
24.1	Power of Attorney (see page 119)				
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934*				
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**				
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**				

* Filed herewith

** Furnished herewith

\+ Filed by NetScreen Technologies, Inc.

++ Indicates management contract or compensatory plan, contract or arrangement.

EXHIBIT 12.1

Juniper Networks, Inc.

Statements of Computation of Ratio of Earnings to Fixed Charges

	Years Ended December 31,				
	2007(a)	2006(b)	2005(a)	2004(a)	2003(a)
	(In millions, except ratios)				
Earnings for Computation of Ratio:					
Pre-tax income (loss) income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees	$510.6	$(897.0)	$497.5	$208.1	$39.6
Distributed income from equity investee	—	—	—	—	—
Fixed charges	17.5	13.5	12.4	13.0	45.9
Total earnings (losses)	$528.1	$(883.5)	$509.9	$221.1	$85.5
Fixed Charges:					
Interest expense and debt cost amortization(c)	$ 2.9	$ 1.4	$ 1.5	$ 4.1	$38.0
Estimate of interest within rental expense	14.6	12.1	10.9	8.9	7.9
Total fixed charges	$ 17.5	$ 13.5	$ 12.4	$ 13.0	$45.9
Ratio of earnings to fixed charges	30.2	—	41.3	17.0	1.9

(a) For these ratios, "earnings" represents (i) income before taxes before adjustment for minority interests in equity investees and (ii) fixed charges.

(b) The pre-tax losses from continuing operations for the year end December 31, 2006 are not sufficient to cover fixed charges by a total of approximately $897.0 million. As a result, the ratio of earnings to fixed charges has not been computed for this period.

(c) Estimated interest on tax liabilities of $2.2 million, $1.3 million $1.7 million, $1.2 million and $0.9 million was not included in total fixed charges for 2007, 2006, 2005, 2004 and 2003, respectively, as the Company classified such interest as part of its income tax provision before and after the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY AS OF DECEMBER 31, 2007*

Name	Jurisdiction of Incorporation
Juniper Networks (Cayman) Limited	Cayman Islands
Juniper Networks Ireland	Ireland
Juniper Networks (Hong Kong), Ltd.	Hong Kong
Juniper Networks (US), Inc.	California, USA

* All other subsidiaries would not in the aggregate constitute a "significant subsidiary" as defined in Regulation S-X.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements (Form S-8 Nos. 333-141211, 333-132260, 333-126404, 333-124610, 333-124572, 333-118340, 333-114688, 333-92086, 333-92088, 333-92090, 333-85387, 333-32412, 333-44148, 333-52258, 333-57860, 333-57862, 333-57864, and 333-75770 and Form S-3 No. 333-110714) of Juniper Networks, Inc. of our reports dated February 28, 2008, with respect to the consolidated financial statements and schedule of Juniper Networks, Inc., and the effectiveness of internal control over financial reporting of Juniper Networks, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

San Jose, California
February 28, 2008

EXHIBIT 31.1

CERTIFICATION

I, Scott Kriens, certify that:

1. I have reviewed this Annual Report on Form 10-K of Juniper Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Scott Kriens

Scott Kriens
Chairman and Chief Executive Officer

Date: February 28, 2008

EXHIBIT 31.2

CERTIFICATION

I, Robyn M. Denholm, certify that:

1. I have reviewed this Annual Report on Form 10-K of Juniper Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robyn M. Denholm

Robyn M. Denholm
Executive Vice President and Chief Financial Officer

Date: February 28, 2008

Exhibit 32.1

**Certification of Chairman and Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 As Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Scott Kriens, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Juniper Networks, Inc. on Form 10-K for the fiscal year ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Juniper Networks, Inc.

/s/ Scott Kriens

Scott Kriens
Chairman and Chief Executive Officer

February 28, 2008

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 As Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Robyn M. Denholm, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Juniper Networks, Inc. on Form 10-K for the fiscal year ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Juniper Networks, Inc.

/s/ Robyn M. Denholm

Robyn M. Denholm
Executive Vice President and Chief Financial Officer

February 28, 2008