JUNIPER NETWORKS INC
Form 10-Q
August 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

or

o 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: 001-34501

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

Delaware	77-0422528
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1194 North Mathilda Avenue Sunnyvale, California	94089
(Address of principal executive offices)	(Zip code)

(408) 745-2000
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

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 x No o
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No o
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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

There were 506,838,542 shares of the Company's Common Stock, par value $0.00001, outstanding as of August 2, 2013.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Juniper Networks, Inc.
Condensed Consolidated Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net revenues:				
Product	$863.8	$804.7	$1,645.6	$1,576.6
Service	286.9	269.1	564.3	529.7
Total net revenues	1,150.7	1,073.8	2,209.9	2,106.3
Cost of revenues:				
Product	321.3	292.6	599.5	573.2
Service	108.9	113.3	219.1	231.1
Total cost of revenues	430.2	405.9	818.6	804.3
Gross margin	720.5	667.9	1,391.3	1,302.0
Operating expenses:				
Research and development	257.7	268.7	519.9	538.3
Sales and marketing	266.2	259.5	521.4	517.2
General and administrative	48.8	48.8	96.6	103.5
Amortization of purchased intangible assets	1.2	1.2	2.4	2.4
Restructuring charges	8.0	3.2	15.0	5.2
Acquisition and litigation charges	0.1	(0.2)	10.5	1.0
Total operating expenses	582.0	581.2	1,165.8	1,167.6
Operating income	138.5	86.7	225.5	134.4
Other (expense) income, net	(12.6)	2.8	(22.7)	(21.6)
Income before income taxes	125.9	89.5	202.8	112.8
Income tax provision	28.0	31.8	13.9	38.8
Net income	$97.9	$57.7	$188.9	$74.0
Net income per share:				
Basic	$0.19	$0.11	$0.37	$0.14
Diluted	$0.19	$0.11	$0.37	$0.14
Shares used in computing net income per share:				
Basic	503.0	527.8	503.8	528.0
Diluted	506.3	531.8	510.4	533.8

See accompanying Notes to Condensed Consolidated Financial Statements

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Juniper Networks, Inc.
Condensed Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$97.9	$57.7	$188.9	$74.0
Other comprehensive income (loss), net of tax:				
Available-for-sale securities:				
Change in unrealized gains (losses) on available-for-sale securities	5.8	(1.0)	5.6	2.1
Reclassification adjustment for realized net gains on available-for-sale securities included in net income	(0.1)	(0.2)	(0.5)	(0.5)
Net change in unrealized gains (losses) on available-for-sale securities	5.7	(1.2)	5.1	1.6
Cash flow hedges:				
Change in unrealized (losses) gains on cash flow hedges	(0.1)	(3.4)	(2.2)	2.6
Reclassification adjustment for realized net (gains) losses on cash flow hedges included in net income	(0.4)	1.5	(1.8)	5.0
Net change in unrealized (losses) gains on cash flow hedges	(0.5)	(1.9)	(4.0)	7.6
Change in foreign currency translation adjustments	(3.7)	(4.5)	(9.5)	0.1
Other comprehensive income (loss), net of tax	1.5	(7.6)	(8.4)	9.3
Comprehensive income	$99.4	$50.1	$180.5	$83.3

See accompanying Notes to Condensed Consolidated Financial Statements

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Juniper Networks, Inc.
Condensed Consolidated Balance Sheets
(In millions, except par values)

	June 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$2,249.9	$2,407.8
Short-term investments	542.9	441.5
Accounts receivable, net of allowances	509.1	438.4
Deferred tax assets, net	141.3	172.6
Prepaid expenses and other current assets	210.9	140.4
Total current assets	3,654.1	3,600.7
Property and equipment, net	855.3	811.9
Long-term investments	1,026.4	988.1
Restricted cash and investments	94.0	106.4
Purchased intangible assets, net	123.6	128.9
Goodwill	4,057.7	4,057.8
Other long-term assets	202.6	138.3
Total assets	$10,013.7	$9,832.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$206.4	$209.3
Accrued compensation	215.1	279.3
Accrued warranty	29.0	29.7
Deferred revenue	750.4	693.5
Other accrued liabilities	221.9	210.2
Total current liabilities	1,422.8	1,422.0
Long-term debt	999.3	999.2
Long-term deferred revenue	277.6	229.9
Long-term income taxes payable	115.7	112.4
Other long-term liabilities	80.7	69.1
Total liabilities	2,896.1	2,832.6
Commitments and contingencies		
Juniper Networks stockholders' equity:		
Convertible preferred stock, $0.00001 par value; 10.0 shares authorized; none issued and outstanding	—	—
Common stock, $0.00001 par value; 1,000.0 shares authorized; 505.6 shares and 508.4 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively	—	—
Additional paid-in capital	9,899.5	9,905.7
Accumulated other comprehensive (loss) income	(3.7)	4.7
Accumulated deficit	(2,778.2)	(2,911.4)
Total Juniper Networks stockholders' equity	7,117.6	6,999.0
Noncontrolling interest	—	0.5
Total stockholders' equity	7,117.6	6,999.5
Total liabilities and stockholders' equity	$10,013.7	$9,832.1

See accompanying Notes to Condensed Consolidated Financial Statements

Juniper Networks, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended June 30, 2013	2012
Cash flows from operating activities:		
Net income	$188.9	$74.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	111.4	126.8
Depreciation and amortization	93.7	89.9
Restructuring charges	16.5	5.2
Deferred income taxes	26.6	(23.1)
Gain on investments, net	(3.8)	(0.8)
Excess tax benefits from share-based compensation	(1.3)	(6.8)
Other non-cash charges	1.0	0.4
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(92.3)	170.7
Prepaid expenses and other assets	(86.9)	(46.5)
Accounts payable	(3.4)	(137.5)
Accrued compensation	(64.0)	21.4
Income taxes payable	(18.5)	17.2
Other accrued liabilities	3.1	(2.4)
Deferred revenue	104.5	25.9
Net cash provided by operating activities	275.5	314.4
Cash flows from investing activities:		
Purchases of property and equipment	(142.3)	(169.7)
Purchases of trading investments	(2.1)	(3.2)
Purchases of available-for-sale investments	(895.0)	(614.8)
Proceeds from sales of available-for-sale investments	587.5	399.7
Proceeds from maturities of available-for-sale investments	183.8	371.6
Payments for business acquisitions, net of cash and cash equivalents	(10.0)	(90.5)
Proceeds from sales of privately-held investments	1.7	19.8
Purchases of privately-held investments	(14.4)	(6.1)
Purchase of licensed software	(10.0)	(0.3)
Changes in restricted cash	—	(0.2)
Net cash used in investing activities	(300.8)	(93.7)
Cash flows from financing activities:		
Proceeds from issuance of common stock	74.3	49.8
Purchases and retirement of common stock	(239.2)	(150.1)
Payment for capital lease obligation	(1.4)	(1.4)
Customer financing arrangements	32.4	8.1
Excess tax benefits from share-based compensation	1.3	6.8
Net cash used in financing activities	(132.6)	(86.8)
Net (decrease) increase in cash and cash equivalents	(157.9)	133.9
Cash and cash equivalents at beginning of period	2,407.8	2,910.4
Cash and cash equivalents at end of period	$2,249.9	$3,044.3

See accompanying Notes to Condensed Consolidated Financial Statements

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The unaudited Condensed Consolidated Financial Statements of Juniper Networks, Inc. (the "Company" or "Juniper") have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Balance Sheet as of December 31, 2012, is derived from the audited Consolidated Financial Statements for the year ended December 31, 2012. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. The results of operations for the three and six months ended June 30, 2013, are not necessarily indicative of the results that may be expected for the year ending December 31, 2013, or any future period. The information included in this Quarterly Report on Form 10-Q ("Report") should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," "Quantitative and Qualitative Disclosures About Market Risk," and the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Certain amounts in the prior year Condensed Consolidated Financial Statements have been reclassified to conform to the current year presentation.

The preparation of the financial statements and related disclosures in accordance with U.S. GAAP requires the Company to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates under different assumptions or conditions.

In the first quarter of 2013, the Company consolidated operational oversight and management of all security products within the Software Solutions Division ("SSD") segment. As a result of this product realignment, security products previously reported in the Platform Systems Division ("PSD") segment (including the Branch SRX, Branch Firewall, and J Series product families) are now reported in the SSD segment. The Company reclassified the segment data for the prior period to conform to the current period's presentation. This change did not impact previously reported consolidated net revenues, operating income, net income, and net income per share. See Note 13, Segments, for further discussion of the Company's product realignment.

The Company previously owned a 60 percent interest in a joint venture with Nokia Siemens Networks B.V. ("NSN"). Given the Company's majority ownership interest in the joint venture, the accounts of the joint venture were consolidated with the accounts of the Company, and a noncontrolling interest was recorded for the noncontrolling investor's interests in the net assets and operations of the joint venture. In July 2011, NSN and the Company entered into an agreement to cease operation of and dissolve the joint venture and subsequently NSN assumed the activities of the joint venture. The Company terminated the joint venture in 2013 and the termination did not have a material effect on the Company's financial position or results of operations.

Note 2. Summary of Significant Accounting Policies

Effective April 1, 2013, the Company extended the useful lives of certain computers and equipment resulting from our actual historical usage, which demonstrated longer useful lives, as well as our planned use of these assets. The change was accounted for as a change in estimate and applied prospectively. For the three and six months ended June 30, 2013, this change in accounting estimate decreased depreciation expense by approximately $11.0 million or $0.01 per diluted share.

With the exception of the above change in estimate, there have been no material changes to the Company's significant accounting policies as compared to the accounting policies described in Note 2, Significant Accounting Policies, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Annual Report on Form 10-K for the year ended December 31, 2012.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) ("ASU 2013-11") to provide explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. ASU 2013-11 is effective for fiscal years, and interim

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periods within those years, beginning after December 31, 2013. The Company intends to adopt this standard prospectively in the first quarter of 2014 and the adoption will not result in a change to the tax provision. The Company does not expect there will be a significant impact to its presentation of long-term taxes payable or its deferred tax assets.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"), which amends FASB Accounting Standards Codification ("ASC") 220, Comprehensive Income to include the reporting of reclassifications from accumulated other comprehensive income to the respective line items in net income. The Company adopted ASU 2013-02 during the first quarter of 2013 and presented the effects within the Condensed Consolidated Statements of Comprehensive Income and the accompanying notes.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210)—Disclosures About Offsetting Assets and Liabilities ("ASU 2011-11"), and in January 2013 issued ASU No. 2013-01, Balance Sheet (Topic 210)—Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities ("ASU 2013-01"). These standards create new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its derivative instruments, repurchase agreements, and securities lending transactions. Disclosures of certain instruments subject to enforceable master netting arrangements would be required, irrespective of whether the entity has elected to offset those instruments in the statement of financial position. The Company adopted these standards in the first quarter of 2013 and presented the effects in the accompanying notes.

Note 3. Business Combinations

During the six months ended June 30, 2013, the Company completed a business combination for approximately $10.0 million in cash consideration, of which $0.1 million was allocated to net tangible assets acquired and $9.9 million to intangible assets. The Company's consolidated financial statements include the operating results of this business combination from the date of acquisition, and the inclusion of those results were not material to its consolidated balance sheets and results of operations.

The Company recognized $0.1 million and recorded an adjustment of $0.2 million of acquisition-related costs during the three months ended June 30, 2013 and June 30, 2012, respectively, and $0.2 million and $1.0 million of acquisition-related costs during the six months ended June 30, 2013 and June 30, 2012, respectively. These acquisition-related costs were expensed in the period incurred and reported as a component of acquisition and litigation charges in the Company's Condensed Consolidated Statements of Operations.

Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 4. Cash Equivalents and Investments

Investments in Available-for-Sale and Trading Securities

The following tables summarize the Company's unrealized gains and losses and fair value of investments designated as available-for-sale and trading securities as of June 30, 2013 and December 31, 2012 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of June 30, 2013				
Cash equivalents:				
Certificate of deposit	$0.3	$—	$—	$0.3
Money market funds	1,011.5	—	—	1,011.5
U.S. government securities	96.3	—	—	96.3
Total cash equivalents	1,108.1	—	—	1,108.1
Restricted investments:				
Money market funds	89.5	—	—	89.5
Mutual funds	2.7	—	—	2.7
Total restricted investments	92.2	—	—	92.2
Fixed income securities:				
Asset-backed securities	237.8	0.1	(0.5)	237.4
Certificates of deposit	36.0	—	—	36.0
Commercial paper	6.6	—	—	6.6
Corporate debt securities	651.9	1.3	(1.0)	652.2
Foreign government debt securities	15.8	—	—	15.8
Government-sponsored enterprise obligations	292.8	0.1	(0.5)	292.4
U.S. government securities	295.9	0.1	—	296.0
Total fixed income securities	1,536.8	1.6	(2.0)	1,536.4
Publicly-traded equity securities	7.6	11.7	(0.2)	19.1
Total available-for-sale securities	2,744.7	13.3	(2.2)	2,755.8
Trading securities in mutual funds(*)	13.8	—	—	13.8
Total	$2,758.5	$13.3	$(2.2)	$2,769.6
Reported as:				
Cash equivalents	$1,108.1	$—	$—	$1,108.1
Restricted investments	92.2	—	—	92.2
Short-term investments	531.1	12.1	(0.3)	542.9
Long-term investments	1,027.1	1.2	(1.9)	1,026.4
Total	$2,758.5	$13.3	$(2.2)	$2,769.6

(*) Balance includes the Company's non-qualified deferred compensation plan assets.

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of December 31, 2012				
Cash equivalents:				
Certificate of deposit	$0.6	$—	$—	$0.6
Commercial paper	10.8	—	—	10.8
Government-sponsored enterprise obligations	6.1	—	—	6.1
Money market funds	1,042.6	—	—	1,042.6
U.S. government securities	165.8	—	—	165.8
Total cash equivalents	1,225.9	—	—	1,225.9
Restricted investments:				
Money market funds	102.6	—	—	102.6
Mutual funds	2.9	0.1	—	3.0
Total restricted investments	105.5	0.1	—	105.6
Fixed income securities:				
Asset-backed securities	226.2	0.3	(0.1)	226.4
Certificates of deposit	41.9	—	—	41.9
Commercial paper	11.6	—	—	11.6
Corporate debt securities	533.4	2.3	(0.1)	535.6
Foreign government debt securities	5.0	—	—	5.0
Government-sponsored enterprise obligations	264.6	0.3	—	264.9
U.S. government securities	328.6	0.1	—	328.7
Total fixed income securities	1,411.3	3.0	(0.2)	1,414.1
Publicly-traded equity securities	3.0	—	(0.1)	2.9
Total available-for-sale securities	2,745.7	3.1	(0.3)	2,748.5
Trading securities in mutual funds(*)	12.6	—	—	12.6
Total	$2,758.3	$3.1	$(0.3)	$2,761.1
Reported as:				
Cash equivalents	$1,225.9	$—	$—	$1,225.9
Restricted investments	105.5	0.1	—	105.6
Short-term investments	441.3	0.3	(0.1)	441.5
Long-term investments	985.6	2.7	(0.2)	988.1
Total	$2,758.3	$3.1	$(0.3)	$2,761.1

(*) Balance includes the Company's non-qualified deferred compensation plan assets.

The following table presents the maturities of the Company's total fixed income securities as of June 30, 2013 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Due within one year	$509.7	$0.4	$(0.1)	$510.0

Due between one and five years	1,027.1	1.2	(1.9)	1,026.4
Total	$1,536.8	$1.6	$(2.0)	$1,536.4

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The Company had 249 and 98 investments in unrealized loss positions as of June 30, 2013 and December 31, 2012, respectively. The gross unrealized losses related to these investments were primarily due to changes in market interest rates and stock prices. The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company aggregates its investments by category and length of time the securities have been in a continuous unrealized loss position to facilitate its evaluation.

For the available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) it has the intention to sell any of these investments and (ii) whether it is more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. As of June 30, 2013 the Company anticipates that it will recover the entire amortized cost basis of such available-for-sale debt securities and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the three and six months ended June 30, 2013 and June 30, 2012.

For available-for-sale equity securities that have unrealized losses, the Company evaluates whether there is an indication of other-than-temporary impairments. This determination is based on several factors, including the financial condition and near-term prospects of the issuer and the Company's intent and ability to hold the publicly-traded equity securities for a period of time sufficient to allow for any anticipated recovery in market value. During the three and six months ended June 30, 2013 and June 30, 2012, the Company did not recognize other-than-temporary impairments associated with these investments.

There were no material gross realized gains or losses from available-for-sale and trading securities during the three and six months ended June 30, 2013 and June 30, 2012. Realized gains and losses are determined based on the specific identification method.

The following tables present the Company's available-for-sale securities that were in an unrealized loss position as of June 30, 2013 and December 31, 2012 (in millions):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of June 30, 2013						
Fixed income securities:						
Asset-backed securities	$195.3	$(0.5)	$—	$—	$195.3	$(0.5)
Corporate debt securities	304.0	(1.0)	—	—	304.0	(1.0)
Foreign government debt securities	15.0	—	—	—	15.0	—
Government-sponsored enterprise obligations	129.6	(0.5)	—	—	129.6	(0.5)
U.S. government securities	56.5	—	—	—	56.5	—
Total fixed income securities	700.4	(2.0)	—	—	700.4	(2.0)
Publicly-traded equity securities	2.8	(0.2)	—	—	2.8	(0.2)
Total available-for sale securities	$703.2	$(2.2)	$—	$—	$703.2	$(2.2)

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of December 31, 2012						
Fixed income securities:						
Asset-backed securities[*]	$55.1	$(0.1)	$0.1	$—	$55.2	$(0.1)
Certificates of deposit	0.3	—	—	—	0.3	—
Commercial paper	10.0	—	—	—	10.0	—
Corporate debt securities	116.0	(0.1)	—	—	116.0	(0.1)
Government-sponsored enterprise obligations	30.0	—	—	—	30.0	—
U.S. government securities	68.2	—	—	—	68.2	—
Total fixed income securities	279.6	(0.2)	0.1	—	279.7	(0.2)
Publicly-traded equity securities	2.9	(0.1)	—	—	2.9	(0.1)
Total available-for sale securities	$282.5	$(0.3)	$0.1	$—	$282.6	$(0.3)

(*) Balance greater than 12 months includes investments that were in an immaterial unrealized loss position as of December 31, 2012.

Restricted Cash and Investments

The Company classifies cash and investments designated as available-for-sale securities as restricted cash and investments on its Condensed Consolidated Balance Sheets for: (i) amounts held in escrow accounts, as required by certain acquisitions completed between 2005 and 2013; (ii) the India Gratuity Trust and Israel Retirement Trust, which cover statutory severance obligations in the event of termination of any of the Company's India and Israel employees, respectively; and (iii) the Directors and Officers ("D&O") indemnification trust.

The following table summarizes the Company's cash and investments that are classified as restricted cash and investments in the Condensed Consolidated Balance Sheets (in millions):

	As of June 30, 2013	December 31, 2012
Restricted cash	$1.8	$0.8
Restricted investments	92.2	105.6
Total restricted cash and investments	$94.0	$106.4

Privately-Held Investments

As of June 30, 2013 and December 31, 2012, the carrying values of the Company’s privately-held investments of $46.3 million and $32.0 million, respectively, were included in other long-term assets in the Condensed Consolidated Balance Sheets.

The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company adjusts the carrying value for its privately-held investments for any impairment if the fair value is less than the carrying value of the respective assets on an other-than-temporary basis.

The Company determined that certain privately-held investments were other-than-temporarily impaired, resulting in impairment charges of $0.4 million for both the three and six months ended June 30, 2013 and $14.0 million for the six months ended June 30, 2012 that were recorded within other (expense) income, net in the Condensed Consolidated Statements of Operations. There were no such charges during the three months ended June 30, 2012.

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Note 5. Fair Value Measurements
Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following tables provide a summary of assets and liabilities measured at fair value on a recurring basis and as reported in the Condensed Consolidated Balance Sheets (in millions):

	Fair Value Measurements at June 30, 2013 Using:			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Assets measured at fair value:				
Available-for-sale securities:				
Asset-backed securities	$—	$237.4	$—	$237.4
Certificate of deposit	—	36.3	—	36.3
Commercial paper	—	6.6	—	6.6
Corporate debt securities	—	652.2	—	652.2
Foreign government debt securities	—	15.8	—	15.8
Government-sponsored enterprise obligations	287.4	5.0	—	292.4
Money market funds [1]	1,101.0	—	—	1,101.0
Mutual funds [2]	2.7	—	—	2.7
Publicly-traded equity securities	19.1	—	—	19.1
U.S. government securities	213.9	178.4	—	392.3
Total available-for-sale securities	1,624.1	1,131.7	—	2,755.8
Trading securities in mutual funds [3]	13.8	—	—	13.8
Derivative assets:				
Foreign exchange contracts	—	1.3	—	1.3
Total assets measured at fair value	$1,637.9	$1,133.0	$—	$2,770.9
Liabilities measured at fair value:				
Derivative liabilities:				
Foreign exchange contracts	$—	$(2.7)	$—	$(2.7)
Total liabilities measured at fair value	$—	$(2.7)	$—	$(2.7)
Total assets measured at fair value, reported as:				
Cash equivalents	$1,011.5	$96.6	$—	$1,108.1
Restricted investments	92.2	—	—	92.2
Short-term investments	272.7	270.2	—	542.9
Long-term investments	261.5	764.9	—	1,026.4
Prepaid expenses and other current assets	—	1.3	—	1.3
Total assets measured at fair value	$1,637.9	$1,133.0	$—	$2,770.9
Total liabilities measured at fair value, reported as:				
Other accrued liabilities	$—	$(2.7)	$—	$(2.7)
Total liabilities measured at fair value	$—	$(2.7)	$—	$(2.7)

(1) Balance includes $89.5 million of restricted investments measured at fair market value, related to the Company's D&O trust and acquisition-related escrows.

(2) Balance relates to the restricted investments measured at fair market value of the Company's India Gratuity Trust.

(3) Balance relates to investments measured at fair value related to the Company's non-qualified deferred compensation plan assets.

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	Fair Value Measurements at December 31, 2012 Using:			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Assets measured at fair value:				
Available-for-sale securities:				
Asset-backed securities	$—	$226.4	$—	$226.4
Certificate of deposit	—	42.5	—	42.5
Commercial paper	—	22.4	—	22.4
Corporate debt securities	—	535.6	—	535.6
Foreign government debt securities	—	5.0	—	5.0
Government-sponsored enterprise obligations	254.9	16.1	—	271.0
Money market funds (1)	1,145.2	—	—	1,145.2
Mutual funds (2)	1.0	2.0	—	3.0
Publicly-traded equity securities	2.9	—	—	2.9
U.S. government securities	275.9	218.6	—	494.5
Total available-for-sale securities	1,679.9	1,068.6	—	2,748.5
Trading securities in mutual funds (3)	12.6	—	—	12.6
Derivative assets:				
Foreign exchange contracts	—	3.5	—	3.5
Total assets measured at fair value	$1,692.5	$1,072.1	$—	$2,764.6
Liabilities measured at fair value:				
Derivative liabilities:				
Foreign exchange contracts	$—	$0.1	$—	$0.1
Total liabilities measured at fair value	$—	$0.1	$—	$0.1
Total assets measured at fair value, reported as:				
Cash equivalents	$1,048.7	$177.2	$—	$1,225.9
Restricted investments	103.6	2.0	—	105.6
Short-term investments	224.4	217.1	—	441.5
Long-term investments	315.8	672.3	—	988.1
Prepaid expenses and other current assets	—	3.5	—	3.5
Total assets measured at fair value	$1,692.5	$1,072.1	$—	$2,764.6
Total liabilities measured at fair value, reported as:				
Other accrued liabilities	$—	$0.1	$—	$0.1
Total liabilities measured at fair value	$—	$0.1	$—	$0.1

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(1) Balance includes $102.6 million of restricted investments measured at fair market value, related to the Company's D&O trust and acquisition-related escrows.

(2) Balance relates to the restricted investments measured at fair market value of the Company's India Gratuity Trust.

(3) Balance relates to investments measured at fair value related to the Company's non-qualified deferred compensation plan assets.

The Company's Level 2 available-for-sale fixed income securities are priced using quoted market prices for similar instruments or non-binding market prices that are corroborated by observable market data. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, or alternative pricing sources with reasonable levels of price transparency which

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are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets. The Company's policy is to recognize asset or liability transfers among Level 1, Level 2, and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During the three and six months ended June 30, 2013 and June 30, 2012, the Company had no transfers between levels of the fair value hierarchy of its assets or liabilities measured at fair value.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain of the Company's assets, including intangible assets, goodwill, and privately-held investments, are measured at fair value on a nonrecurring basis if impairment is indicated. As of June 30, 2013 and December 31, 2012, the Company had no material assets and no liabilities measured at fair value on a nonrecurring basis.

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, financing receivables, accounts payable, and other accrued liabilities approximate fair value due to their short maturities. The fair value of the Company’s long-term debt is disclosed in Note 10, Long-Term Debt and Financing, and was determined using quoted market prices (Level 1).

Note 6. Derivative Instruments

The Company uses derivatives to partially offset its market exposure to fluctuations in certain foreign currencies and does not enter into derivatives for speculative or trading purposes.

The notional amount of Company's foreign currency derivatives are summarized as follows (in millions):

	As of	
	June 30, 2013	December 31, 2012
Cash flow hedges	$137.2	$85.8
Non-designated derivatives	133.9	112.8
Total	$271.1	$198.6

Cash Flow Hedges

The Company can use foreign currency forward or option contracts to hedge certain forecasted foreign currency transactions relating to cost of services and operating expenses. The derivatives are intended to hedge the U.S. Dollar equivalent of the Company's planned cost of services and operating expenses denominated in foreign currencies. These derivatives are designated as cash flow hedges. Execution of these cash flow hedge derivatives typically occurs every month with maturities of one year or less. 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 cost of services or operating expense line item to which the hedged transaction relates. The Company records any ineffectiveness of the hedging instruments in other (expense) income, net in its Condensed Consolidated Statements of Operations. Cash flows from such hedges are classified as operating activities. All amounts within other comprehensive income are expected to be reclassified into earnings within the next 12 months.

As of June 30, 2013 and December 31, 2012, the total fair value of the Company’s derivative assets recorded in other current assets on the Condensed Consolidated Balance Sheets was $1.3 million and $3.5 million, respectively. As of June 30, 2013 and December 31, 2012, the total fair value of the Company’s derivative liabilities recorded in other accrued liabilities on the Condensed Consolidated Balance Sheets was $2.7 million and $0.1 million, respectively.

During the three and six months ended June 30, 2013, the Company recognized a loss of $1.7 million and $3.8 million, respectively, in accumulated other comprehensive (loss) income for the effective portion of its derivative instruments and reclassified a gain of $0.6 million and $2.0 million, respectively, from other comprehensive income to operating expense in the Condensed Consolidated Statements of Operations. During the three and six months ended June 30, 2012, the Company

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recognized a loss of $5.2 million and a gain of $0.8 million, respectively, in accumulated other comprehensive (loss) income for the effective portion of its derivative instruments and reclassified a loss of $2.0 million and $5.5 million, respectively, from other comprehensive income to operating expense in the Condensed Consolidated Statements of Operations.

The ineffective portion of the Company's derivative instruments recognized in its Condensed Consolidated Statements of Operations was not material during the three and six months ended June 30, 2013 and June 30, 2012.

Non-Designated Derivatives

The Company also uses foreign currency forward contracts to mitigate variability in gains and losses generated from the remeasurement of certain monetary assets and liabilities denominated in foreign currencies. These derivatives do not qualify for special hedge accounting treatment. These derivatives are carried at fair value with changes recorded in other (expense) income, net in the Condensed Consolidated Statements of Operations. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities. Cash flows from such derivatives are classified as operating activities. The derivatives have maturities within two months.

During the three and six months ended June 30, 2013, the Company recognized a net gain of $0.8 million and $0.1 million, respectively, on non-designated derivative instruments within other (expense) income, net, in its Condensed Consolidated Statements of Operations. During the three and six months ended June 30, 2012, the Company recognized a net gain of $0.4 million and $0.3 million, respectively, within other (expense) income, net, in its Condensed Consolidated Statements of Operations.

Offsetting of Derivatives

The Company presents its derivative assets and derivative liabilities on a gross basis in the Condensed Consolidated Balance Sheets. However, under agreements containing provisions on netting with certain counterparties of foreign exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions on the same date in the same currency, with a single net amount payable by one party to the other. As of June 30, 2013 and December 31, 2012, the potential effect of rights of setoff associated with derivative instruments would be an offset to both assets and liabilities of $0.2 million and $0.1 million, respectively. The resulting net derivative assets and derivative liabilities of the potential offset impact are $1.1 million and $2.5 million as of June 30, 2013, respectively. The resulting net derivative assets are $3.4 million and not material for derivative liabilities as of December 31, 2012. The Company is not required to pledge nor is it entitled to receive cash collateral related to these derivative transactions.

Note 7. Goodwill and Purchased Intangible Assets

Goodwill
The following table presents the goodwill activity allocated to the Company's reportable segments during the six months ended June 30, 2013 (in millions):

	PSD	SSD	Total
Balance as of December 31, 2012	$1,866.3	$2,191.5	$4,057.8
Reclassifications	(179.0)	179.0	—
Foreign currency translation adjustment	(0.1)	—	(0.1)

Balance as of June 30, 2013	$1,687.2	$2,370.5	$4,057.7

Goodwill associated with security products previously reported under PSD has been reclassified to SSD in connection with the Company's product realignment of all security products during the first quarter of 2013. See Note 13, Segments, for further discussion of the Company's product realignment. Goodwill was reclassified based on the relative fair value allocation of the reporting units affected. There were no impairments to goodwill during the six months ended June 30, 2013 and June 30, 2012.

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Purchased Intangible Assets

The Company's purchased intangible assets were as follows (in millions):

	Gross	Accumulated Amortization	Impairments and Other Charges	Net
As of June 30, 2013				
Intangible assets with finite lives:				
Technologies and patents	$564.0	$(438.4)	$(30.5)	$95.1
Customer contracts, support agreements, and related relationships	74.3	(61.0)	(2.2)	11.1
Other	18.8	(18.8)	—	—
Total intangible assets with finite lives	657.1	(518.2)	(32.7)	106.2
IPR&D with indefinite lives	17.4	—	—	17.4
Total purchased intangible assets	$674.5	$(518.2)	$(32.7)	$123.6
As of December 31, 2012				
Intangible assets with finite lives:				
Technologies and patents	$554.1	$(425.0)	$(30.5)	$98.6
Customer contracts, support agreements, and related relationships	74.3	(59.2)	(2.2)	12.9
Other	18.8	(18.8)	—	—
Total intangible assets with finite lives	647.2	(503.0)	(32.7)	111.5
IPR&D with indefinite lives	17.4	—	—	17.4
Total purchased intangible assets	$664.6	$(503.0)	$(32.7)	$128.9

The purchased intangible assets balance as of June 30, 2013, includes intangible assets acquired through the acquisition completed during the first six months of 2013. Refer to Note 3, Business Combinations, for further details.

Amortization of purchased intangible assets included in operating expenses and cost of product revenues totaled $7.7 million and $8.8 million for the three months ended June 30, 2013 and June 30, 2012, respectively, and $15.2 million and $16.1 million for the six months ended June 30, 2013 and June 30, 2012, respectively. There were no impairment charges with respect to the purchased intangible assets during the three and six months ended June 30, 2013 and June 30, 2012.

As of June 30, 2013, the estimated future amortization expense of purchased intangible assets with finite lives is as follows (in millions):

Years Ending December 31,	Amount
Remainder of 2013	$15.2
2014	30.4
2015	26.8
2016	14.2
2017	10.5
Thereafter	9.1
Total	$106.2

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Juniper Networks, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
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Note 8. Other Financial Information

Inventories, Net

The Company purchases and holds inventory to provide adequate component supplies over the life of the underlying products. The majority of the Company's inventory is production components. Inventories, net are reported within prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets and consisted of the following (in millions):

	As of	
	June 30, 2013	December 31, 2012
Inventories, net:		
Production materials	$49.8	$54.6
Finished goods	0.3	4.1
Total inventories, net	$50.1	$58.7

Warranties
The Company accrues for warranty costs as part of its cost of sales based on associated material costs, labor costs for customer support, and overhead at the time revenue is recognized. This provision is reported as accrued warranty within current liabilities on the Condensed Consolidated Balance Sheets. Changes in the Company's warranty reserve during the six months ended June 30, 2013 were as follows (in millions):

Balance as of December 31, 2012	$29.7
Provisions made during the period, net	14.1
Adjustments related to pre-existing warranties	(0.7)
Actual costs incurred during the period	(14.1)
Balance as of June 30, 2013	$29.0

Deferred Revenue

Details of the Company's deferred revenue, as reported on the Condensed Consolidated Balance Sheets, were as follows (in millions):

	As of	
	June 30, 2013	December 31, 2012
Deferred product revenue:		
Undelivered product commitments and other product deferrals	$237.0	$256.9
Distributor inventory and other sell-through items	100.0	138.4
Deferred gross product revenue	337.0	395.3
Deferred cost of product revenue	(59.5)	(99.4)
Deferred product revenue, net	277.5	295.9
Deferred service revenue	750.5	627.5
Total	$1,028.0	$923.4
Reported as:		
Current	$750.4	$693.5
Long-term	277.6	229.9
Total	$1,028.0	$923.4

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Deferred product revenue represents unrecognized revenue related to shipments to distributors that have not sold through to end-users, undelivered product commitments, and other shipments that have not met all revenue recognition criteria. Deferred product revenue is recorded net of the related costs of product revenue. Deferred service revenue represents customer payments made in advance for services, which include technical support, hardware and software maintenance, professional services, and training.

Other (Expense) Income, Net

Other (expense) income, net consisted of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income	$1.7	$2.9	$3.8	$5.7
Interest expense	(14.9)	(13.5)	(29.2)	(27.7)
Other	0.6	13.4	2.7	0.4
Other (expense) income, net	$(12.6)	$2.8	$(22.7)	$(21.6)

Interest income primarily includes interest earned on the Company’s cash, cash equivalents, and investments. Interest expense primarily includes interest net of capitalized interest expense from long-term debt and customer financing arrangements. Other typically consists of investment and foreign exchange gains and losses and other non-operational income and expense items. During the three months ended June 30, 2013, Other was primarily comprised of a gain on sale of certain investments partially offset by a loss on privately-held investments. During the six months ended June 30, 2013, Other was primarily comprised of a net gain of $1.3 million related to privately-held investments. During the three and six months ended June 30, 2012, Other was primarily comprised of a net gain of $14.8 million and $0.8 million, respectively, related to the Company's privately-held equity investments.

Note 9. Restructuring Charges

Restructuring charges are based on the Company's restructuring plans that were committed to by management. These restructuring charges are recorded within cost of revenues or restructuring charges in the Condensed Consolidated Statements of Operations, as applicable. Any changes in the estimates of executing the approved plans are reflected in the Company's results of operations. Restructuring liabilities are reported within other accrued liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets.

During 2012, the Company initiated a restructuring plan (the "2012 Restructuring Plan") to bring its cost structure more in line with its long-term financial and strategic model. The 2012 Restructuring Plan consists of workforce reductions, facility consolidations or closures, and supply chain and procurement efficiencies. During the three and six months ended June 30, 2013, the Company continued to implement restructuring activities under the 2012 Restructuring Plan and recorded $8.8 million and $16.6 million, respectively, in charges for workforce reductions, facility consolidations or closures, and contract terminations. Under the 2012 Restructuring Plan, total costs incurred through June 30, 2013, was $109.9 million of which $54.4 million was recorded within cost of revenues and $55.5 million was recorded within restructuring charges in the Condensed Consolidated Statements of Operations. The Company expects to incur charges related to this plan through the end of fiscal 2013.

During 2011, the Company implemented a restructuring plan (the "2011 Restructuring Plan") in an effort to better align its business operations with the current market and macroeconomic conditions. The 2011 Restructuring Plan consisted of certain workforce reductions, facility closures and to a lesser extent, contract terminations. The Company recorded the majority of the restructuring charges associated with this plan during the years ended 2012 and 2011 and recorded a severance-related reversal of $0.1 million during the six months ended June 30, 2013. As of June 30, 2013, the remaining restructuring liability under this plan relates to facility charges, which are expected to be completed by March 2018.

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The following table presents restructuring charges included in cost of revenues and restructuring charges in the Condensed Consolidated Statements of Operations under the Company's restructuring plans (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Severance	$0.8	$1.3	$5.2	$4.3
Facilities	7.7	1.9	10.3	1.7
Contract terminations and other	0.3	—	1.0	(0.8)
Total	$8.8	$3.2	$16.5	$5.2

The following table provides a summary of changes in the restructuring liability related to the Company's plans during the six months ended June 30, 2013 (in millions):

	December 31, 2012	Charges	Cash Payments	Non-cash Settlements and Other	June 30, 2013
Severance	$10.6	$5.2	$(12.0)	$(0.1)	$3.7
Facilities	5.2	10.3	(2.8)	(4.8)	7.9
Contract terminations and other	2.4	1.0	(3.5)	0.5	0.4
Total	$18.2	$16.5	$(18.3)	$(4.4)	$12.0

In connection with the restructuring plans discussed above, the Company expects to record aggregate future charges of approximately $1.5 million through the remainder of 2013, consisting of approximately $1.0 million related to workforce reductions and $0.5 million related to contract terminations including facility closures.

Note 10. Long-Term Debt and Financing

Long-Term Debt

The following table summarizes the Company's long-term debt (in millions, except percentages):

	As of June 30, 2013	
	Amount	Effective Interest Rates
Senior notes:		
3.10% fixed-rate notes, due 2016 ("2016 Notes")	$300.0	3.12%
4.60% fixed-rate notes, due 2021 ("2021 Notes")	300.0	4.63%
5.95% fixed-rate notes, due 2041 ("2041 Notes")	400.0	6.01%
Total senior notes	1,000.0	
Unaccreted discount	(0.7)	
Total	$999.3	

The effective interest rates for the 2016 Notes, 2021 Notes, and 2041 Notes (collectively the “Notes”) include the interest on the Notes, accretion of the discount, and amortization of issuance costs. As of June 30, 2013 and December 31, 2012, the estimated fair value of the Notes included in long-term debt in the Condensed Consolidated Balance Sheets was approximately $1,020.1 million and $1,090.7 million, respectively, based on quoted market prices (Level 1). As of June 30, 2013, the Company was in compliance with all of its debt covenants.

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Customer Financing Arrangements

The Company has customer financing arrangements to factor its accounts receivable to a third-party financing provider for certain customers that require longer payment terms than those typically provided by the Company. 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, proceeds from the financing provider are due to the Company 30 days from the sale of the receivable. In these transactions with the financing provider, the Company surrendered control over the transferred assets. The factored accounts receivable were isolated from the Company and put beyond the reach of creditors, even in the event of bankruptcy. 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 financing arrangements for the sale of receivables, the Company sold net receivables of $184.7 million and $162.6 million during the three months ended June 30, 2013 and June 30, 2012, respectively, and $365.7 million and $283.2 million during the six months ended June 30, 2013 and June 30, 2012, respectively.

The Company received cash proceeds from the financing provider of $205.7 million and $147.3 million during the three months ended June 30, 2013 and June 30, 2012, respectively, and $368.4 million and $325.8 million during the six months ended June 30, 2013 and June 30, 2012, respectively. As of June 30, 2013 and December 31, 2012, the amounts owed by the financing provider were $133.7 million and $147.6 million, respectively, and were recorded in accounts receivable on the Company’s Condensed Consolidated Balance Sheets.

In addition, the Company provides guarantees for third-party financing arrangements extended to end-user customers, which have terms up to four years. The Company is liable for the aggregate unpaid payments to the third-party financing company in the event of customer default. As of June 30, 2013, the Company has not made any payments under these arrangements. Pursuant to these arrangements, the Company had guaranteed third-party financing arrangements of $32.2 million as of June 30, 2013.

The portion of the receivable financed that has not been recognized as revenue is accounted for as a financing arrangement and is included in other accrued liabilities and other long-term liabilities in the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, the estimated cash received from the financing provider not recognized as revenue was $63.2 million and $30.7 million, respectively.

Note 11. Equity

Stock Repurchase Activities

As of June 30, 2013, the Company had authority granted by the Board of Directors (the "Board") to repurchase up to $1.0 billion of its common stock under a stock repurchase program. As of June 30, 2013, there was $332.8 million of authorized funds remaining under the Company's stock repurchase program. In addition to repurchases under the Company’s stock repurchase program, the Company can also repurchase common stock from its employees in connection with net issuance of shares to satisfy minimum tax withholding obligations for the vesting of certain stock awards.

The Company repurchased and retired approximately 6.4 million and 12.6 million shares of its common stock at an average price of $16.45 and $18.68 per share for an aggregate purchase price of $105.5 million and $235.4 million during the three and six months ended June 30, 2013, respectively, under its stock repurchase program. The Company repurchased and retired approximately 5.0 million and 7.4 million shares of its common stock at an average price of $18.76 and $19.72 per share for an aggregate purchase price of $94.0 million and $145.6 million during the three and six months ended June 30, 2012, respectively, under its stock repurchase program. Repurchases associated with net issuances were not significant during the three and six months ended June 30, 2013 and June 30, 2012.

All shares of common stock repurchased under the Company's stock repurchase program and from its employees in connection with net issuance have been retired. Future share repurchases under the Company’s stock repurchase program will be subject to a review of the circumstances in place at that time and will be made from time to time in private transactions or open market

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purchases as permitted by securities laws and other legal requirements. This program may be discontinued at any time. See Note 17, Subsequent Events, for discussion of the Company's stock repurchase activity subsequent to June 30, 2013.

Accumulated Other Comprehensive (Loss) Income, Net of Tax

The components of accumulated other comprehensive (loss) income, net of related taxes, during the six months ended June 30, 2013 were as follows (in millions):

	Unrealized Gains (Losses) on Available-for-Sale Securities[1]	Unrealized Gains (Losses) on Cash Flow Hedges[2]	Foreign Currency Translation Adjustments	Total
Balance as of December 31, 2012	$2.1	$3.0	$(0.4)	$4.7
Other comprehensive gain (loss) before reclassifications	5.6	(2.2)	(9.5)	(6.1)
Amount reclassified from accumulated other comprehensive (gain) income	(0.5)	(1.8)	—	(2.3)
Other comprehensive loss	5.1	(4.0)	(9.5)	(8.4)
Balance as of June 30, 2013	$7.2	$(1.0)	$(9.9)	$(3.7)

(1) The reclassifications out of accumulated comprehensive income during the six months ended June 30, 2013 for realized gains on available-for-sale securities of $0.5 million are included in other (expense) income, net in the Condensed Consolidated Statements of Operations.

(2) The reclassifications out of accumulated comprehensive income during the six months ended June 30, 2013 for realized gains on cash flow hedges are included within cost of revenues of $0.2 million, research and development of $0.8 million, sales and marketing of $0.4 million, and general and administrative of $0.4 million for which the hedged transactions relate in the Condensed Consolidated Statements of Operations.

The following table presents the taxes related to each component of other comprehensive income (loss) (in millions):

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	Gross Amount	Income Tax (Provision) Benefit	Net Amount	Gross Amount	Income Tax (Provision) Benefit	Net Amount
Available-for-sale securities:						
Change in unrealized gains (losses) on available-for-sale securities	$9.7	$(3.9)	$5.8	$9.6	$(4.0)	$5.6
Reclassification adjustment for realized net gains on available-for-sale securities included in net income	(0.2)	0.1	(0.1)	(0.7)	0.2	(0.5)
Net change in unrealized gains (losses) on available-for-sale securities	9.5	(3.8)	5.7	8.9	(3.8)	5.1

Cash flow hedges:						
Change in unrealized (losses) gains on cash flow hedges	(1.7)	1.6	(0.1)	(3.8)	1.6	(2.2)
Reclassification adjustment for realized net (gains) losses on cash flow hedges included in net income	(0.6)	0.2	(0.4)	(2.0)	0.2	(1.8)
Net change in unrealized (losses) gains on cash flow hedges	(2.3)	1.8	(0.5)	(5.8)	1.8	(4.0)
Change in foreign currency adjustments	(3.7)	—	(3.7)	(9.5)	—	(9.5)
Other comprehensive income (loss)	$3.5	$(2.0)	$1.5	$(6.4)	$(2.0)	$(8.4)

Taxes related to each component of other comprehensive income (loss) were not material for the three and six months ended June 30, 2012.

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Note 12. Employee Benefit Plans

Share-Based Compensation Plans

The Company’s share-based compensation plans include the 2006 Equity Incentive Plan (the “2006 Plan”), the 2000 Nonstatutory Stock Option Plan (the “2000 Plan”), the Amended and Restated 1996 Stock Plan (the “1996 Plan”), various equity incentive plans assumed through acquisitions, and the 2008 Employee Stock Purchase Plan (the "2008 Purchase Plan"). Under these plans, the Company has granted (or in the case of acquired plans assumed) stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs"), and performance share awards ("PSAs").

The 2006 Plan was adopted and approved by the Company’s stockholders in May 2006. To date, the Company's stockholders have approved a share reserve of 149.5 million shares of common stock plus the addition of any shares subject to options under the 2000 Plan and the 1996 Plan that were outstanding as of May 18, 2006, and that subsequently expire unexercised, up to a maximum of an additional 75.0 million shares. As of June 30, 2013, the 2006 Plan had 49.6 million shares subject to currently outstanding equity awards and 46.4 million shares available for future issuance.

The 2008 Purchase Plan was adopted in May 2008. To date, the Company's stockholders have approved a share reserve of 19.0 million shares of the Company's common stock for issuance under this plan. The 2008 Purchase Plan permits eligible employees to acquire shares of the Company’s common stock at a 15% discount to the offering price (as determined in the 2008 Purchase Plan) through periodic payroll deductions of up to 10% of base compensation, subject to individual purchase limits of 6,000 shares in any twelve-month period or $25,000 worth of stock, determined at the fair market value of the shares at the time the stock purchase option is granted, in one calendar year. As of June 30, 2013, approximately 11.4 million shares have been issued and 7.6 million shares remain available for future issuance under the 2008 Purchase Plan.

In connection with certain past acquisitions, the Company assumed stock options, RSU, and RSA awards under the assumed stock plans of the acquired companies and exchanged the assumed awards for Juniper's stock options, RSUs, and RSAs, respectively. No new stock options, RSUs, and RSAs can be granted under these plans. As of June 30, 2013, stock options, RSUs and RSAs representing approximately 6.2 million shares of common stock were outstanding under all awards assumed through the Company's acquisitions.

Stock Option Activities

The following table summarizes the Company’s stock option activity and related information as of and for the six months ended June 30, 2013 (in millions, except for per share amounts and years):

	Outstanding Options				
	Number of Shares		Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of December 31, 2012	34.1		$24.13		
Options granted	—		—		
Options canceled	(0.6	)	31.49		

Options exercised	(2.9	) 15.72		
Options expired	(2.4	) 28.45		
Balance as of June 30, 2013	28.2	$24.47	2.9	$38.4
As of June 30, 2013:				
Vested and expected-to-vest options	27.6	$24.53	2.8	$35.4
Exercisable options	23.7	$24.50	2.3	$21.9

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Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was $19.31 per share as of June 30, 2013, and the exercise price multiplied by the number of related options. The pre-tax intrinsic value of options exercised, representing the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option, was $2.6 million and $14.5 million for the three and six months ended June 30, 2013, respectively.

Restricted Stock Unit, Restricted Stock Award, and Performance Share Award Activities

The following table summarizes the Company's RSU, RSA, and PSA activity and related information as of and for the six months ended June 30, 2013 (in millions, except per share amounts and years):

	Outstanding RSUs, RSAs, and PSAs			
	Number of Shares	Weighted Average Grant-Date Fair Value per Share	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of December 31, 2012	26.8	$27.76		
RSUs granted	8.4	20.22		
PSAs granted [*]	2.0	21.29		
RSUs vested	(4.2)	28.26		
PSAs vested	(1.0)	28.28		
RSAs vested	(0.5)	19.59		
RSUs canceled	(1.7)	23.76		
PSAs canceled	(2.2)	29.47		
Balance as of June 30, 2013	27.6	25.16	1.5	$532.0
As of June 30, 2013:				
Vested and expected-to-vest RSUs, RSAs, and PSAs	22.9	$20.47	1.3	$442.5

(*) The number of shares subject to PSAs granted represents the aggregate maximum number of shares that may be issued pursuant to the award over its full term. The aggregate number of shares subject to these PSAs that would be issued if performance goals determined by the Compensation Committee are achieved at target is 1.0 million shares. Depending on achievement of such performance goals, the range of shares that could be issued under these awards is 0 to 2.0 million shares.

Employee Stock Purchase Plan ("ESPP")

The Company's 2008 Purchase Plan is implemented in a series of offering periods, each six months in duration, or a shorter period as determined by the Board. Employees purchased approximately 1.9 million and 1.7 million shares of common stock through the 2008 Purchase Plan at an average per share price of $15.05 and $17.79 for the six months ended June 30, 2013 and June 30, 2012, respectively. No employee purchases were made during the three months ended June 30, 2013 and June 30, 2012.

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Share-Based Compensation Expense

The weighted-average assumptions used and the resulting estimates of fair value for stock options and ESPP were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock Options:				
Volatility	—	—	—	46%
Risk-free interest rate	—	—	—	0.8%
Expected life (years)	—	—	—	4.2
Dividend yield	—	—	—	—
Weighted-average fair value per share	—	—	—	$8.51
ESPP:				
Volatility	36%	51%	36%	51%
Risk-free interest rate	0.1%	0.1%	0.1%	0.1%
Expected life (years)	0.5	0.5	0.5	0.5
Dividend yield	—	—	—	—
Weighted-average fair value per share	$5.63	$6.38	$5.63	$6.38

Share-based compensation expense associated with stock options, ESPP, RSUs, RSAs, and PSAs was recorded in the following cost and expense categories in the Company's Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of revenues - Product	$1.2	$1.1	$2.1	$2.1
Cost of revenues - Service	3.5	4.2	8.1	9.5
Research and development	33.0	28.5	56.6	54.3
Sales and marketing	18.1	21.0	32.6	42.9
General and administrative	5.7	7.0	12.0	18.0
Total	$61.5	$61.8	$111.4	$126.8

The following table summarizes share-based compensation expense by award type (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock options	$7.7	$15.1	$17.2	$32.8
RSUs, RSAs, and PSAs	49.3	41.3	86.3	83.1
ESPP	4.5	5.4	7.9	10.9
Total	$61.5	$61.8	$111.4	$126.8

The following table presents unrecognized compensation cost, adjusted for estimated forfeitures, recognized over a weighted-average period related to unvested stock options, RSUs, RSAs, and PSAs as of June 30, 2013 (in millions, except years):

	Unrecognized	Weighted Average

	Compensation Cost	Period (In Years)
Stock options	$50.0	2.2
RSUs, RSAs, and PSAs	$354.4	2.2

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Note 13. Segments

The Company’s chief operating decision maker (“CODM”) allocates resources and assesses performance based on financial information of the Company’s divisions. In the first quarter of 2013, the Company consolidated operational oversight and management of all security products within the SSD segment. As a result of this change, security products previously reported in the PSD segment (including the Branch SRX, Branch Firewall, and J Series product families) are now reported in the SSD segment. The Company reclassified the segment data for the prior period to conform to the current period's presentation.

The Company’s PSD segment primarily offers scalable routing and switching products that are used in service provider, enterprise, and public sector networks to control and direct network traffic from data centers, core, edge, aggregation, campus, Wide Area Networks ("WANs"), and customer premise equipment level. The Company's PSD segment consists of routing and switching products and services. Routing products and services include the ACX, E, M, MX, PTX, and T Series product families. Switching products and services primarily consist of the EX Series and wireless local area network solutions, as well as QFabric™.

The Company's SSD segment offers solutions that meet a broad array of our customers’ priorities, from protecting the users, applications and data on the network to providing network services across a distributed infrastructure. The SSD segment primarily consists of security, software, management, virtualization, routing products and services. Security includes firewalls (both JUNOS-based SRX and Screen OS-based firewalls), Firefly, virtual private network systems and appliances, secure socket layer virtual private network appliances, intrusion detection and prevention appliances, wide area network optimization platforms, Junos Pulse, and J Series. Software and services for the mobile and wireline network edge include traffic flow monitoring, mobile business services, dynamic application and subscriber awareness, next generation network addressing, as well as the MobileNext architecture for mobile networks. Management and virtualization products include Junosphere, Junos SDK, JunosV App Engine and the network management platform, Junos Space.

The CODM does not allocate to the Company's business segments certain operating expenses managed separately at the corporate level. Direct costs and operating expenses, such as standard cost of goods sold, research and development, and product marketing expenses, are generally applied to each segment. Indirect costs, such as manufacturing overhead and other cost of revenues, are allocated based on factors including headcount, usage, and revenue. Segment contribution margin provides supplemental data on operational performance and is comprised of these direct costs and operating expenses, as well as these indirect costs. Corporate unallocated expenses include: sales, marketing, general and administrative costs, share-based compensation, amortization of purchased intangible assets, restructuring charges, gains or losses on equity investments, other (expense) income, net, income taxes, and certain other charges. Segment contribution margin excludes these corporate unallocated expenses.

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The following table summarizes financial information for each segment used by the CODM (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net revenues:				
PSD	$916.0	$810.2	$1,725.2	$1,575.9
SSD	234.7	263.6	484.7	530.4
Total net revenues	$1,150.7	$1,073.8	$2,209.9	