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

2004 Annual Report

Letter to Stockholders

Notice of 2005 Annual Meeting of Stockholders and Proxy Statement

Report on Form 10-K

To Our Valued Stockholders,

Juniper Networks expanded its leadership in secure and assured networking and achieved several significant milestones as the company continued to strengthen and grow its market-leading position. We generated revenue of over $1.3B in 2004, up 90% from 2003, by executing on the four strategic goals we set out to accomplish at the beginning of the year:

Expand the franchise and the brand throughout the world, and across industries and applications. We expanded into new markets, including the customer premise equipment market and the private network markets as well as the Firewall/VPN and SSL markets through our security acquisition and portfolio. Our brand awareness increased around the world and we have grown facilities in both Bangalore and Beijing to expand our development capability and the pool of top talent that we employ. And today we do business in more than 75 countries around the world, with over 80 offices in 35 countries.

Continue to invest in leading edge technology. We innovated and delivered several new infrastructure and security solutions and to further strengthen our leadership, we delivered approximately 500 new features on both the infrastructure and security portfolio.

Broaden the collaboration with our partners. We made significant investments in our channel partners through our J-Partners program and collaborated with leading industry partners such as Microsoft, IBM, Netegrity, Oblix and RSA Security to help us expand our leadership position. The announcement of the Endpoint Defense Initiative enabled broader and deeper integration of our SSL VPN appliances with leading endpoint security products from our Global Alliances Program partners. In addition, we expanded our distribution arrangement with Ingram Micro, the world's largest IT distributor, and we have enjoyed continued success with our strategic partners such as Ericsson, Lucent, NEC, and Siemens worldwide.

Focus on the commitment to leadership in our industry, along with our customers. Today we enjoy relationships with all of the top 25 wireline service providers worldwide and we enjoy relationships with thousands of other customers operating both public and private networks worldwide. The Infranet Council has taken hold and we are working with many partners on making the network both secure and assured. And according to industry analysts, we increased our market share in all markets and we received recognition across the industry including 20 Product awards; 8 Analyst awards; 5 Executive awards; 5 Company awards; 2 Channel Awards; and a Marketing award.

There was one additional goal we added at the completion of the NetScreen acquisition and as we grew the company:

Scale the business and the processes and practices that support it. With the acquisition of NetScreen, the company built more management breadth by adding a team with experience at scale, expanding the bench strength of the company. In addition, we retooled some of the systems and procedures behind our distribution channel and this has already begun to bring returns.

In summary, 2004 was a record year. The goals we put in place were strategic in nature and as they continue into the 2005 plans we believe we can capitalize on the progress we have made. Our strategy continues to focus on being the best supplier of traffic processing solutions, which enables our customers to secure and assure their networks. As we enter this year, we will focus on expanding upon the achievements we made last year:

Increase our investment in sales and marketing. It is essential to expand and grow our presence in new markets, serving both private and public networks with a full portfolio of

secure and assured networking products, to build on the growing credibility we enjoy with the Juniper brand today.

Increase our investment in R&D to continue our technological innovation and leadership and further advance our competitive advantage. Our competitive advantage is the cumulative effect of these investments. Juniper will continue to invest to protect and expand our lead by recruiting top talent around the world and investing in our products and our intellectual property.

Continue to capitalize on the investments made in our partners. Much of our spending in sales and marketing will be earmarked for partners and their development, to help generate the demand and to offer the support of our partners to fulfill that demand.

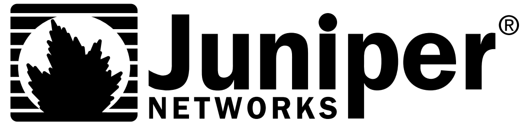
Take our current leadership position and extend it even further. This goal will be measured by our involvement with our customers as they design and implement the migration to a more secure multi service network environment. This involvement demonstrates our value, and we are in more discussions, at more strategic levels, than ever before.

Scale the company for continued growth. We are concentrating on scaling our management experience, through both the hiring of outstanding and experienced people, as well as by investing significantly in the development of our existing team. We will also continue to scale our systems and improve our processes to prepare in advance for continued success.

Many of these investments will enable us to continue to show that we are a company that, is easy to do business with, easy to communicate with, and reliable as a company and a partner prepared to meet the needs of our market. We are excited about our position and where the company's capabilities meet the market's opportunities

I would like to thank and recognize all of our employees for their continued commitment and incredible efforts on achieving these results. I would also like to thank our customers, our long-term shareholders, our partners and our suppliers for their continued confidence in Juniper Networks.

Scott Kriens
Chairman and CEO



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

NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS

Time and Date 9:00 a.m., Pacific time, on Wednesday, May 18, 2005

Place Juniper Networks, Inc.
1220 North Mathilda Avenue
Building 3, Pacific Conference Room
Sunnyvale, CA 94089

Items of Business

(1) To elect three Class III directors;

(2) To ratify the appointment of Ernst & Young LLP, an independent registered public accounting firm, as auditors for the fiscal year ending December 31, 2005; and

(3) 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 21, 2005.

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 21, 2005 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 or plan participants 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 21, 2005, 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

This notice of annual meeting and proxy statement and form of proxy are being distributed on or about April 13, 2005.

2005 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING 1
- Why am I receiving these materials? 1
- What information is contained in this proxy statement? 1
- How may I obtain Juniper Networks' 10-K? 1
- What items of business will be voted on at the annual meeting? 1
- How does the Board recommend that I vote? 1
- What shares can I vote? 1
- What is the difference between holding shares as a shareowner of record and as a beneficial owner? 2
- How can I attend the annual meeting? 2
- How can I vote my shares in person at the annual meeting? 2
- How can I vote my shares without attending the annual meeting? 2
- Can I change my vote or otherwise revoke my proxy? 3
- Is my vote confidential? 3
- How many shares must be present or represented to conduct business at the annual meeting? 3
- Will my shares be voted if I do not return my proxy card? 3
- How are votes counted? 4
- What is the voting requirement to approve each of the proposals? 4
- Is cumulative voting permitted for the election of directors? 4
- What happens if additional matters are presented at the annual meeting? 4
- What should I do if I receive more than one set of voting materials? 4
- How may I obtain a separate set of voting materials? 4
- Who will bear the cost of soliciting votes for the annual meeting? 5
- Where can I find the voting results of the annual meeting? 5
- What is the deadline to propose actions for consideration or to nominate individuals to serve as directors? 5

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS 7
- Board Independence 7
- Board Structure and Committee Composition 7
- Identification and Evaluation of Nominees for Directors 8
- Stockholder Communications with the Board 9
- Policy on Director Attendance at Annual Meetings 9

DIRECTOR COMPENSATION 10
- Non-Employee Director Compensation Table For Fiscal 2004 10

PROPOSALS TO BE VOTED ON 11
- PROPOSAL NO. 1 Election of Directors 11
- PROPOSAL NO. 2 Ratification of Independent Auditors 14

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT 15
- Beneficial Ownership Table 15
- Section 16(a) Beneficial Ownership Reporting Compliance 17

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS 17

EXECUTIVE COMPENSATION 18
Summary Compensation Table 18
Option Grants in Last Fiscal Year 19
Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values 20
Employment Agreements 20
Board Compensation Committee Report on Executive Compensation 21
Equity Compensation Plan Information 23
Stock Performance Graphs 24

PRINCIPAL AUDITOR FEES AND SERVICES 25

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS 26

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 ("Juniper Networks" or the "Company"), is providing these proxy materials for you in connection with Juniper Networks' annual meeting of stockholders, which will take place on May 18, 2005. As a stockholder, 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 2004 Annual Report on Form 10-K is enclosed.

Stockholders may request another free copy of the 2004 Form 10-K from:

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

A copy of our 2004 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

Juniper Networks will also furnish any exhibit to the 2004 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 three Class III directors; and
- The ratification of Ernst & Young LLP, an independent registered public accounting firm as auditors for the 2005 fiscal year.

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 and "FOR" the ratification of Ernst & Young LLP, an independent registered public accounting firm, as auditors for the 2005 fiscal year.

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 21, 2005, 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 this time, 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 544,176,804 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.

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. Juniper Networks has 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 21, 2005 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 21, 2005, 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., local 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: ***Is my vote confidential?***

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Juniper Networks or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation.

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 and "FOR" ratification of the independent auditors).

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

A: In the election of directors, the three nominees receiving the highest number of "FOR" votes at the annual meeting will be elected. The proposal for ratification of the independent auditors requires the affirmative "FOR" vote of a majority of those shares present in person or represented by proxy and entitled to vote on that 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 two 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 using the enclosed form, the persons named as proxyholders, Robert Dykes 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, 2004 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

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 $8000 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 2005.

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 2005 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 14, 2005. 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 the bylaws of Juniper Networks, which, in general, require that the notice be received by the Corporate Secretary of Juniper Networks not later than the close of business on December 14, 2005.

If the date of the stockholder meeting is moved more than 30 days before or 60 days after the anniversary of the Juniper Networks annual meeting for the prior year, then notice of a stockholder proposal that is not intended to be included in Juniper Networks' proxy statement under Rule 14a-8 must be received no earlier than the close of business 120 days prior to the meeting and no later than the close of business on the later of the following two dates:

- 90 days prior to the meeting; and
- 10 days after public announcement of the meeting date.

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 Amended and Restated 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 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, propose the business, and, as the case may be, the name and address of the person or persons to be nominated or the nature of the business to be proposed;

(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 or introduce the business 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 or each matter of business to be proposed by such stockholder 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, or the matter been proposed, or intended to be proposed 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/. Our Worldwide Code of Business Conduct and Ethics complies with the rules of the SEC, the listing standards of the Nasdaq National Market and Rule 406 of the Sarbanes-Oxley Act of 2002. Juniper Networks has also adopted complaint procedures for Accounting and Auditing matters in compliance with the listing standards of the Nasdaq National 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, Vice President of Human Resources, Corporate Controller, and the Director of Internal Audit), or to the Audit committee directly. Concerns are reviewed by the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Board Independence

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, shareholder 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.

Board Structure and Committee Composition

As of December 31, 2004, our Board had 9 directors divided into three classes — Class I, Class II and Class III — with each class being as nearly equal in number as possible and with a three-year term for each class. As of December 31, 2004, the classes were comprised as follows:

Class I (Term expires in 2006)	Class II (Term expires in 2007)	Class III (Term expires this year)
Scott Kriens	Pradeep Sindhu	William R. Hearst III
Stratton Sclavos	Kenneth Levy	Kenneth Goldman
William R. Stensrud	Robert M. Calderoni	Frank Marshall

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/. In addition, the Board has a Stock Committee comprised of the Chief Executive Officer and Chief Financial Officer. The Stock Committee has authority to grant stock options to employees who are not executive officers. During 2004, the Stock Committee held no meetings, and took action only by written consent. The Board has also established special litigation and securities pricing committees for specific purposes, such as oversight of securities litigation matters or the issuance of securities. None of the special committees met during 2004. During 2004, each director attended at least 75% of all Board and applicable committee meetings except Mr. Hearst, who attended 74% (14 meetings) of the applicable meetings and Mr. Sclavos who attended 56%.

Name of Director	Board	Audit	Compensation	Nominating and Corporate Governance
Non-Employee Directors:				
Robert M. Calderoni	X	X		
Kenneth Goldman(1)	X	X		X
William R. Hearst III	X	X		
Frank Marshall	X			
Kenneth Levy	X		X	X
Stratton Sclavos.	X			
William R. Stensrud.	X		X	X
Employee Directors				
Scott Kriens	X			
Pradeep Sindhu	X			
Number of Meetings in Fiscal 2004	9	10	3	3

X = Committee member

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

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 auditors' qualifications and independence, the performance of Juniper Networks' internal audit function and independent auditors, and risk assessment and risk management. The Audit Committee works closely with management as well as Juniper Networks' independent auditors. 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 26. The charter of the Audit Committee is available at http://www.juniper.net/company/investor/.

Compensation Committee

The Compensation Committee discharges the Board's responsibilities relating to compensation of Juniper Networks' executive officers, including evaluation of the CEO; produces an annual report on executive compensation for inclusion in Juniper Networks' proxy statement and has overall responsibility for approving and evaluating executive officer compensation plans. The report of the Compensation Committee is included herein beginning on page 21. The charter of the Compensation Committee is available at http://www.juniper.net/company/investor/.

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/.

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 of Directors 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 performance and 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.

Mr. Marshall was appointed to the Board in 2004 in connection with our acquisition of NetScreen Technologies, Inc. and was recommended to the Nominating and Corporate Governance Committee by our Chief Executive Officer.

Each of the nominees for reelection at the 2005 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 reelection.

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. Eight of our nine directors attended the 2004 Annual Meeting of Stockholders.

DIRECTOR COMPENSATION

The following table provides information on Juniper Networks' compensation and reimbursement practices during fiscal 2004 for non-employee directors, as well as the range of compensation paid to non-employee directors who served during the 2004 fiscal year. Neither Mr. Kriens nor Dr. Sindhu received any separate compensation for their Board activities. The Board has not made any changes to director compensation for 2005.

NON-EMPLOYEE DIRECTOR COMPENSATION TABLE FOR FISCAL 2004

Annual retainer (payable quarterly)	$20,000
Stock options granted upon appointment or election to the Board (1)(2)	100,000
Stock options granted annually (3)	20,000
Payment for each Board meeting attended in person	$1,000
Payment for each Board meeting attended by phone	$500
Payment for each committee meeting attended in person	$500
Payment for each committee meeting attended by phone	$250
Reimbursement for expenses attendant to Board membership	Yes
Range of total cash compensation earned by directors (for the year)	$16,500–$31,000

(1) Directors who joined the Board prior to the adoption of this policy received grants at the time the policy was adopted.

(2) Vests monthly over three years commencing on the date of grant.

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

PROPOSALS TO BE VOTED ON

PROPOSAL NO. 1

ELECTION OF DIRECTORS

There are three nominees for election to Class III of the Board this year — Kenneth Goldman, William R. Hearst III and Frank Marshall. 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 2008 and until their respective successors is elected. There are no family relationships among our executive officers and directors.

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 three 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 each of the following nominees.

Vote Required

The three 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

Kenneth Goldman
Director since 2003
Age 55

Mr. Goldman has served as Senior Vice President, Finance and Administration and Chief Financial Officer of Siebel Systems, Inc. since August 2000. From July 1996 to July 2000, Mr. Goldman served as Senior Vice President of Finance and Chief Financial Officer of Excite@Home, Inc. From 1992 to 1996, Mr. Goldman served as Senior Vice President of Finance and Chief Financial Officer of Sybase, Inc. Mr. Goldman was a member of the Financial Accounting Standards Advisory Council from December 1999 to December 2003. Mr. Goldman is a member of the board of directors of Leadis Technology Inc. and a member of the board of trustees of Cornell University.

William R. Hearst III
Director since 1996
Age 55

Since January 1995, Mr. Hearst has been a partner with Kleiner Perkins Caufield & Byers, a venture capital firm. Mr. Hearst was editor and publisher of the San Francisco Examiner from 1984 until 1995. Mr. Hearst serves on the boards of directors of Hearst-Argyle Television, The Hearst Corporation, Oblix, Inc., OnFiber, Applied Minds, Akimbo and RGB Media. He is a Fellow of the American Association for the Advancement of Science and a trustee of Carnegie Institution, the Hearst Foundation, Mathematical Sciences Research Institute, the California Academy of Sciences and Grace Cathedral of San Francisco.

Frank Marshall
Director since 2004
Age 58

Mr. Marshall joined the board of directors of NetScreen Technologies, Inc. in December 1997, became chairman of the NetScreen board in November 2002 and was appointed to our Board upon our acquisition of NetScreen. Mr. Marshall is a private investor in early stage high technology companies. Mr. Marshall serves as a director and advisor for several private companies and is a director for PMC-Sierra, Inc., an internetworking semiconductor solutions company. Mr. Marshall was the interim chief executive officer of Covad Communications Group, Inc. Mr. Marshall served as vice president of engineering and general manager, core business unit of Cisco Systems, Inc. from 1992 until October 1997. He holds a B.S. in electrical engineering from Carnegie Mellon University and an M.S. in electrical engineering from the University of California, Irvine.

Continuing Directors

Robert M. Calderoni
Director since 2003
Age 45

Mr. Calderoni has served as President and Chief Executive Officer and a member of the board of directors of Ariba, Inc. since October 2001. From October 2001 to December 2001, Mr. Calderoni also served as Ariba's Interim Chief Financial Officer. From January 2001 to October 2001, Mr. Calderoni served as Ariba's Executive Vice President and Chief Financial Officer. Mr. Calderoni was also an employee of the Company from November 2000 to January 2001. 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.

Scott Kriens
Director since 1996
Age 47

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.

Kenneth Levy
Director since 2003
Age 61

Mr. Levy is a founder of KLA Instruments Corporation and since July 1, 1999 has been Chairman of the Board of KLA-Tencor Corporation. From July 1998 until June 1999, he was Chief Executive Officer and a director of KLA-Tencor Corporation. From April 1997 until June 1998, he was its Chairman of the Board. From 1975 until April 1997, he was Chief Executive Officer and Chairman of the Board of KLA Instruments Corporation. He currently serves on the boards of directors of the following publicly traded companies: KLA-Tencor Corporation, Ultratech, Inc. and Extreme Networks, Inc. Mr. Levy is a Director Emeritus of SEMI, a semiconductor manufacturing industry trade association.

Stratton Sclavos
Director since 2000
Age 43

Mr. Sclavos has been President and Chief Executive Officer of VeriSign Inc. since July 1995 and Chairman of its board of directors since December 2001. 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 52

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, and a technology research center. Dr. Sindhu also serves on the board of directors of Infinera Corporation.

William R. Stensrud
Director since 1996
Age 54

Mr. Stensrud has been a General Partner with the venture capital firm of Enterprise Partners since January 1997. 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. Mr. Stensrud also serves on the board of directors of Paradyne Corporation.

PROPOSAL NO. 2

RATIFICATION OF INDEPENDENT AUDITORS

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, 2005. During fiscal 2004, Ernst & Young served as Juniper Networks' independent auditors and also provided certain tax and other audit related services. See "Principal Auditor Fees and Services" on page 25. 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 2005 fiscal year. If the appointment is not ratified, the Audit Committee will consider whether it should select other independent auditors.

Vote Required

Ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as auditors for fiscal 2005 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.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information, as of March 21, 2005, concerning:

- Beneficial owners of more than 5% of Juniper Networks' common stock;
- beneficial ownership by current Juniper Networks directors and nominees and the named executive officers set forth in the Summary Compensation table on page 18; and
- beneficial ownership by all current Juniper Networks directors 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 May 21, 2005 (60 days after March 21, 2005) 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 spouse) with respect to the shares set forth in the following table.

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%		
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	88,836,873 (2)	16.33%
FMR Company 82 Devonshire Street Boston, MA 02109	43,618,458 (3)	8.02%
Directors, Nominees and Named Executive Officers:		
Robert M. Calderoni (4)	60,777	*
James A. Dolce, Jr. (5)	2,238,454	*
Marcel Gani (6)	1,245,916	*
Kenneth Goldman (7)	82,473	*
William R. Hearst III (8)	1,034,919	*
Scott Kriens (9)	15,534,083	2.84%
Krishna "Kittu" Kolluri (10)	356,828	*
Kenneth Levy (11)	95,000	*
Frank Marshall (12)	789,363	*
Stratton Sclavos (13)	143,000	*
Pradeep Sindhu (14)	11,829,574	2.17%
William R. Stensrud (15)	1,518,752	*
All Directors and Executive Officers as a Group (12 persons) (16)	34,929,139	6.42%

* Represents holdings of less than one percent.

(1) Pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended, "Vested Options" are options that may be exercised as of May 21, 2005 (60 days after March 21, 2005). The percentages are calculated using 544,176,804 outstanding shares of the Company's common stock on March 21, 2005 as adjusted pursuant to Rule 13d-3(d)(1)(i).

(2) Based on information reported on Schedule 13G filed with the Securities and Exchange Commission on February 14, 2005. AXA Financial, Inc. is the parent holding company for several entities that hold our common stock as investment advisors, including Alliance Capital Management L.P. Collectively, these entities have shared voting power with respect to 10,748,089 shares and shared investment power with respect to 175,857 shares.

(3) Based on information reported on Schedule 13G filed with the Securities and Exchange Commission on February 14, 2005.

(4) Consists of shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(5) Includes 2,075,693 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(6) Includes 860,353 shares held by Trust and 375,832 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(7) Includes 68,555 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(8) Includes 105,000 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(9) Includes 10,981,672 shares held by the Kriens 1996 Trust, of which Mr. Kriens and his spouse are the trustees and 3,140,624 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(10) Includes 145,378 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(11) Consists of shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(12) Includes 315,894 shares held by Big Basin Partners, LP, 88,206 shares held by Timark, LP, of which Mr. Marshall is a general partner; 135,400 shares held by the Frank & Judith Marshall Trust and 56,111 shares which are subject to options that may be exercised within 60 days of March 21, 2005

(13) Includes 135,000 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(14) Includes 2,768,780 shares held by the Sindhu Investments, LP, a family limited partnership; 27,846 shares held in the Pradeep Sindhu Annuity Trust; 5,860,682 shares held by the Sindhu Family Trust and 6,867 shares held by Dr. Sindhu's spouse. Also includes 1,573,750 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(15) Includes 1,217,352 shares held in a trust as community property and 115,000 shares which are subject to options that may be exercised within 60 days of March 21, 2005.

(16) Includes all shares reference in notes 4 through 15 above.

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. Juniper Networks believes that, during fiscal 2004, its directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements, except that: (i) each of Scott Kriens, Pradeep Sindhu, Marcel Gani and James A. Dolce had one option grant with respect to which the required Form 4 was filed late; and (ii) William R. Hearst III and Frank Marshall, each of whom received a distribution from a limited partnership as the result of an acquisition, with respect to which the required Form 4 was filed late. In making this statement, Juniper Networks has 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, executive officers and 10% stockholders.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company reimburses Mr. Kriens for ordinary operating costs relating to his use of a personal aircraft for business purposes up to a maximum amount per year. In 2004 the annual limit was $300,000 and Mr. Kriens received $300,000 in reimbursements. In 2005, the Company anticipates that Mr. Kriens will increase his business travel and the annual limit has been increased to $650,000.

EXECUTIVE COMPENSATION

The following table discloses compensation received by Juniper Networks' Chief Executive Officer during fiscal 2004 and Juniper Networks' four other most highly paid executive officers (together with the CEO, the "named executive officers") during fiscal 2004 as well as their compensation received from Juniper Networks for each of the fiscal years ending December 31, 2003 and December 31, 2002.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Other Annual Compensation (14)**	**Restricted Stock Award(s)**	**Securities Underlying Options**	**All Other Compensation (2)**
Scott Kriens	2004	$412,500	$539,077	$2,000	NA	750,000(3)	$ 540
Chairman and Chief	2003	275,000	161,350	2,000	NA	800,000(4)	510
Executive Officer	2002	275,000	0	2,000	NA	2,750,000(5)	462
Pradeep Sindhu	2004	$198,750	$253,683	$2,000	NA	200,000(3)	$ 828
Vice Chairman and Chief	2003	185,000	70,554	2,000	NA	300,000(4)	377
Technical Officer	2002	185,000	10,000	2,000	NA	400,000(6)	462
Marcel Gani	2004	$245,833	$315,851	$2,000	NA	300,000(3)	$ 828
Executive Vice President,	2003	200,000	117,345	2,000	NA	500,000(4)	408
Chief Financial Officer	2002	200,000	0	2,000	NA	1,080,000(7)	462
James A. Dolce, Jr.	2004	$249,167	$319,611	$ 0	NA	300,000(3)	$ 40,978(9)
Executive Vice President,	2003	254,581	70,407	0	NA	500,000(4)	125,922(9)
Field Operations	2002(8)	120,000	0	0	NA	0	26,922(9)
Krishna "Kittu" Kolluri.	2004(10)	$249,167	$486,288(11)	$2,000	NA	0(12)	$ 91,421(13)
General Manager,	2003	NA	NA	NA	NA		
Security Products	2002	NA	NA	NA	NA		

(1) Amounts in this column reflect bonuses earned in 2004, although such amounts were paid in 2005.

(2) Consists of the standard employee benefit portion paid by the Company for all employees for premiums for term life insurance and, in the case of Mr. Dolce and Mr. Kolluri, the additional amounts described in footnotes 9 and 12, respectively.

(3) Mr. Kriens was granted an option for 750,000 shares, Dr. Sindhu was granted an option for 200,000 shares, Mr. Gani was granted an option for 300,000 shares and Mr. Dolce was granted an option for 300,000 shares on January 29, 2004 at an exercise price of $28.17.

(4) Mr. Kriens was granted an option for 800,000 shares, Dr. Sindhu was granted an option for 300,000 shares, Mr. Gani was granted an option for 500,000 shares and Mr. Dolce was granted an option for 500,000 shares on September 26, 2003 at an exercise price of $15.00 per share.

(5) Mr. Kriens was granted an exchange option on May 28, 2002 for 2,200,000 shares at an exercise price of $10.31 per share. In connection with the acquisition of Unisphere Networks and in recognition of the additional responsibility associated therewith, on July 1, 2002 an additional option for 550,000 shares was granted at an exercise price of $5.69 per share.

(6) Dr. Sindhu was granted an exchange option on May 28, 2002 for 100,000 shares at an exercise price of $10.31 per share. In connection with the acquisition of Unisphere Networks and in recognition of the additional responsibility associated therewith, on July 1, 2002 an additional option for 300,000 shares was granted at an exercise price of $5.69 per share.

(7) Mr. Gani was granted an exchange option on May 28, 2002 for 580,000 shares at an exercise price of $10.31 per share. In connection with the acquisition of Unisphere Networks and in recognition of the additional responsibility associated therewith, on July 1, 2002 an additional option for 500,000 shares was granted at an exercise price of $5.69 per share.

(8) Mr. Dolce was elected a named executive officer upon the closing of the acquisition of Unisphere Networks on July 1, 2002. The data shown in the Summary Compensation Table only reflects the amounts he received while an executive officer of Juniper Networks.

(9) Amounts paid in 2004 reflect $40,618 in commissions paid. Amounts in 2003 reflect $125,414 in commissions paid. Amounts in 2002 reflect $26,634 in commissions paid on or after July 1, 2002 as the data shown in the Summary Compensation Table only reflects the amounts he received while an executive officer of Juniper Networks.

(10) Mr. Kolluri was elected a named executive officer upon the closing of the acquisition of NetScreen Technologies, Inc. on April 16, 2004. The data shown in the Summary Compensation Table only reflects the amounts he received while an executive officer of Juniper Networks.

(11) Includes a bonus of $200,000 paid in 2005 relating to the acquisition of Neoteris Inc. by NetScreen Technologies Inc. Also includes a $50,000 sales bonus committed to Mr. Kolluri prior to the acquisition of NetScreen Technologies, Inc. by the Company.

(12) No options were granted in 2004.

(13) Amounts paid in 2004 reflect $91,331 in escrowed merger consideration relating to the acquisition by NetScreen Technologies Inc. of Neoteris Inc.

(14) In all cases, consists of matching contributions paid under the Company's 401(k) plan.

Option Grants In Last Fiscal Year

The following tables set forth the stock options granted to the Named Executive Officers under the Company's stock option plans and the options exercised by such Named Executive Officers during the fiscal year ended December 31, 2004.

The Option/SAR Grant Table below sets forth hypothetical gains or "option spreads" for the options at the end of their respective ten-year terms, as calculated in accordance with the rules of the Securities and Exchange Commission.

Name	No. of Securities Underlying Options Granted	Percent of Total Options Granted to Employees During Period	Exercise Price Per Price	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Terms	
					5%	10%
Scott Kriens	750,000	3.36	$28.17	1/29/2014	$13,286,971	$33,671,794
Pradeep Sindhu	200,000	0.90	$28.17	1/29/2014	3,543,192	8,979,145
Marcel Gani	300,000	1.35	$28.17	1/29/2014	5,314,788	13,468,718
James A. Dolce, Jr.	300,000	1.35	$28.17	1/29/2014	5,314,788	13,468,718
Krishna "Kittu" Kolluri	—	—	—	—	—	—

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table shows stock option exercises and the value of unexercised stock options held by the Named Executive Officers during the last fiscal year.

Name	Shares Aquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options at December 31, 2004 (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Scott Kriens	0	$ 0	2,782,291	1,517,709	47,327,757	11,385,244
Pradeep Sindhu	0	0	1,452,656	527,344	6,688,121	5,106,879
Marcel Gani	500,000	8,433,333	288,333	774,395	4,374,872	8,445,528
James A. Dolce, Jr.	1,000,000	19,353,938	2,103,181	774,395	43,841,581	7,004,406
Krishna "Kittu" Kolluri	70,000	1,634,324	99,192	365,637(2)	1,305,715	6,154,221

(1) The value of in-the-money options is based on the closing price on December 31, 2004 of $27.19 per share, minus the per share exercise price, multiplied by the number of shares underlying the option.

(2) Includes 50,806 shares that are subject to repurchase.

Employment Agreements

The Company entered into a change of control agreement with Mr. Kriens on October 1, 1996, which provides that he will be entitled to base compensation and benefit payments for a period of three months in the event that his employment is terminated in connection with a change of control of Juniper Networks. Further, Mr. Kriens' restricted stock would be released from any repurchase option and his stock options would become vested and exercisable as to an additional amount equal to that amount which would have vested and become exercisable had Mr. Kriens remained employed for a period of 18 months following the change of control. If his employment continues following a change of control, his stock options will be vested and exercisable at a rate 1.5 times the rate otherwise set forth in the stock option agreement for a period of twelve months following the change of control. Under the employment agreement, Mr. Kriens is entitled to receive three months' base compensation and benefits, regardless of whether there is a change of control, in the event that his employment is involuntarily terminated. Upon involuntary termination, and regardless of whether there has been a change of control, Mr. Kriens' restricted stock and stock options would become immediately vested and exercisable as to an additional amount equal to the number of stock options which would have become vested and exercisable during the three-month period following the involuntary termination had Mr. Kriens remained employed by the Company.

The Company entered into an Amendment and Assumption Agreement with Krishna "Kittu" Kolluri on April 15, 2004 in connection with the Company's acquisition of NetScreen Technologies, Inc. Pursuant to the Amendment and Assumption Agreement, Mr. Kolluri agreed that the commencement of his employment with the Company upon the closing of the NetScreen acquisition did not constitute (i) "Good Reason," as defined in Section 5.5b of Mr. Kolluri's Employment Agreement with NetScreen, for a voluntary termination of Employee's employment, (ii) any other type of "constructive termination" or (iii) grounds for termination without cause under Mr. Kolluri's employment agreement. Pursuant to Mr. Kolluri's employment agreement, as amended, Mr. Kolluri is eligible for a bonus of up to 100% of his base salary pursuant to Juniper Networks' Executive Officer Incentive Plan. The employment agreement, as amended, in connection with NetScreen's acquisition of Neoteris, Inc., also provides for a grant of options to purchase 200,000 shares of NetScreen's common stock and makes Mr. Kolluri eligible to receive a bonus of up to $200,000, partially payable upon on the completion of performance objectives. If Mr. Kolluri is terminated without cause or terminates his employment for good reason (in each case, as defined in the amended employment agreement) within 24 months of the effectiveness of NetScreen's acquisition of Neoteris, he will be entitled to the continuation of his base salary (payable in accordance with usual payroll practice) and health insurance coverage for a period of six months.

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Compensation Committee

The Compensation Committee is comprised of three independent, non-employee members of the Board of Directors, as defined by the Nasdaq rules. None of the members have interlocking compensation committee relationships as defined by the Securities and Exchange Commission. The Compensation Committee is responsible for reviewing and approving the annual base salary, the annual incentive bonus, including the specific goals and amounts, equity compensation and other benefits or compensation arrangements of the Company's Chief Executive Officer and its other executive officers.

Compensation Philosophy

The Compensation 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 Company provides its executive officers with a compensation package consisting of base salary, performance-based incentive pay, stock options and participation in benefit plans generally available to other employees. The Compensation Committee's intention is to adopt compensation programs that encourage creation of long-term value for stockholders, employee retention, and equity ownership through stock option grants. The Compensation Committee's approach is predicated upon the philosophy that a substantial portion of aggregate annual 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 Compensation Committee has tended to target base salary at approximately the 50th percentile relative to peer companies. Incentive compensation and long term equity awards are intended to target overall compensation at between the 50th and 75th percentile, although changes in the market price of the Company's common stock can result in total compensation outside the target range. As the Compensation Committee applies these compensation philosophies in determining appropriate executive compensation levels and other compensation factors, the Compensation Committee reaches its decisions with a view towards maximizing the Company's overall performance.

The Compensation Committee considers market information about its peer companies from published survey data provided to the Compensation Committee by the Company's human resources staff. The market data consists primarily of base salary and total cash compensation rates, as well as incentive bonus and stock programs of other companies considered by the Compensation Committee to be peers in the Company's industry. In addition, for determining 2004 compensation (including cash and equity compensation), the Compensation Committee retained an executive compensation consultant. The compensation consultant provided data from a selected peer group of 13 computer, networking and telecommunications companies as well as from broad high technology industry companies with revenues of $250 million to $1 billion.

Since the Company's 2004 Annual Meeting of Stockholders, the Compensation Committee has not structured such compensation arrangements so as to qualify them for deductibility under Section 162(m) of the Internal Revenue Code.

Executive Officer Compensation

Base Salary. For 2004, the Compensation Committee evaluated the base salaries of the executive officers relative to the peer companies as well as their individual performance. The Compensation Committee determined that, in several cases, the compensation to Juniper Networks executives was below the industry's 50th percentile for base cash compensation. To bring the salary standard into this target range, Mr. Kriens' and Mr. Gani's base salary levels were increased $150,000 and $50,000, respectively. With respect to the other executive officers, the Compensation Committee determined that increases in base salary of between $0 and $15,000 were merited.

Management Incentive Plan. The Company has an executive incentive bonus plan applicable to the Section 16 reporting officers. Under the 2004 executive incentive plan, each participant had a target incentive equal to 100% of base salary. The incentive bonus was primarily based upon the achievement of Company revenue and earnings targets. Below a specified level, no bonus would have been earned. Achievement of revenue and earnings in excess of the targets could result in a greater than target bonus, up to a maximum amount. In addition, regardless of the amount of achievement, no bonus would be paid it the Company failed to expand its business into new growth areas. The amount determined based on achievement of the corporate goals was then subject to a further increase or decrease by up to an additional 20 percentage points depending on the performance of the Company's stock price relative to the stock prices of certain designated publicly-traded companies and by up to 10 percentage points based on the achievement of individual objectives specified for each executive. Most, but not all, of the companies included in the stock performance peer group were also included in the 13 companies surveyed with respect to compensation information. The acquisition of NetScreen Technologies, Inc. in April 2004 satisfied the expansion into new areas requirement. Furthermore, as a result of this acquisition, the Compensation Committee in the middle of 2004 increased the revenue and earnings targets and made several changes to the stock performance peer company list. Based on the Company's actual 2004 financial results, the 2004 corporate goal attainment component (consisting of the achievement of the revised revenue and earnings targets) of the bonus was 100.27%. In 2004, the peer company performance measure resulted in a 20 percentage point increase in the bonus payments. Achievement of the individual performance objectives in 2004 ranged from between 92% and 95%. As a result, the payments under the executive incentive plan ranged between 126% and 128% of base salary.

In connection with the acquisition of Neoteris, NetScreen established a merger bonus for Mr. Kolluri pursuant to which he was eligible for a bonus of up to $200,000 based on achievement of specified business objectives. The Compensation Committee determined that these objectives were fully achieved and awarded the $200,000 bonus to Mr. Kolluri.

Stock Option Grants. Grants of stock options to executive officers are based upon each executive officer's relative position, responsibilities, historical and expected contributions to the Company, and the executive officer's existing stock ownership and previous option grants. Stock options are granted at the fair market value on the date of grant and will provide value to the executive officers only when the price of the Company's common stock increases over the exercise price.

Chief Executive Officer Compensation

In 2004, the Compensation Committee determined that Mr. Kriens' base salary was substantially below comparative data, at the targeted 50th percentile level, and required adjustment. As a result, effective for fiscal year 2004, the Compensation Committee increased the base salary of Mr. Kriens to $425,000 with a target bonus percentage of 100% of base salary.

Consistent with the Company's philosophy to provide long-term incentive in the form of stock options, Mr. Kriens received an option in 2004 exercisable for 750,000 shares of Company common stock at an exercise price of $28.17. The options granted to Mr. Kriens vest over a four-year period in accordance with the terms of the Company's standard vesting schedule.

Mr. Kriens executive incentive bonus for 2004 was based on the same criteria as described above. Based on Company performance and achievement of 93% of his individual objectives, Mr. Kriens was awarded a bonus of $539,077, which represented a payout at 127% of target. The Company also reimburses Mr. Kriens for operating expenses associated with the use of private aircraft for business purposes up to a maximum amount per year.

MEMBERS OF THE COMPENSATION COMMITTEE

William Stensrud, Chairman,
Frank Marshall (became a member in February 2005), and
Kenneth Levy

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.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2004 about our common stock that may be issued under the Company's 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, 2004, 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	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)	38,820,206(3)	$20.92	42,379,182(4)
Equity compensation plans not approved by security holders (2)	26,931,711	$13.99	28,190,299(5)
Total	65,751,917	$18.09	70,569,481

(1) Includes the Amended and Restated 1996 Stock Incentive Plan (the "1996 Plan") and the 1999 Employee Stock Purchase Plan (the "Purchase Plan").

(2) Includes the 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). No options issued under this Plan are held by any directors or executive officers.

(3) Excludes purchase rights accruing under the Purchase Plan, which has a stockholder-approved reserve of 8,168,907 shares.

(4) Consists of shares available for future issuance under the 1996 Plan and the Purchase Plan. As of December 31, 2004, an aggregate of 34,210,275 and 8,168,907 shares of Common Stock were available for issuance under the 1996 Plan and the Purchase Plan, respectively. Under the terms of the 1996 Plan, an annual increase is added on the first day of each fiscal year equal to the lesser of (a) 18,000,000 shares, (b) 5% of the outstanding shares on that date or (c) a lesser amount determined by the Board of Directors. Under the terms of the 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 outstanding shares on that date or (c) a lesser amount determined by the Board of Directors.

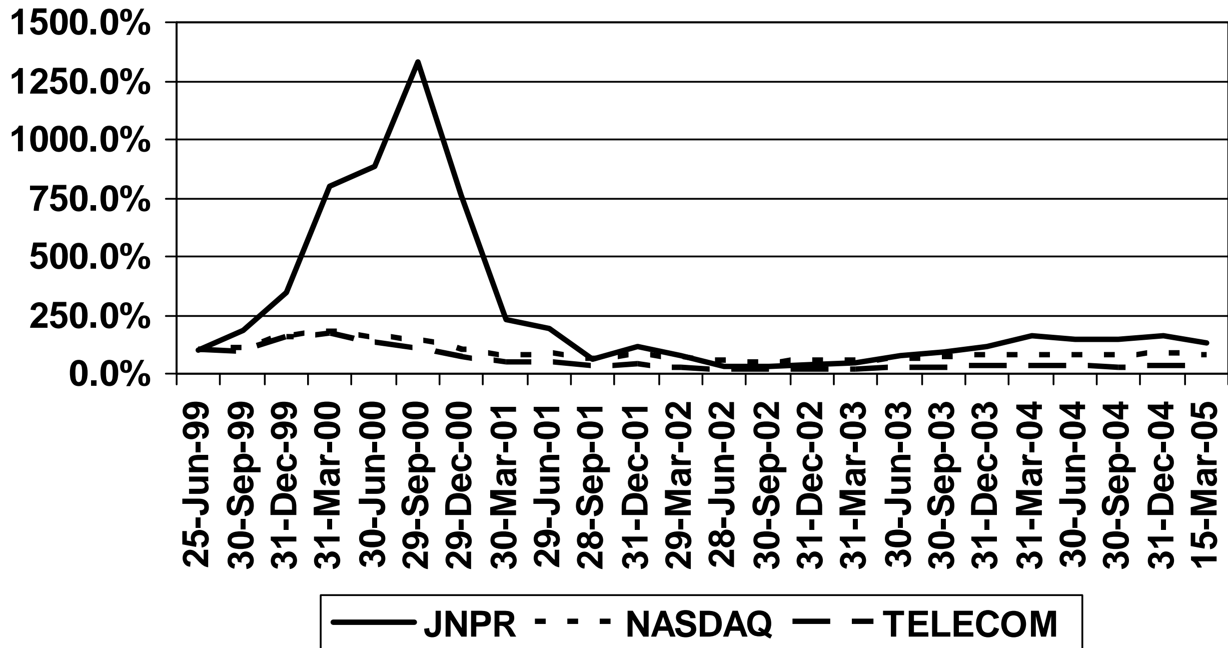
(5) Consists of shares available for future issuance under the 2000 Plan. Under the terms of the 2000 Plan, an annual increase is added on the first day of each fiscal year equal to the greater of (a) 5,000,000 shares, (b) 5% of the outstanding shares on that date or (c) a lesser amount determined by the Board of Directors.

(6) As of December 31, 2004, a total of 23,432,320 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 $10.20 per share. No additional options may be granted under those assumed plans.

For a narrative description of the material features of the 2000 Plan, please see Note 10 to the Company's Consolidated Financial Statements included with our Annual Report on Form 10-K for the year ended December 31, 2004.

STOCK PERFORMANCE GRAPH

The graph below shows the cumulative total stockholder return assuming the investment of $100 on June 25, 1999 in each of Juniper Networks common stock, the Nasdaq Composite Index and the Nasdaq Telecommunications Index.



PRINCIPAL AUDITOR 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, 2005. 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:

	2004	2003
Audit fees	$1,714,000	$ 498,000
Audit-related fees	505,000	221,000
Tax fees	570,000	434,000
All other fees	—	—
Total	$2,789,000	$1,153,000

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. Audit fees increased in 2004 compared to 2003 due to additional work performed by Ernst & Young LLP in its assessment of the Company's internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Audit-related fees in 2004 were primarily related to the Company's acquisition of NetScreen Technologies, Inc. in April 2004. Audit-related fees in 2003 were primarily related to the issuance of the Zero Coupon Convertible Senior Notes due June 15, 2008. Tax fees are for professional services rendered for tax compliance, tax advice and tax planning.

The Audit Committee preapproves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. The committee has delegated such preapproval authority to the chairman of the committee. The Audit Committee preapproved all services performed by the Company's independent registered public accounting firm in 2004.

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 10 meetings during fiscal year 2004.

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 auditors 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 auditors 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 auditors the independent auditors' 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, 2004, for filing with the Securities and Exchange Commission.

MEMBERS OF THE AUDIT COMMITTEE

Robert M. Calderoni
Kenneth Goldman
William R. Hearst III

Directions to Juniper Networks, Inc.
1220 N. Mathilda Avenue
Building 3, Pacific Conference Room
Sunnyvale, CA 94089

From San Francisco Airport:

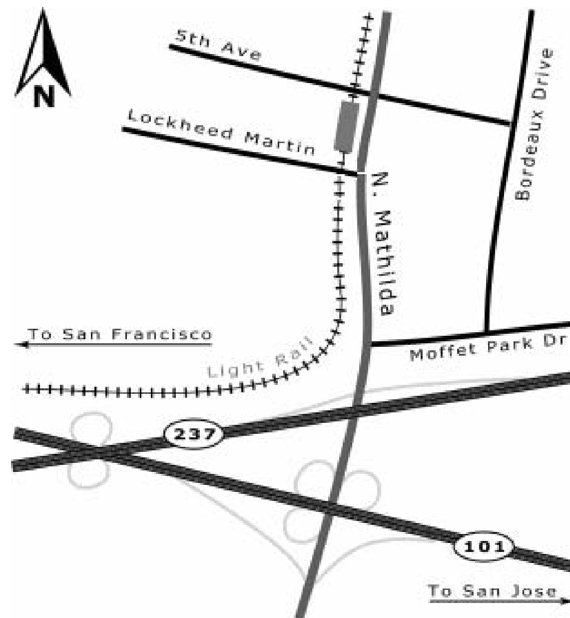
- Travel south on Highway 101.
- Exit Highway 237 east in Sunnyvale.
- Exit Mathilda and turn left onto Mathilda Avenue.
- Juniper Networks Corporate Headquarters and Knowledge Center will be on the right side across from the Lockheed/Martin light rail station.

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.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

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

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

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

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 [ ]

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 an accelerated filer (as defined by Exchange Act Rule 12b-2).
Yes [X] No [ ]

The aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately $9,467,666,000 as of the end of the Registrant's second fiscal quarter, (based on the closing price for the Common Stock on the NASDAQ National Market on June 30, 2004).

As of February 28, 2005 there were approximately 543,714,000 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 issued in conjunction with the Registrant's 2005 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the Registrant's fiscal year ended December 31, 2004.

Table of Contents

PART I 1

ITEM 1. Business 1

ITEM 2. Properties 11

ITEM 3. Legal Proceedings 12

ITEM 4. Submission of Matters to a Vote of Security Holders 13

PART II 14

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities 14

ITEM 6. Selected Consolidated Financial Data 14

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations 15

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk 38

ITEM 8. Financial Statements and Supplementary Data 40

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures 72

ITEM 9A. Controls and Procedures 72

ITEM 9B. Other Information 73

PART III 73

ITEM 10. Directors and Executive Officers of the Registrant 73

ITEM 11. Executive Compensation 73

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters 73

ITEM 13. Certain Relationships and Related Transactions 73

ITEM 14. Principal Accountant Fees and Services 73

PART IV 74

ITEM 15. Exhibits and Financial Statement Schedules 74

PART I

ITEM 1. Business

Overview

We design and sell products and services that together provide our customers with Internet Protocol ("IP") secure networking solutions. Our solutions are incorporated into the global web of interconnected public and private networks across which a variety of media, including voice, video and data, travel to and from end users around the world. Our network infrastructure solutions enable service providers and other network-intensive businesses to support and deliver services and applications on a highly efficient and low cost integrated network. Our security solutions meet a broad array of our customer's security priorities, from protecting the network itself, to protecting data on the network. Together, our secure networking solutions enable our customers to convert networks that provide commoditized, best efforts services into more valuable assets that provide differentiation and value and increased reliability and security to end users.

In April 2004, we completed our acquisition of NetScreen Technologies, Inc. ("NetScreen"). NetScreen developed, marketed and sold a broad array of integrated network security solutions for enterprises, carriers and government entities. As a result of the NetScreen acquisition, we expanded our customer base and portfolio of products, and now offer two categories of networking products: infrastructure products, which consist predominately of the original Juniper Networks products, and security products, which consist predominately of the former NetScreen products.

During our fiscal year ended December 31, 2004, we generated annual revenues of $1.3 billion and conducted business in approximately 75 countries. See the information in Item 8 for more information on our financial position as of December 31, 2004 and 2003 and our results of operations and cash flows for the periods ended December 31, 2004, 2003 and 2002.

We were incorporated in California in 1996 and reincorporated in Delaware in 1997. Our corporate headquarters is located in Sunnyvale, California. Our website address is www.juniper.net.

The Juniper Networks Strategy

Our objective and strategy is to provide best-in-class traffic processing technologies that allow our customers to provide a secure and assured network experience for any application on an IP network. Our technological leadership and problem solving abilities combined with our experience and fundamental understanding of the requirements of high performance IP secure networking solutions will help us in meeting our objectives. Key elements of our strategy are described below.

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

Leverage Early Lead as Supplier of Purpose-Built Network Infrastructure and Security. From inception we have focused on designing and building IP network infrastructure for service providers and network intensive businesses 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. The purpose-built advantages of our infrastructure

and security products provide us with a time-to-market lead, which is a critical advantage in gaining rapid penetration as one of these selected vendors. Once our products have been widely deployed in a customer's network, it becomes more difficult for potential competitors to sell to those customers in the future.

Be Strategic to Our Customers. In developing our infrastructure and security solutions, we work very closely with customers to design and build a product specifically to meet their complex needs. Over time, we have expanded our understanding of the challenges facing these 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 deployment to date. We plan to continue to work very closely with our customers to implement enhancements to current products as well as to design future products that specifically meet their evolving needs.

Enable New IP-Based Services. Our platforms enable network operators to build and secure networks cost effectively and to offer new differentiated services for their customers more efficiently than conventional products. We believe that the secure delivery of IP-based services and applications, including 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 secure networking solutions.

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 build relationships with other industry leaders in a diverse set of networking technologies and services. These relationships ensure that we have access to those technologies and services, whether through joint venture, resale, acquisition or other collaboration, in order to better support a broader set of our customers' requirements.

Markets and Customers

We sell our products and services through distributors and value-added resellers to end-users in the following markets:

Service Providers

Service providers include wireline, wireless and cable operators. Supporting most major service provider networks in the world, our platforms are designed and built for the scale and dependability that service providers demand. Our secure networking solutions 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.

Enterprise

Our secure networking solutions are designed to meet the reliability and scalability demanded by the world's largest and most advanced networks. For this reason, network intensive enterprises that rely on their networks for the essence of their business are able to deploy our solutions as a powerful component in delivering the advanced network capabilities needed for their leading-edge applications while:

- Reducing costs through operational efficiencies in implementing and managing the network;
- Driving down capital expenses with sophisticated network intelligence that is robust, secure and scalable; and
- Providing enterprises with the control necessary to deliver a secure and assured user experience to their customers and internal clients.

Public Sector

The public sector includes federal, state and local governments and research and education institutions. Our solutions provide the security, dependability, and performance required by leading government agencies, including the United States Department of Defense, intelligence and civilian agencies. Research and education (R&E) networks push the envelope in networking and applications, continually demanding the most advanced products and technologies while simultaneously helping shape their development. These networks help academic researchers and educators transform their vision into reality with scientific and educational advancements using applications such as telemedicine, 3D visualization and simulation, grid computing, and collaborative videoconferencing. Juniper Networks helps the public sector secure and assure their networking infrastructure by:

- Delivering best-in-class network security without impacting performance or the ability to turn on additional services;
- Providing highly dependable (reliable, available, and stable) products to ensure that government networks are operational and available;
- Offering flexible and comprehensive service and support packages designed for federal customers; and
- Working as a business partner for the long term with the optimal combination of flexibility, responsiveness, technical know-how and financial strength.

Fundamental Requirements for High Performance Secure Networks

As they work to support growth in IP traffic and seek to offer new revenue generating or mission-critical services, our customers require secure network solutions that are not only feature rich but also deliver high reliability, high performance and assured user experiences.

At the same time, both service providers and enterprises must focus on 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.

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 secure and assured 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 sell more revenue generating services with better cost efficiencies. Enterprises and other network operators want to provide a secure and assured network experience to their end users on a cost effective but value-generating basis. 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 essential. 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 network operators increasingly require 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. Since 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. Since 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. IP infrastructure must quickly adjust 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 far more 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 routers and security 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. 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 IP infrastructure and security solutions that can 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 and reduce the cost of their architectures.

Juniper Networks Technology and Products

Early in the Company's history, we developed, marketed and sold the first commercially available purpose-built IP backbone router optimized for the specific high performance needs 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.

With the acquisition of NetScreen, we have added a broad family of network security solutions that deliver high performance, cost-effective security for enterprises, service providers and government entities. We offer firewall and virtual private network ("VPN") systems and appliances, as well as a line of intrusion detection and prevention ("IDP") appliances.

Both our infrastructure and security solutions are built upon ASIC and software expertise. Our infrastructure products offer a full suite of scalable, tested routing protocols, which are used to control, and direct network traffic, and are critical to a network routing solution. This control is made more important by the fact that the size and complexity of IP networks are increasing at a time when service providers are looking to differentiate themselves through value-added service offerings. Our firewall and VPN systems are standards-based for easy integration into customer networks, and deliver integrated firewall, VPN and denial of service protection capabilities in a single device. Our IDP appliances incorporate multiple methods of detection, such as attack pattern matching, protocol anomaly detection and backdoor detection, and stop attacks based on known patterns of attack, suspicious traffic or connection requests.

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 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 our JUNOS or JUNOSe 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 enhance the overall functionality of the router. We refer to these components as service modules.

Major Infrastructure Product Families

M-Series and T-Series: Our M-series platforms are extremely versatile as they can be deployed at the edge of operator networks, in small and medium core networks, and in other applications. The M-series product family includes the M320, M160, M40e, M20, M10i and M7i platforms. Our T-series platforms, T640 and T320, are primarily designed for core IP infrastructures. The M-series and T-series products leverage our ASIC technology and the same JUNOS operating system to ensure continuous and predictable service delivery, while reducing capital and operational costs.

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. 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.

Major Security Product Families

Firewall and VPN Systems: Our NetScreen-5400, -5200, -1000 and -500 products are high performance security systems designed to provide integrated firewall, VPN and denial of service protection capabilities for enterprise environments and carrier network infrastructures. Each 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 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, carriers 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 NetScreen-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.

Secure Access Secure Sockets Layer ("SSL") VPN Appliances: Our Secure Access-5000, -3000 and -1000 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.

Intrusion Detection and Prevention ("IDP") Appliances: Our IDP-1000, -500, -100 and -10 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.

See Note 12 in Item 8 for a breakdown of net product revenues by categories of products.

Sales, Marketing and Distribution Structure

As of December 31, 2004, the Company employed a staff of 1,057 employees in our worldwide sales and marketing organizations. These sales employees operate within their respective regions and generally either engage customers directly or manage customer opportunities through our strategic distribution relationships and value-added resellers. Information concerning our revenues by significant customers and by geographic region can be found in Note 2 and Note 12 to the Consolidated Financial Statements included within this Annual Report on Form 10-K.

Direct Sales Structure

Our direct sales organization is organized into three geographic theaters and within each theater according to the particular needs in that market. Our three geographic theaters are (i) the Americas, (ii) Europe, Middle East and Africa and (iii) Asia Pacific. Our direct relationships with our customers are governed either by customer purchase orders and our acknowledgement of those orders or by purchase

contracts. In instances where we have contracts with our customer, those contracts set forth only general terms of sale and do not require customers to purchase specified quantities of our products.

Global Channel System

In our sales and marketing efforts, we also employ a global network of strategic distribution relationships, as well as theater or country-specific distributors and value added resellers. Within each theater, in addition to our direct sales force, we employ sales professionals to assist with the management of our various sales channels.

We have strategic reseller relationships with Ericsson A.B., Lucent Technologies and Siemens A.G. We believe that each of these companies have significant customer relationships in place and offer products that complement our product offerings. 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. Siemens accounted for greater than 10% of our total revenues in 2004.

In addition to these strategic reseller relationships, the Company maintains relationships with distributors and value-added resellers in various theaters. These distributors and value-added resellers tend to be focused on particular theaters or particular countries within theaters. These resellers have expertise in deploying complex networking solutions in their respective markets. Our agreements with these resellers are non-exclusive, generally limited by theater, and provide product discounts and other ordinary terms of sale. These agreements do not require our distributors or resellers to purchase specified quantities of our products.

Customer Service and Support

We believe that a broad range of support services is essential to the successful deployment and ongoing support of our products and we have hired support engineers with proven network experience to provide those services. In most cases, our customer service and support organization provides front line product support and is the problem resolution interface to our partners and direct end users. We offer the following services: 24x7x365 technical assistance, hardware repair and replacement, unspecified updates, 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. We also train our partners in the delivery of education and support services.

As of December 31, 2004, we employed 337 people in our worldwide customer service and support organization.

Research and Development

We have assembled a team of skilled engineers with extensive experience in the fields of high-end computing, network system design, security, routing protocols and embedded software. These individuals have been drawn from leading computer data networking and telecommunications companies. In addition to building complex hardware and software systems, the engineering team has experience in delivering highly integrated ASICs and scalable technology.

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 security 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. This process involves all functional groups and all levels within the Company. 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.

As of December 31, 2004, we employed 1,184 people in our worldwide research and development organization.

Our research and development expenses totaled $238.4 million, $176.1 million and $161.9 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Manufacturing and Operations

We employ 105 employees in manufacturing and operations who primarily manage relationships with our contract manufacturers, manage our supply chain, and monitor and manage product testing and quality. The majority of our manufacturing operation is outsourced. We currently have manufacturing relationships primarily with Celestica and Plexus, under which we have subcontracted the majority of our manufacturing activity. This subcontracting activity extends from prototypes to full production and includes activities such as material procurement, final assembly, test, control, shipment to our customers and repairs. We design, specify and monitor all of the tests that are required to meet internal and external quality standards. These arrangements provide us with the following benefits:

- We conserve the working capital that would be required for funding inventory;
- We can adjust manufacturing volumes quickly to meet changes in demand;
- 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 we could buying components alone; and
- We operate without dedicating significant space to manufacturing operations.

Our contract manufacturers manufacture our products based on rolling forecasts from us about our product needs. 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 directly to our distributors, value-added resellers or end-user. The Company generally does not own the components and our customers generally take title to our products upon shipment from the contract manufacturers. In certain circumstances, we may be liable to our contract manufacturers for carrying and obsolete material charges for excess components purchased based on our forecasts.

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 by IBM and Toshiba, each of whom is responsible for all aspects of the production of the ASICs using our proprietary designs.

Competition

Competition in the network infrastructure and security markets is intense. Cisco Systems, Inc. has historically dominated the market, with other companies such as Nortel Networks, Alcatel S.A., CheckPoint Systems, Inc. and Huawei Technologies providing competitive 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 and are compatible with Cisco's current and future products.

We expect that, over time, large companies with significant resources, technical expertise, market experience, customer relationships and broad product lines, such as Nortel and Alcatel, will introduce new products which are designed to compete more effectively in this market. 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 assure you that we will be successful.

Many of our current and potential competitors, such as Cisco, Nortel and Alcatel, 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. 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 reduction, fewer customer orders, reduced gross margins and loss of market share, any of which could seriously harm our operating results.

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 smaller private 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.

Several companies also provide solutions that can substitute for some uses of routers. For example, high bandwidth Asynchronous Transfer Mode ("ATM") switches are used in the core of certain major backbone service providers. ATM switches can carry a variety of traffic types, including voice, video and data, using fixed, 53 byte cells. Companies that use ATM switches are enhancing their products with new software technologies such as Multi-Protocol Label Switching ("MPLS"), which can potentially simplify the task of mixing routers and switches in the same network. These substitutes can reduce the need for large numbers of routers.

Intellectual Property

Our success and ability to compete are substantially dependent upon our internally developed technology and know-how. Our engineering teams have significant expertise in ASIC design and we own all rights to the design of the ASICs, which form the core of many of our products. Our software was developed internally and is 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.

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, 2004, we had 2,948 full-time employees, 265 of whom were in general and administrative functions. None of our employees are represented by a labor union. We have not experienced any work stoppages and we consider our relations with our employees to be good.

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 December 31, 2004.

NAME	AGE	POSITION
Scott Kriens	47	Chief Executive Officer and Chairman of the Board
Pradeep Sindhu	52	Chief Technical Officer and Vice Chairman of the Board
James A. Dolce Jr.	42	Executive Vice President, Field Operations
Robert R.B. Dykes	55	Executive Vice President, Business Operations and Chief Financial Officer*
Marcel Gani	52	Executive Vice President, Chief Financial Offier
Krishna “Kittu” Kolluri	41	Executive Vice President and General Manager of the Security Products Group
Carol Mills	51	Executive Vice President and General Manager of the Infrastructure Products Group

*Mr. Dykes joined the Company and assumed the role of Chief Financial Officer from Mr. Gani on January 1, 2005. Mr. Gani assumed the role of Chief of Staff on January 1, 2005.

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.

JAMES A. DOLCE, JR. joined Juniper Networks as Executive Vice President Field Operations in July 2002 as part of our acquisition of Unisphere Networks, Inc. He served as Chief Executive Officer and a director of Unisphere from July 2000 until July 2002. From January 2000 to July 2000, Mr. Dolce served as President of Unisphere. From April 1999 to January 2000, Mr. Dolce served as Vice President of the Data Products Group of Unisphere. From September 1997 to April 1999, he served as President of Redstone Communications, which he co-founded. From May 1996 to July 1997, Mr. Dolce served as Vice President and General Manager of the Remote Access Business Unit of Cascade Communications, a provider of wide area network switches.

ROBERT R.B. DYKES joined Juniper Networks in January 2005 from Flextronics where he was Chief Financial Officer and President, Systems Group, from February 1997 to December 2004. Prior to that,

Mr. Dykes was Executive Vice President, Worldwide Operations and Chief Financial Officer of Symantec Corporation from October 1988 to February 1997. Mr. Dykes also held Chief Financial Officer roles at industrial robots manufacturer, Adept Technology, and at disc drive controller manufacturer, Xebec. He also held senior financial management positions at Ford Motor Company. Mr. Dykes holds a Bachelor of Commerce in Administration degree from Victoria University, Wellington, New Zealand.

MARCEL GANI joined Juniper Networks as Chief Financial Officer in February 1997. Mr. Gani served as Executive Vice President and Chief Financial Officer from July 2002 through December 2004. Mr. Gani currently serves as Chief of Staff. From January 1996 to January 1997, Mr. Gani served as Vice President and Chief Financial Officer of NVIDIA Corporation, a 3D graphic processor company. Mr. Gani also held the positions of Vice President and Chief Financial Officer at Grand Junction Networks, a data networking company acquired by Cisco Systems, Inc., from March 1995 to January 1996, and at Primary Access Corporation, a data networking company acquired by 3Com Corporation, from March 1993 to March 1995. Mr. Gani holds an M.B.A. from the University of Michigan. Mr. Gani also serves on the board of directors of the Chalone Wine Group.

KRISHNA “KITTU” KOLLURI joined Juniper Networks in April 2004. Prior to that he was general manager of Secure Access Products at NetScreen from November 2003 to April 2004, a position he assumed following Netscreen's acquisition of Neoteris where he served as president and chief executive officer from March 2001 to November 2003. Mr. Kolluri co-founded Healtheon/WebMD, where he served as senior vice president and general manager of Provider Services from February 1996 to November 2000 and was responsible for product development, operations and business development. Before co-founding Healtheon/WebMD, Mr. Kolluri worked at Silicon Graphics, Inc. managing high profile Interactive TV projects from March 1990 to January 1996. Mr. Kolluri holds a B.Tech in Mechanical Engineering from Indian Institute of Technology, Madras, India, and an M.S. in Operations Research from the State University of New York, Buffalo.

CAROL MILLS joined Juniper Networks in November 2004. Prior to joining Juniper Networks, Ms. Mills was principal consultant for Barrymore and Baldwin, a strategy consulting firm. Before that Ms. Mills was chief executive officer of a private enterprise software company, Acta Technology, from September 1998 until it was acquired by Business Objects in July 2002. Ms. Mills moved to Acta Technology from Hewlett Packard Company where, during her 17 year tenure, she held a number of leadership positions including general manager, Commercial Unix Business. Ms. Mills holds an MBA from Harvard University and a BA in Economics from Smith College. She also serves on the Board of Directors of Adobe Systems Incorporated.

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 the day of filing with the SEC 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.

ITEM 2. Properties

We lease approximately 1.3 million square feet world wide, with the majority being in North America. Our corporate headquarters is located in Sunnyvale, California and consists of four buildings totaling approximately 0.6 million square feet. Each building is on an individual lease or sublease, which provides

various option, expansion and extension provisions. The corporate headquarters leases expire between June 2012 and May 2014. Additionally, we lease an approximately 0.3 million square foot facility in Westford, Massachusetts under two leases. The leases expire between January and March 2011. We also own approximately 80 acres of land adjacent to our leased corporate headquarters location.

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 and the Asia Pacific region, including in China, the Netherlands, Virginia, India, Hong Kong, Canada, France, Japan, Australia, the United Kingdom and Korea. Our current offices are in good condition and appropriately support our business needs.

ITEM 3. 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 such legal claims and litigation will ultimately have a material adverse effect on the Company's consolidated financial position or results of operations, an adverse result in one or more matters could negatively affect our results in the period in which they occur.

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 its 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 its 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 for the settlement and release of claims against the issuers, including the Company, was submitted to the Court for preliminary approval. The terms of the settlement, if approved, would dismiss and release all claims against participating defendants (including the Company). In exchange for this dismissal, Directors and Officers insurance carriers would agree to guarantee a recovery by the plaintiffs from the underwriter defendants of at least $1 billion, and the issuer defendants would agree to an assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. The settlement is subject to a number of conditions, including certification of a class for settlement purposes and formal court approval. If the settlement does not occur, and litigation continues, the Company believes it has meritorious defenses and intends to defend the case vigorously.

Federal Securities Class Action Suit

During the quarter ended March 31, 2002, a number of essentially identical shareholder class action lawsuits were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and former officers purportedly on behalf of those stockholders who purchased the Company's publicly traded securities between April 12, 2001 and June 7, 2001. In April 2002, the court granted the defendants' motion to consolidate all of these actions into one; in May 2002, the court appointed the lead plaintiffs and approved their selection of lead counsel and a consolidated complaint was filed in August 2002. The plaintiffs allege that the defendants made false and misleading statements, assert claims for violations of the federal securities laws and seek unspecified compensatory damages and other relief. In September 2002, the defendants moved to dismiss the consolidated complaint. In March 2003, the court granted defendants motion to dismiss with leave to amend. The plaintiffs filed their amended complaint in April 2003 and the defendants moved to dismiss the amended complaint in May 2003. The hearing on defendants' motion to dismiss was held in September 2003. In March 2004, the court granted defendants motion to dismiss, without leave to amend. In April 2004, the plaintiffs filed a notice of appeal. The appeal has been fully briefed by the parties. The Court of Appeals has not yet scheduled arguments on the appeal.

State Derivative Claim Based on the Federal Securities Class Action Suit

In August 2002, a consolidated amended shareholder derivative complaint purportedly filed on behalf of the Company, captioned In re Juniper Networks, Inc. Derivative Litigation, Civil Action No. CV 807146, was filed in the Superior Court of the State of California, County of Santa Clara. The complaint alleges that certain of the Company's officers and directors breached their fiduciary duties to the Company by engaging in alleged wrongful conduct including conduct complained of in the securities litigation described above. The Company is named solely as a nominal defendant against whom the plaintiffs seek no recovery. After having their previous complaints dismissed with leave to amend, Plaintiffs lodged a third amended complaint in August 2004. Defendants demurred to the third amended complaint. On November 18, 2004, the Court sustained defendants' demurrer without leave to amend and entered an order of final judgment against plaintiffs. In January 2005, plaintiffs filed a notice of appeal from this ruling. There has not yet been any briefing or argument on appeal.

Toshiba Patent Infringement Litigation

On November 13, 2003, Toshiba Corporation filed suit in the United States District Court in Delaware against the Company, alleging that certain of the Company's products infringe four Toshiba patents, and seeking an injunction and unspecified damages. There has been limited discovery to date.

IRS Notices of Proposed Adjustments

The Internal Revenue Service (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 believes it has made adequate provisions in the accompanying consolidated financial statements for any adjustments that the IRS has proposed with respect to these tax returns.

In conjunction with the IRS income tax audit, certain of the Company's US payroll tax returns are currently under examination 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 intends to dispute this assessment with the IRS and resolve the issue at the Appeals level. The Company currently does not believe that it is probable that any final assessment will be sustained nor does it believe that a liability can be reasonably estimated at this time. In the event that this issue is resolved unfavorably to the Company, there exists the possibility of a material adverse impact on the Company's results of operations for the period in which an unfavorable outcome becomes probable and reasonably estimable.

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

(a) Our common stock has been quoted on the NASDAQ National Market under the symbol "JNPR" since June 25, 1999. Prior to that time, there was no public market for the common stock. All stock information has been adjusted to reflect the three-for-one split, effected in the form of a stock dividend to each stockholder of record as of December 31, 1999 and a two-for-one split, effected in the form of a stock dividend to each stockholder of record as of May 15, 2000. Juniper Networks has never paid cash dividends on its common stock and has no present plans to do so. There were approximately 1,700 stockholders of record at January 31, 2005. The following table sets forth the high and low closing bid prices as reported on NASDAQ:

2003	High	Low
First quarter	$ 9.69	$ 7.36
Second quarter	$ 14.45	$ 8.16
Third quarter	$ 18.00	$ 12.63
Fourth quarter	$ 19.01	$ 15.17
2004		
First quarter	$ 30.39	$ 19.68
Second quarter	$ 27.55	$ 19.90
Third quarter	$ 25.72	$ 20.20
Fourth quarter	$ 29.08	$ 23.66

(b) None

(c) Issuer Purchases of Equity Securities

(in thousands, except per share amounts)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2004 to October 31, 2004	347	$ 24.20	347	$ 186,390
November 1, 2004 to November 30, 2004	–	$ –	–	$ –
December 1, 2004 to December 31, 2004	–	$ –	–	$ –
Total	347	$ 24.20	347	$ 186,390

(1) On July 13, 2004, we announced that our Board of Directors approved a new program to repurchase up to $250 million of the company's common stock. During 2004, we repurchased and retired 2.9 million shares of our common stock at an average price of $22.17 per share for an aggregate purchase price of $63.6 million. The program may be discontinued at any time.

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 "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, see "Notes to the Consolidated Financial Statements" in Item 8.

Consolidated Statement of Operations Data (in thousands, except per share amounts)

	Year Ended December 31,				
	2004 (A)	2003 (B)	2002 (C)	2001 (D)	2000 (E)
Net revenues	$ 1,336,019	$ 701,393	$ 546,547	$ 887,022	$ 673,501
Gross margin	$ 925,445	$ 444,044	$ 316,439	$ 514,251	$ 435,947
Operating income (loss)	$ 203,210	$ 57,011	$ (127,037)	$ 40,863	$ 194,089
Net income (loss)	$ 135,746	$ 39,199	$ (119,650)	$ (13,417)	$ 147,916
Net income (loss) per share:					
Basic	$ 0.28	$ 0.10	$ (0.34)	$ (0.04)	$ 0.49
Diluted	$ 0.25	$ 0.09	$ (0.34)	$ (0.04)	$ 0.43
Shares used in computing net income (loss) per share:					
Basic	493,073	382,180	350,695	319,378	304,381
Diluted	542,625	413,821	350,695	319,378	347,858

(A) Includes the following significant pre-tax items: in-process research and development charges of $27.5 million, 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.

(B) Includes the following significant pre-tax items: restructuring charges of $14.0 million and gains on the sale of investments of $8.7 million. Diluted shares used in computing net income per share have been restated in accordance with Emerging Issues Task Force ("EITF") Issue 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share*, to include the shares to be issued upon conversion of our Zero Coupon Convertible Senior Notes due June 15, 2008, which resulted in a reduction of $0.01 per share. See Note 2 and Note 13 in Item 8 for more information on this restatement.

(C) Includes the following significant pre-tax items: restructuring charges of $20.2 million, in-process research and development charges of $83.5 million, integration charges of $2.5 million, gains on the retirement of convertible subordinated notes of $62.9 million and an investment write-down charge of $50.5 million.

(D) Includes the following significant pre-tax items: restructuring charges of $12.3 million, in-process research and development charges of $4.2 million, goodwill amortization of $46.6 million and an investment write-down charge of $53.6 million.

(E) Includes the following significant pre-tax items: in-process research and development charges of $10.0 million, a charitable contribution of $10.0 million and an investment write-down charge of $4.6 million.

Consolidated Balance Sheet Data (in thousands)

	As of December 31,				
	2004	2003	2002	2001	2000
Cash, cash equivalents and short-term investments	$ 1,117,841	$ 581,512	$ 578,471	$ 989,642	$ 1,144,743
Working capital	$ 910,896	$ 425,421	$ 438,905	$ 883,829	$ 1,132,139
Goodwill	$ 4,427,930	$ 983,397	$ 987,661	$ 208,840	$ 128,074
Total assets	$ 6,999,714	$ 2,411,097	$ 2,614,669	$ 2,389,588	$ 2,103,129
Total long-term liabilities	$ 504,140	$ 583,266	$ 942,114	$ 1,150,000	$ 1,156,719
Total stockholders' equity	$ 5,992,737	$ 1,562,443	$ 1,430,531	$ 997,369	$ 730,002

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 the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. 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 "Factors That May Affect Future Results" and elsewhere, and in other reports the Company files with the Securities and Exchange Commission ("SEC"), specifically the most recent reports on Form 10-Q and the Joint Proxy/Prospectus included in the Registration Statement on Form S-4 filed with the SEC and declared effective on March 11, 2004. The Company undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

The following discussion is based upon our consolidated financial statements, 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. On an on-going basis, we evaluate our estimates, including those related to sales returns, 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, 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.

Overview of the Results of Operations

To aid in understanding our operating results for the years ended December 31, 2004, 2003 and 2002, we believe an overview of the significant events that affected those periods and a discussion of the nature of our operating expenses is helpful.

Significant Events

In April 2004, we completed our acquisition of NetScreen Technologies, Inc. (“NetScreen”) in order to expand our customer base and portfolio of products. NetScreen developed, marketed and sold a broad array of integrated network security solutions for enterprises, carriers and government entities. We have included in our results of operations the results of NetScreen beginning on April 16, 2004; therefore, revenues, cost of revenues and operating expenses are significantly greater during 2004 compared to 2003 and 2002.

As a result of the NetScreen acquisition, we expanded our customer base and portfolio of products, which resulted in two categories of networking products: infrastructure products, which consist predominately of the original Juniper Networks products, and security products, which consist predominately of the former NetScreen products.

In July 2002, we completed our acquisition of Unisphere, a subsidiary of Siemens Corporation, which is a subsidiary of Siemens A.G. ("Siemens"). Since the acquisition Siemens has been one of our significant resellers. Unisphere developed, manufactured and sold data networking equipment optimized for applications at the edge of service provider networks. The acquisition enabled us to expand our customer base and add a complementary product to our existing infrastructure product line without any need to reorganize or modify our existing organizational or cost structure. We have included in our results of operations for 2002 the results of Unisphere from July 1, 2002. The Unisphere acquisition impacted revenue, cost of revenues and all operating expenses for the second half of 2002. The results for 2003 include a full year of results of the combined companies.

We have implemented several restructuring plans over the last four years as a result of the economic slowdown, which began in 2001, and the acquisitions of Unisphere and NetScreen. In connection with the acquisitions of Unisphere and NetScreen, we initiated plans to eliminate certain duplicative activities, focus on strategic product and customer bases, reduce cost structure and better align product and operating expenses with existing general economic conditions. During the three months ended September 30, 2003, we announced that we would no longer develop our G-series CMTS products and recorded a charge that was comprised of workforce reduction costs, non-inventory asset impairment, costs associated with vacating facilities and terminating contracts and other related costs. During 2004, we adjusted our restructuring reserves for changes in estimates, primarily related to changes in lease and sublease assumptions as our needs changed as a result of the NetScreen acquisition and as the real estate markets changed.

During the three months ended June 30, 2003, we issued $400.0 million of Zero Coupon Convertible Senior Notes due June 15, 2008 ("Senior Notes"). From January 1, 2003 through December 31, 2004, we paid $937.0 million to retire all of our remaining 4.75% Convertible Subordinated Notes due March 15, 2007 ("Subordinated Notes"). These transactions affected our cash, cash equivalents, investments, interest income and interest expense.

Nature of Expenses

NetScreen had a significant distribution channel in place at the time of the acquisition and we are using that channel to target new customers and increase sales. We plan to increase the volume of sales that go through our distribution channel during 2005 compared to prior years. This shift to selling more products through a distribution channel may impact gross margins.

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 Wisconsin, Canada and Malaysia. Generally, our contract manufacturers retain title to the underlying components and finished goods inventory until our customers take title to the assembled final product upon shipment from the contract manufacturer's facility.

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. Carrying and obsolete charges have decreased each of the past two years as the global economy and our product revenue improved.

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 and travel. We added over 900 employees across all functions as a result of the NetScreen acquisition. We added approximately 400 employees from the Unisphere acquisition in July 2002. We had 2,948, 1,553 and 1,542 employees as of December 31, 2004, 2003 and 2002, respectively.

Facility and information technology departmental costs are allocated to other departments based on headcount. These departmental costs have increased each of the last two years due to increases in headcount and facility leases resulting from acquisitions and additional infrastructure systems to support the company's growth. We expect these costs to continue to increase during 2005 as our headcount increases.

Research and development expenses include:

- the costs of developing our products from components to prototypes to finished products,

- outside services for such services as certifications of new products,
- equipment used for testing
- and patent related costs.

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. We plan to increase our investment in research and development during 2005 compared to prior years to further advance our competitive advantage.

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 plan to further develop our distribution channel and increase our sales and marketing costs in an effort to expand and grow our presence in new markets, serving both private and public networks with a full portfolio of networking security products.

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.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to establish accounting policies that contain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These policies include:

- revenue recognition;
- estimating future warranty costs and the valuation of exposures associated with the contract manufacturing operations, both of which impact cost of product revenues and gross margins;
- the provision for income taxes, which impacts our income tax expense, and tax related accruals;
- the allowance for doubtful accounts, which impacts general and administrative expenses; and
- the initial and continuing valuation of goodwill and other purchased intangible assets, the impairment of which would impact operating expenses.

We have other important accounting policies and practices; however, once adopted, these other policies either generally do not require us to make significant estimates or assumptions or otherwise only require implementation of the adopted policy and not a judgment as to the policy itself. We base our estimates on our historical experience and also on assumptions that we believe are standard and reasonable. Despite our intention to establish accurate estimates and assumptions, actual results could differ from those estimates for various reasons including those described in “Factors That May Affect Future Results.”

Revenue Recognition

We recognize product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is reasonably assured, unless we have future obligations for such things as customer acceptance, in which case revenue and related costs are deferred until those obligations are met. In most cases, we recognize product revenue upon shipment to our

customers, including value-added resellers ("VAR"), as it is our practice to identify an end user prior to shipment to a VAR. We defer revenues on sales to our distributors until we have information indicating that the distributor has sold the products to its customers.

We recognize revenue from service contracts as the services are completed or ratably over the period of the obligation. A majority of our service revenue is earned from customers who purchase our products and enter into service contracts. Service contracts are typically for one-year renewable periods and are for services such as 24-hour customer support, non-specified updates and hardware repairs. In addition to service contracts, we also provide professional and educational services.

On arrangements where products and services are bundled, we determine whether the deliverables are separable into multiple units of accounting. We allocate the total fee on such arrangements to the individual deliverables either based on their relative fair values or using the residual method, as circumstances dictate. We then recognize revenue on each deliverable in accordance with our policies for product and service revenue recognition. This process requires us to make judgments whether the delivered item has value to the customer on a standalone basis and whether we have established objective and reliable evidence of fair value for the undelivered items. Our ability to recognize revenue in the future may be affected if actual selling prices are significantly less than the fair values. In addition, our ability to recognize revenue in the future will be impacted by conditions imposed by our customers and by our assessment of collectibility. We assess the probability of collection by reviewing our customers' payment history, financial condition and credit report. If the probability of collection is not reasonably assured, revenue is deferred until the payment is collected.

The amount of product revenue recognized in a given period is also impacted by our judgments made in establishing our reserve for potential future product returns. Although our arrangements with end-users and VARs generally do not include any contractual rights of return, and our general policy is that we do not accept returns, under certain circumstances we have accepted, and may in the future accept, product returns from our customers. Therefore, we do provide a reserve for our estimate of future returns against revenue in the period the revenue is recorded. Our estimate of future returns is based on such factors as historical return data and current economic condition of our customer base. In addition, we get input from our sales and support organizations on potential product returns relating to specific customer issues. The amount of revenue we recognize will be directly impacted by our estimates made to establish the reserve for potential future product returns.

In addition, our agreements with distributors provide for limited stock rotation and price protection rights. Stock rotation rights provide distributors with the right to exchange unsold inventory for alternate products of equal or greater value. Price protection rights grant distributors the right to a credit on certain purchases in the event of decreases in the prices of our products. We accrue for these credits based on our estimates of expected stock rotation and price protection obligations. These reserves require us to exercise judgment in determining if historical experience applies to new products and to new distributors. If our estimate of returns and exchanges is too low, additional charges will be incurred in future periods and these additional charges could have a material adverse effect on our financial position and results of operations.

Our resellers and distributors participate in various cooperative marketing and other programs, and we maintain estimated accruals and allowances for these programs. If actual amounts paid to our resellers and distributors for these programs were to deviate significantly from our estimates, which are based on inputs from our channel marketing department and historical experience, our revenue could be adversely affected.

Warranty Reserves

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. The warranty generally includes parts and labor obtained through our 24-hour service center. On occasion, the specific terms and conditions of those warranties vary. We accrue for warranty costs based on estimates of the costs that may be incurred under our warranty obligations, including material costs, technical support labor costs and associated overhead. The warranty accrual is included in our cost of revenues and is recorded at the time revenue is recognized.

Factors that affect our warranty liability include the number of installed units, our estimates of anticipated rates of warranty claims, costs per claim and estimated support labor costs and the associated overhead. Our estimates of anticipated rates of warranty claims and costs per claim are primarily based on historical information and future forecasts. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary. If actual warranty claims are significantly higher than forecast, or if the actual costs incurred to provide the warranty is greater than the forecast, our gross margins could be adversely affected.

Contract Manufacturer Exposures

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 build 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. If the actual component usage and product demand are significantly lower than forecast, 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, that would have an adverse impact on our gross margins and profitability.

Provision for Income Taxes and Tax Related Accruals

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. 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 SFAS 109, *Accounting for Income Taxes,* and we record a valuation allowance to reduce our deferred tax assets to the amount that we believe to be more likely than not realizable. Accordingly, a valuation allowance in an amount equal to the U.S. domestic net deferred tax assets has been established to reflect uncertainty regarding future realization of these assets, in part, due to the potential impact of future stock option deductions. 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.

Allowance for Doubtful Accounts

We make ongoing assumptions relating to the collectibility of our accounts receivable in our calculation of the allowance for doubtful accounts. In determining the amount of the allowance, we make judgments about the creditworthiness of customers based on ongoing credit evaluations and assess current economic trends affecting our customers that might impact the level of credit losses in the future and result in different rates of bad debts than previously seen. We also consider our historical level of credit losses. Our reserves historically have been adequate to cover our actual credit losses. If actual credit losses were to be significantly greater than the reserves we have established, our general and administrative expenses would increase. Conversely, if actual credit losses were to be significantly less than our reserves, our general and administrative expenses would decrease.

Valuation of Goodwill and Purchased Intangible Assets

Purchased intangible assets are carried at cost less accumulated amortization. Amortization of purchased intangibles is computed using the straight-line method over the related expected useful lives of between four and seven years. Goodwill is carried at fair value. We perform goodwill impairment tests annually and on an interim basis in certain circumstances. We performed an impairment analysis in November 2004 and determined that there was no impairment of the goodwill at that time. In addition, on a

quarterly basis we assess if there have been any impairment indictors during the past quarter that could have impacted the carrying value of our goodwill and purchased intangible assets. When valuing goodwill and purchased intangible assets in connection with the initial purchase price allocation and the ongoing evaluation for impairment, we estimate:

- the assets and liabilities of our two reporting units: Infrastructure and Security,
- the market value of each reporting unit,
- future cash flows applicable to each reporting unit, and
- the useful lives.

These estimates include using our revenue and earnings multiples as of the test date, discounting to present value the free cash flows expected to be generated by the reporting units and the periods of time with which the products will be in demand. Any changes in key assumptions about the business, reporting units and its prospects, or changes in market conditions or other externalities, could result in an impairment charge and such a charge could have a material adverse effect on our results of operations.

Results of Operations

Net Revenues

The following table shows product and service net revenues in absolute dollars and as a percentage of total net revenues for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Year Ended December 31,					
	2004		2003		2002	
Product net revenues	$ 1,162,928	87%	$ 602,455	86%	$ 467,651	86%
Service net revenues	173,091	13%	98,938	14%	78,896	14%
Total net revenues	$ 1,336,019	100%	$ 701,393	100%	$ 546,547	100%

Our net revenues for each of the last three years have increased primarily as a result of the improving global economy, which resulted in increases in our customers' capital expenditures for our products. Beginning in mid-2001, the overall global economy deteriorated and most of our customers reduced their capital expenditure budgets. We began to see these factors improve in 2003, as was evidenced by the increases in infrastructure chassis revenue units and ports shipped. The following table shows infrastructure revenue units and ports shipped for each of the last three years:

	Year Ended December 31,		
	2004	2003	2002
Infrastructure chassis revenue units	7,102	4,785	3,517
Infrastructure ports shipped	114,543	73,471	54,897

Infrastructure products contributed $975.7 million to product net revenues during 2004. We track infrastructure revenue units 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.

Security products contributed $187.2 million to product net revenues during 2004 based on approximately 81,000 units and the acquisition enabled us to cross sell Infrastructure and Security

products to both customer bases.

As we have expanded our market share and entered more markets in 2004, we have begun to experience increased price competition. This price competition has been limited to date, as evidenced by our increase in revenue dollars and product gross margins compared to the year-ago period. We expect to see increasing price competition and downward pressure on our product gross margins in the future.

Service net revenues increased each of the last two years as a result of a larger installed base of customers and products. A majority of our service revenue is earned from customers who purchase our products and enter into service contracts.

Siemens accounted for greater than 10% of our net revenues during 2004 and 2003. Ericsson A.B. ("Ericsson") accounted for greater than 10% of our net revenues during 2003 and 2002.

The following table shows net revenue by geographic region (in thousands):

	Year Ended December 31,					
	2004		2003		2002	
Americas	$ 609,145	46%	$ 296,151	42%	$ 300,022	55%
Europe, Middle East and Africa	380,497	28%	186,436	27%	131,139	24%
Asia Pacific	346,377	26%	218,806	31%	115,386	21%
Total net revenues	$ 1,336,019	100%	$ 701,393	100%	$ 546,547	100%

We experienced a shift in net revenues as a percentage of total net revenues from the Americas region to Europe and Asia from 2002 to 2003 as our customers' spending in the Americas region declined; however, as our customers' spending improved from 2003 to 2004, the Americas region grew as a percentage of total net revenues. Given the current environment, we expect the split among the Americas and international regions to remain relatively consistent from 2004 to 2005.

Cost of Revenues

The following table shows cost of product and service revenues and the related gross margin ("GM") percentages for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Year Ended December 31,					
	2004	GM%	2003	GM%	2002	GM%
Cost of product revenues	$ 317,616	73%	$ 200,621	67%	$ 179,721	62%
Cost of service revenues	92,958	46%	56,728	43%	50,387	36%
Total cost of revenues	$ 410,574	69%	$ 257,349	63%	$ 230,108	58%

The six-point increase in product gross margins from 2003 to 2004 was primarily due to cost-cutting initiatives that resulted in standard costs and manufacturing support costs increasing at a lesser rate than product net revenues in terms of absolute dollars for the same periods. In addition, the standard margins on the Security products are more favorable than the standard margins on the Infrastructure products. The improvement in gross margins was also a result of a $16.0 million reduction in carrying and obsolescence charges from 2003 to 2004 as our historical charges paid to the contract manufacturers have decreased. The increase in gross margins was partially offset by acquisition charges related to the NetScreen acquisition, which increased cost of product revenues by $5.5 million, for an inventory write-up adjustment and the amortization of the order backlog intangible asset.

The five-point increase in product gross margins from 2002 to 2003 was primarily due to savings in outsourced manufacturing costs as a result of improved efficiencies and cost cutting initiatives at our contract manufacturers. The increase in product gross margins was also due to a $19.1 million decrease in carrying and obsolete material charges from 2002 to 2003. In addition, 2002 included a charge of $5.1 million related to the Unisphere acquisition for backlog orders and an inventory write-up adjustment.

Service gross margins increased three points from 2003 to 2004 and seven points from 2002 to 2003 as a result of improved efficiencies and economies of scale that were a direct result of a larger installed base, and thus a more leveraged service organization. This increased leverage is evidenced by the fact that total employee related expenses have decreased as a percentage of service revenue in each of the last two years: 26% for 2004, 27% for 2003 and 29% for 2002; however, in absolute dollars, employee related expenses increased $18.5 million from 2003 to 2004 and $3.9 million from 2002 to 2003. The increases in absolute dollars were due to the NetScreen and Unisphere acquisitions. In addition, in absolute dollars, the outside services costs increased $9.3 million from 2003 to 2004, primarily due to the NetScreen acquisition. Finally, the costs associated with spare parts decreased as a percent of service revenue from 2003 to 2004 and remained approximately the same in terms of absolute dollars; however the costs of spare parts increased as a percent of service revenue from 2002 to 2003 as the costs increased $2.6 million in terms of absolute dollars.

Research and Development, Sales and Marketing and General and Administrative Expenses

The following table shows research and development, sales and marketing, and general and administrative expenses in absolute dollars and as a percentage of total net revenues for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Year Ended December 31,					
	2004		2003		2002	
Research and development	$ 238,363	18%	$ 176,104	25%	$ 161,891	30%
Sales and marketing	$ 302,345	23%	$ 145,784	21%	$ 126,803	23%
General and administrative	$ 53,261	4%	$ 28,462	4%	$ 34,263	6%

Research and development expenses increased $62.3 million in 2004 compared to 2003, but decreased as a percent of total net revenues. The increase in absolute dollars was primarily due to employee related expenses increasing $42.4 million year-over-year as a result of the NetScreen acquisition. The increase in research and development expenses was also the result of a $6.5 million increase in expensed equipment primarily used in test activities and a $5.6 million increase in prototype expense. The increase in expensed equipment was due to additional research and development requirements resulting from the NetScreen acquisition. Prototype expenses are closely tied to product launches because of the testing and certification needed before a product can be offered to the public, and the amounts reported in a given period can vary depending on the product being developed and the timing of the release.

Research and development expenses increased $14.2 million in 2003 compared to 2002, but decreased as a percent of total net revenues. The increase in absolute dollars was primarily due to a $13.2 million increase in employee related expenses as a result of a full year of operations after the acquisition of Unisphere. In addition, we stopped paying bonuses in 2002 as part of our overall corporate cost cutting initiatives; however, we started to accrue employee bonuses in the second half of 2003 as our financial results improved. Offsetting the increase in employee related expenses was a $2.5 million decrease in consulting and contractor services due to our overall corporate cost cutting initiatives and a $2.5 million decrease in prototype expenses.

Sales and marketing expenses increased $156.6 million in 2004 compared to 2003 and increased as a percent of total net revenues. The increase in absolute dollars was primarily due to employee related expenses increasing $104.7 million year-over-year as a result of the NetScreen acquisition and the increase in revenue. Marketing related expenses increased $22.3 million due to the NetScreen acquisition, the branding of the combined companies and the development of a distribution channel and channel sales. Outside services increased $7.0 million due to professional services related to marketing activities. In addition, demonstration equipment increased $6.4 million due to the NetScreen acquisition and the related purchase of Security demonstration products for our direct sales force and resellers. Demonstration equipment is expensed immediately and is closely tied to product launches. To date, we have not incurred significant advertising expenses.

Sales and marketing expenses increased $19.0 million in 2003 compared to 2002, but decreased as a percent of total net revenues. The majority of the increase in absolute dollars was a $21.4 million increase in employee related expenses in the sales organization. In addition, customer facing expenses such as marketing events and customer programs increased $2.0 million. Offsetting the increases was a decrease of $2.8 million for demonstration equipment.

General and administrative expenses increased $24.8 million in 2004 compared to 2003 and remained at 4% of total net revenues. The increase in absolute dollars was driven by a $13.6 million increase in professional services and a $9.3 million increase in employee related expenses.

General and administrative expenses decreased $5.8 million and as a percent of total net revenues in 2003 compared to 2002. The majority of the decrease was due to a $7.1 million reduction in bad debt expense in 2003 compared to 2002. This reduction was a result of more successful than expected collection efforts and the absence of any significant customer bankruptcies. The decrease in bad debt expense was partially offset by a $1.4 million increase in professional services related to certain strategic consulting activities.

Other Operating Expenses

The following table shows other operating expenses for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Amortization of purchased intangible assets	$ 56,782	$ 20,661	$ 13,896
Amortization of deferred stock compensation	43,955	2,037	408
Amortization of purchased intangible assets and deferred stock compensation	$ 100,737	$ 22,698	$ 14,304
Restructuring costs	$ (5,058)	$ 13,985	$ 20,229
In-process research and development	$ 27,500	$ –	$ 83,479
Integration costs	$ 5,087	$ –	$ 2,507

Amortization of Purchased Intangibles and Deferred Stock Compensation

The amortization expense of intangible assets increased $36.1 million in 2004 compared to 2003 due to the intangible assets purchased in the NetScreen acquisition. The amortization expense of intangible assets increased $6.8 million in 2003 compared to 2002 due to the intangible assets purchased in the Unisphere acquisition. See Note 3 in Item 8 for more information on our purchased intangible assets.

The amortization expense of deferred stock compensation increased $41.9 million in 2004 compared to 2003 due to the NetScreen acquisition. Amortization expense of deferred stock compensation was $2.0 million and $0.4 million in 2003 and 2002, respectively. See Note 3 in Item 8 for more information on our deferred stock compensation.

Restructuring and Other

We have implemented several restructuring plans over the last four years as a result of the economic slowdown, which began in 2001 and began to improve in 2003, and the acquisitions of Unisphere and NetScreen. During 2004, we reduced previously established restructuring reserves by $5.5 million for changes in estimates, primarily related to changes in lease and sublease assumptions. We found our needs changed as a result of the NetScreen acquisition and as the real estate markets changed. This reduction was offset by a restructuring charge of $0.4 million during the three months ended June 30, 2004 primarily related to the NetScreen acquisition.

The restructuring charge recorded in 2004 has been completely paid out. The remaining restructuring charges from prior years are primarily for facility leases. The following is a summary of the

restructuring plans, the related charges and the remaining obligations:

- At the time of the NetScreen acquisition, we accrued for restructuring charges of $21.3 million primarily related to professional services, severance and facility charges. These charges were recorded as part of the acquisition and did not impact the Statement of Operations. There is approximately $12.6 million remaining to be paid, primarily for facility leases that extend through 2008.

- During the third quarter of 2003, we announced that we are no longer developing our G-series CMTS products and recorded a charge of approximately $14.0 million that was comprised of workforce reduction costs, non-inventory asset impairment, vacating facilities costs, the costs associated with termination of contracts and other related costs. There is approximately $2.4 million remaining to be paid, primarily for a facility lease that extends through July 2008.

- During the third quarter of 2002, in connection with the acquisition of Unisphere, we recorded restructuring expenses of approximately $14.9 million, associated primarily with workforce related costs, costs of vacating duplicative facilities, contract termination costs, non-inventory asset impairment charges and other associated costs. There is approximately $1.2 million remaining to be paid, primarily for facility leases that extend through April 2009.

- At the time of the Unisphere acquisition, we accrued for restructuring charges of $14.8 million primarily related to professional services, severance and facility charges. These charges were recorded as part of the acquisition and did not impact the Statement of Operations. There is approximately $1.4 million remaining to be paid, primarily for facility leases that extend through March 2011.

- We recognized a charge of approximately $5.3 million during the third quarter of 2002 related to the land acquired in January 2001 located in Sunnyvale, California. The charge was primarily for costs of exiting certain contractual obligations associated with the land. We currently have no plans to develop the land in the foreseeable future.

See Note 5 in Item 8 for a complete description of all restructuring charges and the amounts remaining to be paid.

In-Process Research and Development

The allocation of the NetScreen purchase price included $27.5 million to in-process research and development ("IPR&D") and was expensed in the second quarter of 2004. 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, NetScreen had multiple IPR&D efforts under way for certain current and future product lines. These efforts included developing and integrating secure routers with embedded encryption chips, as well as other functions and features such as next generation Internet Protocol ("IP"), wireless and digital subscriber line connectivity and voice over IP capability. At the time of the NetScreen acquisition, it was estimated that these development efforts would be completed over the next eighteen months at an estimated cost of approximately $25 million. As of December 31, 2004, it was estimated that these development efforts would be completed over the next nine months at an estimated cost of approximately $10.5 million.

The Unisphere acquisition included $82.7 million of IPR&D. These development efforts were completed as of December 31, 2003.

Integration

We incurred integration expenses of approximately $5.1 million related to the NetScreen acquisition and $2.5 million related to the Unisphere acquisition. Integration expenses are incremental costs directly related to the integration of the two companies. The integration expenses consisted principally of workforce related expenses for individuals transitioning their positions and professional fees.

Other Income and Expenses

The following table shows other income and expenses for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Interest and other income	$ 28,233	$ 33,428	$ 56,404
Interest expense	$ (5,379)	$ (39,099)	$ (55,605)
Write-down of investments	$ (2,939)	$ –	$ (50,451)
Gain (loss) on redemption of convertible subordinated notes	$ (4,107)	$ (1,085)	$ 62,855
Gain on sale of investments	$ –	$ 8,739	$ –
Equity in net loss of joint venture	$ –	$ –	$ (1,316)

Interest and other income decreased $5.2 million from 2003 to 2004 and $23.0 million from 2002 to 2003. Both decreases were the result of lower rates of return realized from our investments and less realized gains, partially offset by a gain of $3.5 million during 2004 from a non-recurring engineering contract.

Interest expense decreased $33.7 million from 2003 to 2004 and $16.5 million from 2002 to 2003, almost entirely due to interest saved from the retirement of our Subordinated Notes.

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. We wrote-down these investments by $2.9 million and $50.5 million in 2004 and 2002, respectively, for changes in market value that we believed were other than temporary.

We spent $145.0 million, $792.0 million and $146.0 million during 2004, 2003 and 2002, respectively, to retire our Subordinated Notes. We recognized net losses of $4.1 million and $1.1 million during 2004 and 2003, respectively. We recognized a gain of $62.9 million during 2002. The losses and gains were a result of the difference between the carrying value of the Subordinated Notes at the time of their retirement, including unamortized debt costs, and the amount paid to extinguish such notes.

During the first and second quarters of 2003, we sold some of our marketable equity securities classified as available-for-sale, which had a cost basis of $4.3 million, and recognized gains of $8.7 million.

During the second quarter of 2001, we entered into a joint venture agreement with Ericsson to develop and market products for the wireless Internet infrastructure market. We recognized our portion of the net loss in this joint venture with Ericsson in the amount of $1.3 million during 2002. As of December 31, 2002, we had no further capital funding obligations to this joint venture.

Provision for Income Taxes

Provision for income taxes increased to $83.3 million in 2004 from $19.8 million in 2003 due to the increase in income before income taxes. The effective rates were approximately 38% and 34% for the years ended December 31, 2004 and 2003, respectively. The increase was primarily due to in-process research and development expenses related to an acquisition that were not deductible for tax purposes. The 2004 effective tax rate reflects taxes payable in certain foreign jurisdictions, the benefit of tax credits and the inability to benefit from certain charges and losses. The 2003 effective rate reflects taxes

payable in certain foreign jurisdictions, the benefit of research credits and capital loss carryforwards and the inability to benefit from certain charges and losses.

The Internal Revenue Service (IRS) has concluded an audit of our federal income tax returns for fiscal years 1999 and 2000. During 2004, we received a Notice of Proposed Adjustment (NOPA) from the IRS. While the final resolution of the issues raised in the NOPA is uncertain, we believe we have made adequate provisions in the accompanying consolidated financial statements for any adjustments that the IRS has proposed with respect to these tax returns.

In conjunction with the IRS income tax audit, certain of our US payroll tax returns are currently under examination for fiscal years 1999 - 2001, and we 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. We intend to dispute this assessment with the IRS and resolve the issue at the Appeals level. We currently do not believe that it is probable that any final assessment will be sustained nor do we believe that a liability can be reasonably estimated at this time. In the event that this issue is resolved unfavorably, there exists the possibility of a material adverse impact on our results of operations for the period in which an unfavorable outcome becomes probable and reasonably estimable.

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 thousands):

	As of December 31,	
	2004	2003
Cash and cash equivalents	$ 713,182	$ 365,606
Short-term investments	$ 404,659	$ 215,906
Long-term investments	$ 595,234	$ 394,297
Restricted cash	$ 31,226	$ 30,837
Working capital*	$ 910,896	$ 425,421

*Certain amounts have been reclassified to conform to the current period presentation. See Note 2 in Item 8 for more information.

Working capital increased $485.5 million from 2003 to 2004 primarily due to cash provided by operations of $439.4 million. The significant components of our working capital are cash and cash equivalents, short-term investments and accounts receivable, reduced by accounts payable, accrued liabilities and deferred revenue.

Based on past performance and current expectations, we believe that our cash and cash equivalents, short-term investments, and cash generated from operations will satisfy our working capital needs, capital expenditures, commitments and other liquidity requirements associated with our existing operations through at least the next 12 months. In addition, there are no transactions, arrangements, and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital resources.

Cash Requirements and Contractual Obligations

The following table summarizes our principal contractual obligations at December 31, 2004 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating leases, net of committed	$ 206,032	$ 31,593	$ 59,202	$ 46,757	$ 68,480

subleases (A)					
Senior Notes (B)	400,000	–	–	400,000	–
Other contractual obligations (C)	13,558	13,122	421	15	–
Total	$ 619,590	$ 44,715	$ 59,623	$ 446,772	$ 68,480

(A) We occupy approximately 1.3 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 2014.

(B) Our principal commitment as of December 31, 2004 was our outstanding Zero Coupon Convertible Senior Notes due June 15, 2008 ("Senior Notes"). 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.

(C) Our other contractual obligations consist primarily of an agreement to purchase a portfolio of patents for $12.0 million, which was paid in January 2005. These patents will be amortized over their useful lives, which average 12.1 years.

We do not have firm purchase commitments with our contract manufacturers. In order to reduce manufacturing lead times and ensure adequate component supply, the contract manufacturers place non-cancelable, non-returnable ("NCNR") orders, which were valued at $69.9 million as of December 31, 2004, based on our build forecasts. We do not take ownership of the components and the NCNR orders do not represent firm purchase commitments pursuant to our agreements with the contract manufacturers. The components are used by the contract manufacturers to build products based on purchase orders we have received from our customers. We do not incur a liability for products built by the contract manufacturer until it fulfills our customer's order and the order ships. However, if the components go unused, we may be assessed carrying charges or obsolete charges. As of December 31, 2004, we had accrued $19.0 million based on our estimate of such charges.

Operating Activities

Net cash provided by operating activities was $439.4 million, $178.6 million and $2.4 million for the years ended December 31, 2004, 2003 and 2002, respectively. The cash provided by operating activities for each period was due to our net income (loss) adjusted by:

- non-cash charges of $100.9 million, $6.8 million and $72.8 million for 2004, 2003 and 2002, respectively, primarily for the tax benefit of employee stock option plans, in-process research and development from the NetScreen and Unisphere acquisitions, a loss from the redemption of the Subordinated Notes and an impairment charge related to our equity investments;

- ongoing non-cash charges of $145.7 million, $70.0 million and $63.0 million for 2004, 2003 and 2002, respectively, for depreciation expense and amortization expenses of intangible assets, deferred compensation and debt costs; and

- fluctuations during the normal course of business of $57.2 million, $62.5 million and $(13.8) million for 2004, 2003 and 2002, respectively, in accounts receivable, prepaid and other current assets, long-term assets, accounts payables, accrued liabilities and deferred revenue.

Investing Activities

Net cash used in investing activities was $58.5 million for the year ended December 31, 2004. Net cash provided by investing activities was $300.1 million for the year ended December 31, 2003. Net cash used in investing activities was $295.5 million for the year ended December 31, 2002. Investing activities included capital expenditures and the purchases and maturities of available-for-sale securities. Capital expenditures increased from 2003 to 2004 due to our business growing and the NetScreen acquisition. Our capital expenditures decreased from 2002 to 2003 as part of our overall corporate cost cutting initiatives. Investing activities include:

- $40.9 million of cash and cash equivalents acquired in connection with the NetScreen acquisition during 2004,
- $30.8 million of restricted cash funded during 2003 to establish a trust to secure our indemnification obligations to certain directors and officers, and
- $375.8 million paid during 2002 in connection with the Unisphere acquisition.

Financing Activities

Net cash used in financing activities was $33.4 million, $307.5 million and $119.4 million for the years ended December 31, 2004, 2003 and 2002, respectively. Cash was provided during all periods from the issuance of common stock related to employee option exercises and stock purchase plans. We spent $145.0 million, $792.0 million and $146.0 million during 2004, 2003 and 2002, respectively, to retire our Subordinated Notes. We spent $63.6 million during 2004 to retire 2.9 million shares of our common stock. During the second quarter of 2003, we received net proceeds of $392.8 million from the issuance of the Senior Notes.

Recent Accounting Pronouncements

In December 2004, the FASB revised SFAS No. 123 (“FAS 123R”), *Share-Based Payment*, which requires companies to expense the estimated fair value of employee stock options and similar awards. The accounting provisions of FAS 123R will be effective for us beginning in the third quarter of fiscal 2005. We will adopt the provisions of FAS 123R using a modified prospective application. Under modified prospective application, FAS 123R, which provides certain changes to the method for valuing stock-based compensation among other changes, will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under FAS 123 (see Note 2 in the Notes to Consolidated Financial Statements). We are in the process of determining how the new method of valuing stock-based compensation as prescribed in FAS 123R will be applied to valuing stock-based awards granted after the effective date and the impact the recognition of compensation expense related to such awards will have on our financial statements.

The Emerging Issues Task Force issued EITF Issue No. 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings per Share* (“EITF 04-8”), during September 2004. EITF 04-8 states that all issued securities that have embedded conversion features that are contingently exercisable upon occurrence of a market-price condition should be included in the calculation of diluted EPS, regardless of whether the market price trigger has been met. The EITF 04-8 consensus must be applied by retroactive restatement based on the terms in effect and amounts outstanding on the last day of the fiscal period in which the consensus becomes effective. EITF 04-8 was effective for us beginning in the fourth quarter of 2004. EITF 04-8 applied to our Senior Notes that were issued in June 2003. The application of EITF 04-8 reduced the 2003 diluted earnings per share by one cent. We have restated our diluted shares and earnings per share for the year ended December 31, 2003.

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 earning than many other companies. Accordingly, even small changes in investor expectations for our future growth and earnings, whether as a result of our actual financial results, acquisitions, industry changes or other factors, could trigger 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.

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 Systems, Inc., with other companies such as Alcatel S.A., Nortel Networks Corporation and Huawei Technologies providing products to a smaller segment of the market. In addition, a number of other small public or private companies have products or have announced plans for new products to address the same challenges that our products address.

In the security products market, we face intense competition from a broader group of companies including appliance vendors such as Cisco Systems, Inc., SonicWALL, Inc., and Watchguard Technologies and software vendors such as CheckPoint Software Technologies and Symantec Corporation. We also compete with various emerging private companies and low-cost network hardware suppliers that may position their products as replacements for ours.

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.

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. Our revenues depend in part on the performance of these distributors and value-added resellers. The loss of or reduction in sales to these value-added resellers or distributors could materially reduce our revenues. Our competitors may in some cases be effective in incentivizing resellers or potential resellers to favor their products or to prevent or reduce sales of our products. If we fail to maintain relationships with these distribution partners, fail to develop new relationships with value-added resellers and distributors in new markets or expand the number of resellers in existing markets, fail to manage, train or incent 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 substantial 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.

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. 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. For example, although we completed the acquisition of NetScreen in April 2004, integration of the products, product roadmap, operations, and personnel is a continuing activity and will be for the foreseeable future. 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 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.

A limited number of our customers comprise a significant portion of our revenues 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. Siemens accounted for greater than 10% of our net revenues during 2004 and 2003. Ericsson A.B. accounted for greater than 10% of our net revenues during 2003 and 2002. Any downturn in the business of these 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 recently announced planned acquisitions of AT&T and MCI by SBC and Verizon, respectively). This 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.

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

Our recent level of product 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 inventory or obsolescence charges from our contract manufacturers, increased costs due to changes in component pricing or charges incurred due to inventory holding periods if our forecasts do not accurately anticipate product demand, or our introduction of new products or entry into new markets with different pricing and cost structures.

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. We currently purchase numerous key components, including application-specific integrated circuits (ASICs), from single or limited sources. The development of alternate sources for those components is time consuming, difficult and costly. For example, IBM is our sole ASIC supplier for our infrastructure products and Toshiba America Electronic Components, Inc. is our sole ASIC supplier for our security products. 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.

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 materials and components required to produce our products, which could interrupt manufacturing of our products and result in delays in shipments and deferral or loss of revenues.

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 whom 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 we had to change or add additional contract manufacturers, 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. For example, one of our contract manufacturers has recently begun manufacturing in Malaysia. Each of these factors could adversely affect our business and financial results.

The 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 has previously resulted (for example, in 2001 and 2002), and may in the future result, in decreased revenues and earnings and could also 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.

Our products are highly technical and if they contain undetected software or hardware 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.

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, orders for our products could be cancelled or our products could be returned. This could hurt our operating results, damage our reputation and seriously harm our business and prospects.

Traditional 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.

Traditional telecommunications 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 our ability to recognize revenue and have an adverse effect on our business and financial condition.

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.

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 the 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 and develop and commercially introduce new products and enhancements, there can be no assurance that new products or enhancements will achieve widespread market acceptance. Any failure of our products to achieve market acceptance could adversely affect our business and financial results.

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 key executive, engineering, sales, marketing and support personnel. The supply of highly qualified individuals, in particular engineers in very specialized technical areas, 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 key personnel in the future or delays in hiring required personnel, particularly engineers, could delay the development and introduction of new products, and negatively impact our ability to market, sell, or support our products.

Recent rulemaking by the Financial Accounting Standards Board will require us to expense equity compensation given to our employees and will significantly harm our operating results and may reduce our ability to effectively utilize equity compensation to attract and retain employees.

We historically have used stock options 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 will require companies to record a charge to earnings for employee stock option grants and other equity incentives beginning July 1, 2005. By causing us to incur significantly increased compensation costs, such accounting changes will reduce our reported earnings and will 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. Each of these results could materially and adversely affect our business.

Litigation 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 exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to our products. For example, in 2003, Toshiba Corporation filed a lawsuit against us, alleging that our products infringe certain Toshiba patents. 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 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 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 a party to lawsuits, which, if determined adversely to us, could require us to pay damages 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. There can be no assurance that actions that have been brought against us or may be brought against us will be resolved in our favor. Regardless of whether they are 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 defend or resolve. Such costs of defense and any losses resulting from these claims could adversely affect our profitability and cash flow.

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. 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 software 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.

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.

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.

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 would 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 outside of the United States and also depend on the operations of our contract manufacturers and suppliers that are located outside of the United States. Accordingly, our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, political or social unrest 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 and financial condition.

Our success depends upon our ability to effectively plan and manage our resources and restructure our business through rapidly fluctuating economic and market conditions. Past restructuring efforts may prove to be inadequate or may impair our ability to realize our current or future business objectives.

Our ability to successfully offer our products and services in a rapidly evolving market requires an effective planning 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. In addition, we expect that we will have to change our facilities in certain locations and we may face difficulties and significant expenses identifying and moving into suitable office space and subleasing or assigning any surplus space. These changes and other similar actions taken to respond to fluctuating market and economic conditions have placed, and our anticipated future operations will continue to place, significant demands on our management resources. This may increase the potential likelihood of other risks, and our business may suffer if we fail to effectively manage changes in the size and scope of our operations.

We may not be able to successfully implement the initiatives we have undertaken in restructuring our business in the past and, even if successfully implemented, these initiatives may not be sufficient to meet the changes in industry and market conditions. Furthermore, our workforce reductions may impair our ability to realize our current or future business objectives. Lastly, costs actually incurred in connection with restructuring actions may be higher than the estimated costs of such actions and/or may not lead to the anticipated cost savings, all of which could harm our results of operations and financial condition.

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 face exposure to adverse movements in non-US currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results and cash flows.

The majority of our revenues and expenses are transacted in US Dollars. We also have some transactions that are denominated in foreign currencies, primarily the Japanese Yen, Hong Kong Dollar, British Pound and the Euro, related to our sales and service operations outside of the United States. An increase in the value of the US Dollar could increase the real cost to our customers of our products in those markets outside the United States where we sell in US 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.

Currently, we hedge only those currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and periodically will hedge anticipated foreign currency cash flows. The hedging activities undertaken by us are intended to offset the impact of currency fluctuations

on certain nonfunctional currency assets and liabilities. If our attempts to hedge against these risks are not successful, our net income could be adversely impacted.

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 limited visibility into customer spending plans, changing market conditions, including some customer and potential customer bankruptcies, changes in the mix of products sold, long sales and implementation cycles, regional economic and political conditions and seasonality. For example, many companies experience seasonal fluctuations in customer spending patterns, particularly in the 1st and 3rd 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 one or more of the expectations of securities analysts and 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.

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.

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

A substantial portion of our business and revenue depends on the growth of 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, 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.

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

The United States and various foreign 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 export approval of encryption technologies could harm our international and domestic sales and adversely affect our revenues.

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

Section 404 of the Sarbanes-Oxley Act of 2004 requires our management to report on, and our independent auditors to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We have an ongoing program to perform the system and process evaluation and testing necessary to comply with these requirements. We expect to incur significant expenses and 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.

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, prohibition on the importation or exportation of our products and could have a material adverse effect on our business.

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 the 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 include matters such as voice over the Internet or using Internet Protocol, encryption technology, and access charges for service providers. The adoption of such regulations could decrease demand for our products, and at the same time increase the cost of selling our products, which could have a material adverse effect on our business, operating result and financial condition.

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 adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws 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.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

We maintain an investment portfolio of various holdings, types and maturities. These securities are generally classified as available-for-sale and, consequently, are recorded on the 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 table presents hypothetical changes in fair value of the financial instruments held at December 31, 2004 that are sensitive to changes in interest rates (in thousands):

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points (BPS)			Fair Value as of December 31, 2004	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..................	$ 246,971	$ 245,623	$ 244,275	$ 242,926	$ 241,578	$ 240,230	$ 238,882
Corporate bonds and notes	538,734	535,506	532,278	529,050	525,822	522,594	519,366
Asset backed securities and other........................	354,231	353,832	353,434	353,036	352,638	352,239	351,841
Total	$ 1,139,936	$ 1,134,961	$ 1,129,987	$ 1,125,012	$ 1,120,038	$ 1,115,063	$ 1,110,089

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

It is our policy to use derivatives to partially offset our market exposure to fluctuations in foreign currencies. We recognize these derivatives on the consolidated balance sheet at fair value. We do not enter into derivatives for speculative or trading purposes.

We use foreign exchange forward contracts to hedge foreign currency forecasted transactions related to certain operating expenses, denominated primarily in the Euro, Japanese Yen, and British Pound. These derivatives are designated as cash flow hedges, and have maturities between one and two months. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with creditworthy financial institutions.

For a derivative designated as a cash flow hedge, 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 statement 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, 2004, 2003 and 2002, in other income/(expense) on our consolidated statement of operations.

In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, we reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income to other income/(expense) on the consolidated statement of operations at that time. For the years ended December 31, 2004, 2003 and 2002, there were no material net gains or losses recognized in other income/(expense) relating to hedges of forecasted transactions that did not occur.

Additionally, we use foreign exchange forward contracts to mitigate transaction gains and losses generated by certain monetary assets and liabilities denominated primarily in the Euro, Japanese Yen and

British Pound. These derivatives are carried at fair value with changes recorded in other income/(expense). Changes in the fair value of these foreign exchange contracts are largely offset by remeasurement of the underlying assets and liabilities. These foreign exchange contracts have maturities between one and two months.

We performed a sensitivity analysis assuming a hypothetical 10 percent adverse movement in foreign exchange rates to the foreign exchange contracts and the underlying exposures described above. As of December 31, 2004, the analysis indicated that these hypothetical market movements would not have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 8. 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. 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.

We assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2004. 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, 2004, Juniper Networks Inc.'s internal control over financial reporting is effective.

Juniper Networks Inc.'s independent registered public accounting firm, Ernst & Young LLP, audited the financial statements included in this Annual Report on Form 10-K and have issued an audit report on management's assessment of the company's internal control over financial reporting. This report appears on page 42 of this Annual Report on Form 10-K.

Sunnyvale, CA
March 3, 2005

Index to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm 41
Consolidated Balance Sheets 43
Consolidated Statements of Operations 44
Consolidated Statements of Stockholders' Equity 45
Consolidated Statements of Cash Flows 47
Notes to Consolidated Financial Statements 48

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, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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 schedules 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, 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.

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, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, CA
March 1, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Juniper Networks, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Juniper Networks, Inc. maintained effective internal control over financial reporting as of December 31, 2004, 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, 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, management's assessment that Juniper Networks, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Juniper Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2004 consolidated financial statements of Juniper Networks, Inc. and our report dated March 1, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, CA
March 1, 2005

Juniper Networks, Inc.
Consolidated Balance Sheets
(in thousands, except par values)

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 713,182	$ 365,606
Short-term investments	404,659	215,906
Accounts receivable, net of allowances for doubtful accounts of $10,184 in 2004 and $9,206 in 2003	187,306	77,964
Prepaid expenses and other current assets	108,586	31,333
Total current assets	1,413,733	690,809
Property and equipment, net	275,612	244,491
Long-term investments	595,234	394,297
Restricted cash	31,226	30,837
Goodwill	4,427,930	983,397
Purchased intangible assets, net and other long-term assets	255,979	67,266
Total assets	$6,999,714	$2,411,097
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 113,890	$ 61,237
Accrued compensation	82,946	42,650
Accrued warranty	38,921	35,324
Other accrued liabilities	107,330	66,743
Deferred revenue	159,750	59,434
Total current liabilities	502,837	265,388
Deferred revenue, net of current portion	22,700	15,878
Other long-term liabilities, net of current portion	81,440	25,312
Long-term debt	400,000	542,076
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; 540,526 and 390,272 shares issued and outstanding at December 31, 2004 and 2003, respectively	5	4
Additional paid-in capital	5,888,215	1,557,372
Deferred stock compensation	(32,394)	(1,228)
Accumulated other comprehensive (loss) income	(716)	4,414
Retained earnings	137,627	1,881
Total stockholders' equity	5,992,737	1,562,443
Total liabilities and stockholders' equity	$6,999,714	$2,411,097

See accompanying Notes to Consolidated Financial Statements

Juniper Networks, Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Year Ended December 31,		
	2004	2003	2002
Net revenues:			
Product	$1,162,928	$ 602,455	$ 467,651
Service	173,091	98,938	78,896
Total net revenues	1,336,019	701,393	546,547
Cost of revenues:			
Product	317,616	200,621	179,721
Service	92,958	56,728	50,387
Total cost of revenues	410,574	257,349	230,108
Gross margin	925,445	444,044	316,439
Operating expenses:			
Research and development	238,363	176,104	161,891
Sales and marketing	302,345	145,784	126,803
General and administrative	53,261	28,462	34,263
Amortization of purchased intangibles and deferred stock compensation [1]	100,737	22,698	14,304
Restructuring and other	(5,058)	13,985	20,229
In-process research and development	27,500	–	83,479
Integration costs	5,087	–	2,507
Total operating expenses	722,235	387,033	443,476
Operating income (loss)	203,210	57,011	(127,037)
Interest and other income	28,233	33,428	56,404
Interest expense	(5,379)	(39,099)	(55,605)
Write-down of investments	(2,939)	–	(50,451)
Gain (loss) on redemption of convertible subordinated notes	(4,107)	(1,085)	62,855
Gain on sale of investments	–	8,739	–
Equity in net loss of joint venture	–	–	(1,316)
Income (loss) before income taxes	219,018	58,994	(115,150)
Provision for income taxes	83,272	19,795	4,500
Net income (loss)	$ 135,746	$ 39,199	$ (119,650)
Net income (loss) per share:			
Basic	$ 0.28	$ 0.10	$ (0.34)
Diluted*	$ 0.25	$ 0.09	$ (0.34)
Shares used in computing net income (loss) per share:			
Basic	493,073	382,180	350,695
Diluted*	542,625	413,821	350,695

*2003 amounts have been restated to include shares issuable upon conversion of the Senior Notes

[1] Amortization (benefit) of deferred stock compensation relates to the following cost and expense categories by period:

	2004	2003	2002
Cost of revenues	$ 2,850	$ (33)	$ 1,072
Research and development	21,493	1,925	(2,800)
Sales and marketing	17,685	205	921
General and administrative	1,927	(60)	1,215
Total	$ 43,955	$ 2,037	$ 408

See accompanying Notes to Consolidated Financial Statements

Juniper Networks, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Deferred Stock Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2001 ...	329,146	$ 3	$ 959,681	$ (63,065)	$ 18,418	$ 82,332	$ 997,369
Issuance of common stock in connection with the Employee Stock Purchase Program	781	–	7,411	–	–	–	7,411
Exercise of stock options by employees, net of repurchases	5,985	1	19,208	–	–	–	19,209
Issuance of common stock in connection with Pacific Broadband Communications earn-outs	1,919	–	16,527	–	–	–	16,527
Issuance of common stock in connection with the acquisition of Unisphere Networks, Inc.	36,500	–	511,122	(499)	–	–	510,623
Amortization of deferred stock compensation, net of effect of former employees	–	–	(52,043)	52,451	–	–	408
Other comprehensive gain (loss):							
Change in unrealized gain on available-for-sale securities..	–	–	–	–	(751)	–	(751)
Foreign currency translation losses, net	–	–	–	–	(615)	–	(615)
Net loss	–	–	–	–	–	(119,650)	(119,650)
Comprehensive loss	–	–	–	–	–	–	(121,016)
Balance at December 31, 2002 ...	374,331	4	1,461,906	(11,113)	17,052	(37,318)	1,430,531
Issuance of common stock in connection with the Employee Stock Purchase Program	1,475	–	9,946	–	–	–	9,946
Exercise of stock options by employees, net of repurchases	14,466	–	81,809	–	–	–	81,809
Issuance of common stock in connection with retirement of the 4.75% Convertible Subordinated Notes	–	–	2	–	–	–	2
Compensation charge in connection with the restructuring activity	–	–	744	–	–	–	744
Amortization of deferred stock compensation, net of effect of former employees	–	–	(7,848)	9,885	–	–	2,037
Tax benefit from employee stock option plans	–	–	10,813	–	–	–	10,813
Other comprehensive gain (loss):							
Change in unrealized gain on available-for-sale securities..	–	–	–	–	(14,986)	–	(14,986)
Foreign currency translation gains, net.............................	–	–	–	–	2,348	–	2,348
Net income..............................	–	–	–	–	–	39,199	39,199
Comprehensive income	–	–	–	–	–	–	26,561
Balance at December 31, 2003 ...	390,272	4	1,557,372	(1,228)	4,414	1,881	1,562,443
Issuance of common stock in connection with the Employee Stock Purchase Program	769	–	11,791	–	–	–	11,791
Exercise of stock options by employees, net of repurchases	20,236	–	163,381	–	–	–	163,381
Issuance of common stock in connection with the acquisition of NetScreen	132,118	1	4,171,730	(93,558)	–	–	4,078,173
Retirement of common stock	(2,869)	–	(63,610)	–	–	–	(63,610)
Amortization of deferred stock	–	–	(18,437)	62,392	–	–	43,955

	Common Stock		Additional Paid-in Capital	Deferred Stock Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
compensation, net of effect of former employees							
Tax benefit from employee stock option plans	–	–	65,988	–	–	–	65,988
Other comprehensive gain (loss):							
Change in unrealized gain on available-for-sale securities	–	–	–	–	(7,335)	–	(7,335)
Foreign currency translation gains, net	–	–	–	–	2,205	–	2,205
Net income	–	–	–	–	–	135,746	135,746
Comprehensive income	–	–	–	–	–	–	130,616
Balance at December 31, 2004	540,526	$ 5	$ 5,888,215	$ (32,394)	$ (716)	$ 137,627	$ 5,992,737

See accompanying Notes to Consolidated Financial Statements

Juniper Networks, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2004	2003	2002
OPERATING ACTIVITIES:			
Net income (loss)	$ 135,746	$ 39,199	$ (119,650)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation	40,843	43,998	41,570
Amortization of purchased intangibles, deferred stock compensation and debt issuance costs	104,831	26,042	21,477
Restructuring and other	321	3,621	1,701
In-process research and development	27,500	–	83,479
Write-down of investments	2,939	–	50,451
(Gain) loss on redemption of convertible subordinated notes	4,107	1,085	(62,856)
Gain on sale of investments	–	(8,739)	–
Tax benefit of employee stock option plans	65,988	10,813	–
Changes in operating assets and liabilities:			
Accounts receivable, net	(81,398)	537	39,362
Prepaid expenses, other current assets and other long-term assets	(56,253)	(3,092)	13,278
Accounts payable	29,390	12,963	9,093
Accrued compensation	40,296	17,528	(3,183)
Accrued warranty	3,597	2,966	(6,388)
Other accrued liabilities	27,893	2,467	(61,263)
Deferred revenue	93,648	29,166	(4,661)
Net cash provided by operating activities	439,448	178,554	2,410
INVESTING ACTIVITIES:			
Purchases of property and equipment, net	(63,185)	(19,388)	(36,127)
Purchases of available-for-sale investments	(739,437)	(734,679)	(977,926)
Maturities and sales of available-for-sale investments	704,740	1,085,929	1,095,541
Increase in restricted cash	(249)	(30,837)	–
Minority equity investments	(1,225)	(900)	(1,150)
Acquisition of businesses, net of cash and cash equivalents acquired	40,889	–	(375,803)
Net cash (used in) provided by investing activities	(58,467)	300,125	(295,465)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	175,172	91,755	26,620
Redemption of convertible subordinated notes	(144,967)	(792,013)	(145,975)
Retirement of common stock	(63,610)	–	–
Proceeds from issuance of convertible senior notes	–	392,750	–
Net cash used in financing activities	(33,405)	(307,508)	(119,355)
Net increase (decrease) in cash and cash equivalents	347,576	171,171	(412,410)
Cash and cash equivalents at beginning of period	365,606	194,435	606,845
Cash and cash equivalents at end of period	$ 713,182	$ 365,606	$ 194,435
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 4,424	$ 45,864	$ 53,787
Cash paid for taxes	$ 7,340	$ 3,156	$ 3,621
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Common stock issued in connection with business combinations	$ 3,651,226	$ –	$ 376,415
Deferred stock compensation	$ 93,558	$ –	$ 499
Common stock issued in connection with the retirement of convertible subordinated notes	$ –	$ 2	$ –

See accompanying Notes to Consolidated Financial Statements

Note 1. Description of Business

Juniper Networks, Inc. ("Juniper Networks" or the "Company") was founded in 1996 to develop and sell products that would be able to meet the stringent demands of service providers. Today the Company designs and sells products and services that together provide its customers with Internet Protocol ("IP") secure networking solutions. The Company's solutions are incorporated into the global web of interconnected public and private networks across which a variety of media, including voice, video and data, travel to and from end users around the world. The Company's network infrastructure solutions enable service providers and other network-intensive businesses to support and deliver services and applications on a highly efficient and low cost integrated network. The Company's security solutions meet a broad array of its customer's security priorities, from protecting the network itself, to protecting data on the network. Together, the Company's secure networking solutions enable its customers to convert networks that provide commoditized, best efforts services into more valuable assets that provide differentiation and value and increased reliability and security to end users. The Company sells and markets its products through its direct sales organization, value-added resellers and distributors.

In April 2004, the Company completed its acquisition of NetScreen Technologies, Inc. ("NetScreen") in order to expand its customer base and portfolio of products. NetScreen developed, marketed and sold a broad array of integrated network security solutions for enterprises, carriers and government entities. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, the Company has included in its results of operations the results of NetScreen beginning on April 16, 2004; therefore, revenues, cost of revenues and operating expenses are significantly greater during 2004 compared to 2003 and 2002.

As a result of the NetScreen acquisition, the Company expanded its customer base and portfolio of products, and now offer two categories of networking products: infrastructure products, which consist predominately of the original Juniper Networks products, and security products, which consist predominately of the former NetScreen products.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Juniper Networks and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated. Investments in operating companies in which the Company does not have a controlling interest and does not have the ability to exercise significant influence are carried at the lower of cost or estimated realizable value.

Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), was issued in January 2003. FIN 46 requires that if an entity is the primary beneficiary of a variable interest entity, the assets, liabilities, and results of operations of the variable interest entity should be included in the consolidated financial statements of the entity. FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"), was issued in December 2003 and revised parts of FIN 46. The Company adopted FIN 46(R) effective January 1, 2004. The Company does not have any interests in VIEs.

Certain reclassifications have been made to prior year balances in order to conform to the current year's presentation. Specifically, deferred revenue and restructuring liabilities have been reclassified between short-term and long-term amounts.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires the Company to establish accounting policies that contain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These policies include:

- revenue recognition;
- estimating future warranty costs and the valuation of exposures associated with the contract manufacturing operations;
- the provision for income taxes and tax related accruals;
- the allowance for doubtful accounts; and
- the initial and continuing valuation of goodwill and other purchased intangible assets.

The Company has other important accounting policies and practices; however, once adopted, these other policies either generally do not require the Company to make significant estimates or assumptions or otherwise only require implementation of the adopted policy and not a judgment as to the policy itself. The Company bases its estimates on historical experience and also on assumptions that it believes are standard and reasonable.

Cash and Cash Equivalents

Juniper Networks considers all highly liquid investments purchased with a maturity of 90 days or less to be cash equivalents. Cash equivalents consist of money market funds, commercial paper, government securities, certificates of deposit, and corporate debt securities.

Equity Investments

Juniper Networks has certain minority equity investments in privately held companies. These investments are included in other long-term assets 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. As of December 31, 2004 and 2003, the carrying values of the Company's minority equity investments in privately held companies were $3.8 million and $5.7 million, respectively. 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.

In addition to the equity investments in privately held companies, the Company held certain marketable equity securities classified as available-for-sale. During 2003, the Company sold most of these investments, which had a cost basis of approximately $4.3 million, and recognized a gain of approximately $8.7 million.

The following table summarizes the impairment charges associated with equity investments recorded by the Company (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Impairment of privately held securities	$ (2,939)	$ –	$ (45,488)
Impairment of available-for-sale securities	–	–	(4,963)
Total impairment charges	$ (2,939)	$ –	$ (50,451)

Fair Value of Financial Instruments

The carrying value of the Company's cash and cash equivalents and accounts receivable approximates fair market value due to the relatively short period of time to maturity. See Note 6 "Cash Equivalents, Short-Term and Long-Term Investments and Restricted Cash" for a discussion of the carrying values of our investment portfolio. The fair values of the Zero Coupon Convertible Senior Notes due June 15, 2008 (the "Senior Notes") are based upon quoted market rates. See Note 7 "Long-Term Debt" for further discussion on the Company's outstanding debt.

Concentrations

Financial instruments that subject Juniper Networks to concentrations of credit risk consist primarily of cash and cash equivalents, investments and trade 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 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 15% of total net revenues during 2004. Two customers individually accounted for 15% and 13% of total net revenues in 2003. For 2002, one customer accounted for 17% of net product revenues. See Note 12 "Segment Information" for a breakdown of net revenues by geographic location.

Juniper Networks relies on sole suppliers for certain of its components such as ASICs and custom sheet metal. Additionally, Juniper Networks relies primarily on two 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.

Derivatives

It is the Company’s policy to use derivatives to partially offset its market exposure to fluctuations in foreign currencies. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS No. 133”), the Company recognizes these derivatives on the balance sheet at fair value. The Company does not enter into derivatives for speculative or trading purposes.

The Company uses foreign exchange forward contracts to hedge foreign currency forecasted transactions related to certain operating expenses, denominated primarily in the Euro, Japanese Yen, and British Pound. These derivatives are designated as cash flow hedges under SFAS No. 133, and have maturities between one and two months.

For a derivative designated as a cash flow hedge, 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 statement of operations line item to which the hedged transaction relates. The Company records any ineffectiveness of the hedging instruments, which was immaterial during the years ended December 31, 2004, 2003 and 2002, in other income/(expense) on its consolidated statements of operations.

In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company reclassifies the gain or loss on the related cash flow hedge from accumulated other comprehensive income to other income/(expense) on the consolidated statements of operations at that time. For the years ended December 31, 2004, 2003 and 2002, there were no material net gains or losses recognized in other income/(expense) relating to hedges of forecasted transactions that did not occur.

Additionally, the Company uses foreign currency forward contracts to mitigate transaction gains and losses generated by certain monetary assets and liabilities denominated primarily in the Euro, Japanese Yen and British Pound. These derivatives are carried at fair value with changes recorded in other income/(expense). Changes in the fair value of these derivatives are largely offset by remeasurement of the underlying assets and liabilities. These foreign exchange contracts have maturities between one and two months.

Foreign Currency Translation

Assets and liabilities of foreign operations are translated to US dollars using exchange rates in effect at the end of the period. Revenue and expenses are translated using average exchange rates for the period. Foreign currency translation gains and losses were not material for the years ended December 31, 2004, 2003 and 2002.

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 land that was acquired in January 2001 is not being depreciated. Property and equipment consist of the following (in thousands):

	As of December 31,	
	2004	2003
Computers and equipment	$ 154,439	$ 117,632
Purchased software	23,633	21,190
Leasehold improvements	48,467	29,935
Furniture and fixtures	7,315	3,920
Land	192,427	192,778
Property and equipment, gross	426,281	365,455
Accumulated depreciation	(150,669)	(120,964)
Property and equipment, net	$ 275,612	$ 244,491

Goodwill and Purchased Intangible Assets

Goodwill and purchased intangible assets are carried at cost less any accumulated amortization. The Company adopted SFAS 142, *Goodwill and Other Intangible Assets*, on January 1, 2002, which prohibits the amortization of goodwill and intangible assets with indefinite useful lives. For business combinations consummated before July 1, 2001, goodwill was amortized through December 31, 2001 using the straight-line method over an estimated useful life of three years. Goodwill was not amortized for business combinations consummated after June 30, 2001. Goodwill and intangible assets with indefinite lives are not amortized but are tested at least annually for impairment.

Amortization of purchased intangibles with finite useful lives is computed using the straight-line method over the expected useful life of two to seven years. See Note 3, "Business Acquisitions," for detail of the acquisitions where the Company acquired goodwill and intangible assets and Note 4, "Goodwill and Purchased Intangible Assets," for detail of the activity in these accounts during 2004 and 2003.

Revenue Recognition

The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is reasonably assured, unless it has future obligations for such things as customer acceptance, in which case revenue and related costs are deferred until those obligations are met. In most cases, the Company recognizes product revenue upon shipment to its customers, including value-added resellers ("VAR"), as it is the Company's practice to

identify an end user prior to shipment to a VAR. The Company defers revenues on sales to its distributors until it has information indicating that the distributor has sold the products to its customers.

The Company recognizes revenue from service contracts as the services are completed or ratably over the period of the obligation. A majority of its service revenue is earned from customers who purchase the Company's products and enter into service contracts. Service contracts are typically for one-year renewable periods and are for services such as 24-hour customer support, non-specified updates and hardware repairs. In addition to service contracts, the Company also provides professional and educational services.

On arrangements where products and services are bundled, the Company determines whether the deliverables are separable into multiple units of accounting. The Company allocates the total fee on such arrangements to the individual deliverables either based on their relative fair values or using the residual method, as circumstances dictate. The Company then recognizes revenue on each deliverable in accordance with its policies for product and service revenue recognition.

The Company accrues for sales returns and other allowances based on its best estimate of future returns and other allowances. Although its arrangements with end-users and VARs generally do not include any contractual rights of return, and the general policy is that it does not accept returns, under unique circumstances the Company has accepted, and may in the future accept, product returns from its customers.

In addition, the Company's agreements with distributors provide for limited stock rotation and price protection rights. Stock rotation rights provide distributors with the right to exchange unsold inventory for alternate products of equal or greater value. Price protection rights grant distributors the right to a credit on certain purchases in the event of decreases in the prices of its products. The Company accrues for these credits based on its estimates of expected stock rotation and price protection obligations.

The Company's resellers and distributors participate in various cooperative marketing and other programs, and it maintains estimated accruals and allowances for these programs.

Amounts billed in excess of revenue recognized are included as deferred revenue and accounts receivable in the accompanying consolidated balance sheets. Below is a breakdown of the Company's deferred revenue (in thousands):

	As of December 31,	
	2004	2003
Service	$ 119,827	$ 49,026
Product	62,623	26,286
Total	$ 182,450	$ 75,312
Reported as:		
Current	$ 159,750	$ 59,434
Non-current	22,700	15,878
Total	$ 182,450	$ 75,312

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews the allowance 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.

Research and Development

Costs to develop the Company's products are expensed as incurred in accordance with SFAS No. 2, *Accounting for Research and Development Costs*, which establishes accounting and reporting standards for research and development.

Advertising

Advertising costs are charged to sales and marketing expense as incurred and the totals have been insignificant to date.

Stock-Based Compensation

The Company has employee stock benefit plans, which are described more fully in Note 10, "Stockholders' Equity." The Company's stock option plans are accounted for under the intrinsic value recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. As the exercise price of all options granted under these plans was equal to the market price of the underlying common stock on the grant date, no stock-based employee compensation cost, other than acquisition-related compensation cost, was recognized in net income. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to employee stock benefits, including shares issued under the stock option plans and under the Company's Stock Purchase Plan. Pro forma information, net of the tax effect, follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2004	2003	2002
Net income (loss) as reported	$ 135,746	$ 39,199	$(119,650)
Add: amortization of deferred stock compensation included in reported net income (loss), net of tax	27,252	1,263	253
Deduct: total stock-based employee compensation expense determined under fair value based method, net of tax	(93,685)	(60,336)	(91,004)
Pro forma net income (loss)	$ 69,313	$ (19,874)	$(210,401)
Basic net income (loss) per share:			
As reported	$ 0.28	$ 0.10	$ (0.34)
Pro forma	$ 0.14	$ (0.05)	$ (0.60)
Diluted net income (loss) per share:			
As reported	$ 0.25	$ 0.09	$ (0.34)
Pro forma	$ 0.13	$ (0.05)	$ (0.60)

Comprehensive Income

Under SFAS 130, *Reporting Comprehensive Income*, the Company is required to display comprehensive income (loss) and its components as part of the financial statements. The Company has displayed its comprehensive income (loss) as part of the Consolidated Statements of Stockholders' Equity. Other comprehensive income for 2004 includes net unrealized losses on available-for-sale securities and net foreign currency translation gains (losses) that are excluded from net loss. The activity of other comprehensive income was as follows (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Change in net unrealized gains (losses) on investments	$ (7,600)	$ (9,175)	$ (366)
Less: net gains (losses) on investments realized and included in net income (loss)	(265)	5,811	385
Change in foreign currency translation adjustment	2,205	2,348	(615)
Net change for the year	$ (5,130)	$ (12,638)	$ (1,366)

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

	As of December 31,	
	2004	2003
Accumulated net unrealized gain (loss) on available-for-sale investments	$ (4,654)	$ 2,681
Accumulated foreign currency translation adjustment	3,938	1,733
Total accumulated other comprehensive income (loss)	$ (716)	$ 4,414

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. 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 SFAS 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. Accordingly, a valuation allowance in an amount equal to the U.S. domestic net deferred tax assets has been established to reflect uncertainty regarding future realization of these assets, in part, due to the potential impact of future stock option deductions. In addition, the calculation of its 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.

Recent Accounting Pronouncements

In December 2004, the FASB revised SFAS No. 123 (“FAS 123R”), *Share-Based Payment*, which requires companies to expense the estimated fair value of employee stock options and similar awards. The accounting provisions of FAS 123R will be effective for the Company beginning in the third quarter of fiscal 2005. The Company will adopt the provisions of FAS 123R using a modified prospective application. Under modified prospective application, FAS 123R, which provides certain changes to the method for valuing stock-based compensation among other changes, will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under FAS 123. The Company is in the process of determining how the new method of valuing stock-based compensation as prescribed in FAS 123R will be applied to valuing stock-based awards granted after the effective date and the impact the recognition of compensation expense related to such awards will have on its financial statements.

The Emerging Issues Task Force issued EITF Issue No. 04-8 (“EITF 04-8”), *The Effect of Contingently Convertible Debt on Diluted Earnings per Share*, during September 2004. EITF 04-8 states that all issued securities that have embedded conversion features that are contingently exercisable upon occurrence of a market-price condition should be included in the calculation of diluted EPS, regardless of whether the market price trigger has been met. The EITF 04-8 consensus must be applied retroactively based on the terms in effect and amounts outstanding on the last day of the fiscal period in which the consensus becomes effective. EITF 04-8 was effective for the Company beginning in the fourth quarter of 2004. EITF 04-8 applied to the Company’s Senior Notes that were issued in June 2003. The application of EITF 04-8 reduced the 2003 diluted earnings per share by one cent and, accordingly, the Company has restated its diluted shares and earnings per share for the year ended December 31, 2003.

Note 3. Business Acquisitions

Juniper Networks allocates the purchase price of its business acquisitions to the tangible and intangible assets acquired and liabilities assumed, as well as in-process research and development, based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions provided by management, and other information compiled by management, including valuations that utilize established valuation techniques appropriate for the high

technology industry.

NetScreen Technologies, Inc.

In April 2004, Juniper Networks completed its acquisition of NetScreen. The acquisition resulted in the issuance of approximately 132 million shares of the Company's common stock with a fair value of approximately $3,651.2 million to the former stockholders of NetScreen. 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. Juniper Networks also assumed all of the outstanding NetScreen stock options with a fair value of approximately $520.5 million. The options were valued using the Black-Scholes option pricing model with the inputs of 0.8 for volatility, 3 years for expected life, 2.5% for the risk-free interest rate and a market value of Juniper Networks common stock of $27.64 per share, which was determined as described above. The Company also incurred direct costs associated with the acquisition of approximately $13.4 million. Below is a summary of the total purchase price (in millions):

Common stock	$ 3,651.2
Outstanding stock options	520.5
Acquisition direct costs	13.4
Total purchase price	$ 4,185.1

The purchase price has been preliminarily allocated as follows (in millions):

Current assets	$ 445.9
Long-term assets	12.0
Current liabilities	(90.1)
Net tangible assets acquired	367.8
Amortizable intangible assets:	
Existing technology	165.2
Maintenance agreements	5.9
Patents and core technology	45.7
Trade name and trademarks	8.3
Value-added reseller relationships	14.7
Distributor relationships	10.1
Order backlog	2.5
Total amortizable intangible assets	252.4
In-process research and development	27.5
Deferred compensation on unvested stock options	93.5
Goodwill	3,443.9
Total purchase price	$ 4,185.1

The purchase price allocation is preliminary and subject to change if the Company obtains additional information concerning the fair values of certain tangible assets and liabilities of NetScreen. After the initial purchase price allocation during the second quarter of 2004, the Company decreased the net tangible assets acquired and increased goodwill by $6.1 million. The change was due to the recognition of a preacquisition contingency of $12.0 million related to an earn-out payable to the shareholders of Neoteris Inc., a company purchased by NetScreen during November 2003, partially offset by a number of reductions in the valuation of certain preacquisition accruals. There is an additional potential $18.0 million earn-out related to the Neoteris acquisition that may be paid in the event certain financial milestones are achieved.

Goodwill recorded as a result of this acquisition is not expected to be deductible for tax purposes.

Acquisition Costs Related to The NetScreen Acquisition

The Company accrued for acquisition charges of $21.3 million primarily related to severance and facility charges. The Company recognized these costs in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with Purchase Business Combinations* ("EITF 95-3"). Ninety-four former NetScreen employees were identified for termination at the time of the acquisition all related severance has been paid. The remaining restructuring change consists primarily of facility charges that will be paid through the end of the lease terms, which extend through 2008. As of December 31, 2004, $12.6 million remained to be paid, of which $8.2 million is recorded in other long-term liabilities.

Amortizable Intangible Assets

Existing technology consists of products that have reached technological feasibility and includes products in NetScreen's product line, principally the VPN and firewall appliances. 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. Juniper Networks is amortizing the fair value of the existing technology on a straight-line basis over the remaining estimated useful life of four years.

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 the NetScreen acquisition, including expected renewals. Juniper Networks is amortizing the fair value of the maintenance agreements on a straight-line basis over the remaining estimated useful life of five years.

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. Juniper Networks is amortizing the fair value of these assets over the remaining estimated useful life of four years on a straight-line basis.

Relationships with VARs and distributors represent the rights granted to the VAR or distributor to resell certain NetScreen products. NetScreen had distributors located in North America, Latin America, the Asia Pacific region and the Europe, Middle East and Africa region. The VAR and distributor relationships were valued using the avoided cost method, which takes into account the cost of establishing each relationship. Juniper Networks is amortizing the VAR relationships over five years on a straight-line basis and the distributor relationships over seven years on a straight-line basis. The difference in the estimated useful lives between VARs and distributors is attributed to the longer historical lives of the distributor relationships.

Order backlog represents the value of the standing orders for both products and services. The order backlog was valued using the avoided cost method, which estimates the avoided selling expenses due to the fact that NetScreen had firm purchase orders in place at the time of acquisition. Juniper Networks amortized the fair value of these assets over the three-month period ended June 30, 2004 to cost of revenues.

In-process Research and Development

Of the total purchase price, $27.5 million has been allocated to in-process research and development ("IPR&D") and was expensed in the three months ended June 30, 2004. 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, NetScreen had multiple IPR&D efforts under way for certain current and future product lines. These efforts included developing and integrating secure routers with embedded encryption chips, as well as other functions and features such as next generation Internet Protocol ("IP"), wireless and digital subscriber line connectivity and voice over IP

capability. The Company utilized the DCF method to value the IPR&D, using rates ranging from 20% to 25%, depending on the estimated useful life of the technology. In applying the DCF method, the value of the acquired technology was estimated by discounting to present value the free cash flows expected to be generated by the products with which the technology is associated, over the remaining economic life of the technology. To distinguish between the cash flows attributable to the underlying technology and the cash flows attributable to other assets available for generating product revenues, adjustments were made to provide for a fair return to fixed assets, working capital, and other assets that provide value to the product lines. At the time of the NetScreen acquisition, it was estimated that these development efforts would be completed over the next eighteen months at an estimated cost of approximately $25 million. As of December 31, 2004, it was estimated that these development efforts would be completed over the next nine months at an estimated cost of approximately $10.5 million.

Deferred Compensation

Unvested stock options and restricted stock valued at $93.5 million at the time of the NetScreen acquisition have been allocated to deferred compensation in the purchase price allocation and are being amortized to expense using the graded-vesting method. The intrinsic value of the unvested stock options and restricted stock was adjusted by the percent assumed to have been expensed from the grant date to the acquisition date using the graded-vesting method. Options assumed in conjunction with the acquisition had exercise prices ranging from $0.09 to $27.11 per share, with a weighted average exercise price of $12.48 per share and a weighted average remaining contractual life of approximately 8 years. Juniper Networks assumed approximately 5.9 million vested options and approximately 20.5 million unvested options and restricted stock.

Pro Forma Results

The following unaudited pro forma financial information presents the combined results of operations of Juniper Networks and NetScreen as if the acquisition had occurred as of the beginning of the periods presented. The information in the 2004 unaudited amounts was derived from the audited statement of operations of Juniper Networks for the year ended December 31, 2004 and the unaudited statement of operations of NetScreen for the three and a half months ended April 15, 2004. The information in the 2003 unaudited amounts was derived from the audited statements of operations of Juniper Networks for the year ended December 31, 2003 and the audited statement of operations of NetScreen for the fiscal year ended September 30, 2003. Adjustments of $0.6 million and $86.8 million have been made to the combined results of operations for the years ended December 31, 2004 and 2003, respectively, reflecting the elimination of amortization of purchased intangibles and deferred stock compensation, charges to cost of goods sold for inventory write-ups and the valuation of the order backlog, IPR&D and the net tax impact. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations of Juniper Networks that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations of the Company.

	Year Ended December 31,	
(in millions, except per share amounts)	2004	2003
Net revenues	$ 1,440.6	$ 946.7
Net income	$ 130.7	$ 4.0
Basic income per share	$ 0.25	$ 0.01
Diluted income per share	$ 0.23	$ 0.01

The pro forma financial information above includes the following material, non-recurring charges for each period presented (in millions):

Inventory write-up	$ 3.0
Order backlog	$ 2.5
In-process research and development	$ 27.5

Restructuring	$	0.4
Integration	$	5.1

Unisphere Networks, Inc.

In July 2002, Juniper Networks completed its acquisition of Unisphere, a subsidiary of Siemens. The acquisition of Unisphere enabled Juniper Networks to supply edge applications expertise to the leading service providers, carriers, and postal, telegraph and telephone providers (PTTs) throughout the world. Below is a summary of the total purchase price (in millions):

Cash	$ 375.0
Common stock	359.9
Outstanding Unisphere stock options	151.2
Acquisition direct costs	13.6
Unisphere restructuring liability	14.8
Total purchase price	$ 914.5

The total purchase price has been allocated as follows (in millions):

Net tangible assets acquired (liabilities assumed)	$ (5.6)
Amortizable intangible assets:	
Completed technology	61.1
Service contract relationships	6.9
Non-compete agreements	2.4
Order backlog	3.6
Total amortizable intangible assets	74.0
In-process research and development	82.7
Deferred compensation on unvested stock options	0.5
Goodwill	762.9
Total purchase price	$ 914.5

Amortizable Intangible Assets

Of the total purchase price, approximately $74.0 million was allocated to amortizable intangible assets, including completed technology, service contract relationships, non-compete agreements and order backlog. Completed technology, which consisted of products that had reached technological feasibility, included products in Unisphere's product line, principally the ERX product. Service contract relationships represented the potential additional source of revenue from customers with existing service contracts. Both completed technology and the service contract relationships were valued using the discounted cash flow (DCF) method. Juniper Networks is amortizing the fair value of the completed technology and service contract relationships on a straight-line basis over weighted average remaining useful lives of approximately five years and six years, respectively.

Non-compete agreements represented the value of the non-compete and non-solicit agreements signed by key executives from Unisphere. The non-compete agreements were valued using the lost profits method, which estimates the value of the future cash flows that would be lost due to customer defections. The non-solicit agreements were valued using the avoided cost method, which estimates the avoided costs of replacing solicited employees. Juniper Networks is amortizing the fair value of these assets on a straight-line basis over a weighted average useful life of approximately two years.

Order backlog represented the value of the standing orders for both products and services. The order backlog was valued using the avoided cost method, which estimates the avoided selling expenses due to the fact that Unisphere had firm purchase orders in place at the time of acquisition. Juniper Networks amortized the fair value of these assets over the three-month period ended September 30, 2002 to cost of product revenues.

In-process Research and Development

Of the total purchase price, approximately $82.7 million was allocated to in-process research and development (IPR&D) and was expensed in the quarter ended September 30, 2002. At the time of acquisition, Unisphere had multiple IPR&D efforts under way for certain current and future product lines. These efforts included developing new cards and modules for different bandwidths and various software developments. These development efforts were completed as of December 31, 2003.

Deferred Compensation

Unvested stock options with an intrinsic value of approximately $0.5 million at the time of acquisition was allocated to deferred compensation in the purchase price allocation and are being amortized to expense using the graded vesting method. Options assumed in conjunction with the acquisition had exercise prices ranging from $5.65 to $14.73 per share, with a weighted average exercise price of $5.81 per share and a weighted average remaining contractual life of approximately 9 years. Juniper Networks assumed approximately 13.5 million vested options and approximately 12.5 million unvested options.

Acquisition Costs Related to The Unisphere Acquisition

Juniper Networks recorded $14.8 million of similar restructuring costs in connection with the restructuring of the Unisphere organization in the third quarter of 2002. These costs were accounted for under EITF 95-3, recognized as a liability assumed in the purchase business combination and included in the allocation of the cost to acquire Unisphere as an increase to goodwill. During 2004, the Company adjusted this liability by $3.7 million primarily for changes in it sublease assumptions and recorded the adjustment as a credit to *Restructuring and other* in the consolidated statement of operations. As of December 31, 2004, there was $1.4 million remaining to be paid, primarily for facilities that will be paid over the respective lease terms through 2014, and professional services.

Note 4. Goodwill and Purchased Intangible Assets

The following table presents details of the Company's purchased intangible assets with definite lives (in millions):

As of December 31, 2004	Gross	Accumulated Amortization	Net
Technology	$ 286.6	$ (82.4)	$ 204.2
Other	52.1	(14.4)	37.7
Total	$ 338.7	$ (96.8)	$ 241.9
As of December 31, 2003			
Technology	$ 75.3	$ (32.6)	$ 42.7
Other	10.6	(4.8)	5.8
Total	$ 85.9	$ (37.4)	$ 48.5

Amortization expense of purchased intangible assets of $56.8 million, $20.7 million and $13.9 million were included in operating expenses for the years ended December 31, 2004, 2003 and 2002, respectively.

The estimated future amortization expense of purchased intangible assets with definite lives for the next five years is as follows (in millions):

Year ending December 31,	Amount
2005	$ 73.8
2006	73.2
2007	67.5
2008	22.7
2009	2.7
Thereafter	2.0

Total	$ 241.9

The changes in the carrying amount of goodwill during 2004 are as follows (in millions):

Balance as of December 31, 2003	$ 983.4
Goodwill acquired during the period	3,443.9
Additions to existing goodwill	0.6
Balance as of December 31, 2004	$ 4,427.9

The Company has $0.6 million worth of intangibles with indefinite lives related to acquisitions in prior periods that were never amortized and were reclassified to goodwill during 2004.

The Company performed its annual impairment analysis as of November 2004 and determined that there was no impairment of the goodwill at that time.

Note 5. Restructuring and Other Operating Charges

The following restructuring charges are based on Juniper Networks' restructuring plans that have been committed to by management. Any changes to the estimates of executing the approved plans will be reflected in Juniper Networks' results of operations.

Restructuring In Connection With The NetScreen Acquisition

In the three months ended June 30, 2004, in connection with the NetScreen acquisition, the Company recorded a restructuring charge of $0.4 million for the termination of 13 employees to eliminate certain duplicative activities. These employees were from all functions and all geographic theaters and were in addition to the 94 former NetScreen employees that were also terminated. These charges were accounted for in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). All severance payments were made as of September 30, 2004.

Restructuring In Connection With The Discontinuance Of The CMTS Products

In the third quarter of 2003, the Company announced that it would no longer develop its G-series CMTS products and recorded a charge of $14.0 million that was comprised of workforce reduction costs, an asset impairment charge, costs associated with vacating facilities, costs associated with termination of contracts and other related costs. These charges are accounted for in accordance with SFAS 146.

The Company has paid all of the severance related to the workforce reduction related primarily to the termination of 76 employees that were mainly located in the Americas and Europe regions. The asset impairment charge was primarily for long-lived assets that were no longer needed as a result of the Company's decision to cease further development of the G-series CMTS product line. Facility charges consisted primarily of the cost of vacating facilities that were dedicated to the development of the G-series CMTS products and the impairment cost of certain leasehold improvements. The net present value of the facility charge was calculated using the Company's risk-adjusted borrowing rate. Amounts related to the net facility charge are included in other accrued liabilities and will be paid over the 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. Other contractual commitments and other charges consisted primarily of carrying and obsolete material charges from the Company's contract manufacturers and suppliers for on-hand and on-order material related to the G-series CMTS products and costs to satisfy end-of-life commitments in certain customer contracts. All of these costs were included as a charge to the results of operations in the quarter ended September 30, 2003.

As a result of the NetScreen acquisition, a portion of the facilities that was originally included in this restructuring was needed to combine the operations of Juniper Networks and NetScreen. As a result,

we adjusted the restructuring reserve during 2004 by a net $0.9 million as a credit to *Restructuring and other* in the consolidated statement of operations.

The following table shows the breakdown of the restructuring charge and the liability remaining as of December 31, 2004 (in thousands):

	Initial charge	Adjustment	Non-cash charges	Cash payments	Remaining liability as of December 31, 2004
Workforce reduction	$ 5,550	$ (247)	$ (744)	$ (4,559)	$ –
Asset impairment	2,887	–	(2,887)	–	–
Facilities	3,455	(452)	–	(801)	2,202
Contractual commitments and other charges	2,093	(178)	–	(1,764)	151
Total	$ 13,985	$ (877)	$ (3,631)	$ (7,124)	$ 2,353

Restructuring In Connection With The Unisphere Acquisition

During the third quarter of 2002, in connection with the Company's acquisition of Unisphere, Juniper Networks initiated plans to restructure operations to eliminate certain duplicative activities, focus on strategic product and customer bases, reduce cost structure and better align product and operating expenses with existing general economic conditions. Consequently, Juniper Networks recorded restructuring expenses associated primarily with workforce related costs, costs of vacating duplicative facilities, contract termination costs, non-inventory asset impairment charges and other associated costs. The costs associated with the restructuring program totaled $14.9 million and were included as a charge to the results of operations during 2002. These costs were accounted for under EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity*. During 2004, the Company adjusted this reserve by $0.9 million primarily for changes in its sublease assumptions and recorded the adjustment as a credit to *Restructuring and other* in the consolidated statement of operations. The Company's estimated costs to exit these facilities were based on available commercial rates for potential subleases. As of December 31, 2004, $1.2 million was remaining to be paid, entirely for leases of consolidated facilities that will be paid over the respective lease terms through 2009.

Note 6. Cash Equivalents, Short- and Long-Term Investments and Restricted Cash

Cash equivalents, short and long-term investments consist of the following (in thousands):

	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$ 26,987	$ –	$ –	$ 26,987
Commercial paper	139,880	–	–	139,880
Government securities	349,126	16	(1,298)	347,844
Corporate debt securities	548,363	81	(3,204)	545,240
Asset-backed securities and equity securities	65,299	76	(314)	65,061
Total	$1,129,655	$ 173	$ (4,816)	$1,125,012
Reported as:				
Cash equivalents	$ 125,119	$ –	$ –	$ 125,119
Short-term investments	405,243	91	(675)	404,659
Long-term investments	599,293	82	(4,141)	595,234

Total	$1,129,655	$ 173	$ (4,816)	$1,125,012
Due within one year	$ 530,363	$ 91	$ (675)	$ 529,779
Due between one and two years	374,481	43	(2,953)	371,571
Due after two years	224,811	39	(1,188)	223,662
Total	$1,129,655	$ 173	$ (4,816)	$1,125,012

	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$ 48,793	$ –	$ –	$ 48,793
Commercial paper	67,489	–	–	67,489
Government securities	147,648	702	(146)	148,204
Corporate debt securities	376,603	2,202	(373)	378,432
Asset-backed securities	63,061	348	(52)	63,357
Total	$ 703,594	$ 3,252	$ (571)	$ 706,275
Reported as:				
Cash equivalents	$ 96,072	$ –	$ –	$ 96,072
Short-term investments	214,609	1,332	(35)	215,906
Long-term investments	392,913	1,920	(536)	394,297
Total	$ 703,594	$ 3,252	$ (571)	$ 706,275
Due within one year	$ 298,361	$ 1,337	$ (35)	$ 299,663
Due between one and two years	249,670	1,365	(182)	250,853
Due after two years	155,563	550	(354)	155,759
Total	$ 703,594	$ 3,252	$ (571)	$ 706,275

The Company recognized realized gains (losses) from the sale of available-for-sale securities of $(0.3) million, $12.0 million and $0.4 million in 2004, 2003 and 2002, respectively. The gain in 2002 is net of a $5.0 million impairment charge on available-for-sale securities recognized in the quarter ended September 30, 2002 for declines in value that were deemed to be other than temporary. The cost of a security sold is based on the specific identification method.

The Company had restricted cash of $31.2 million as of December 31, 2004 related to the establishment of a trust in the amount of $25.0 million and lines of credits for facility leases. The Company established a 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.

Note 7. Long-Term Debt

During 2004, 2003 and 2002, the Company paid $145.0 million, $792.0 million and $146.0 million, respectively, to retire its outstanding 4.75% Convertible Subordinated Notes due March 15, 2007. These retirements resulted in a net loss of $4.1 million during 2004, a net loss of $1.1 million during 2003 and a net gain of $62.9 million during 2002. The loss or gain represents the difference between the carrying value of the Subordinated Notes at the time of their retirement, including unamortized debt issuance costs, and the amount paid to extinguish such Subordinated Notes.

In June 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 carrying amounts and fair values of the Senior Notes were (in thousands):

	December 31,	
	2004	2003
Carrying amount	$ 400,000	$ 400,000
Fair value	$ 592,000	$ 462,112

Note 8. 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 our recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's warranty reserve during the years ended December 31, 2004 and 2003 are as follows (in thousands):

	Year Ended December 31,	
	2004	2003
Beginning balance	$ 35,324	$ 32,358
Amount acquired from NetScreen	1,721	–
Provisions made	28,221	31,502
Changes in estimates	(1,876)	–
Actual costs incurred	(24,469)	(28,536)
Ending balance	$ 38,921	$ 35,324

Note 9. Commitments

Juniper Networks leases its facilities under operating leases that expire at various times, the longest of which expires in 2014. Rental expense for 2004, 2003 and 2002, was approximately $29.8 million, $26.5 million and $17.1 million, respectively.

Future minimum payments under the noncancellable operating leases consist of the following (in thousands):

	December 31, 2004
2005	$ 31,594
2006	30,593
2007	28,609
2008	24,992
2009	21,765
Thereafter	68,480

Total minimum lease payments.....	$ 206,033

Note 10. Stockholders' Equity

Stock Option Plans

Amended and Restated 1996 Stock Option Plan

The Company's Amended and Restated 1996 Stock Option Plan (the "1996 Plan") provides for the granting of incentive stock options to employees and nonstatutory stock options to employees, directors and consultants. Incentive stock options are granted at an exercise price of not less than the fair value per share of the common stock on the date of grant. Nonstatutory stock options may be granted at an exercise price of not less than 85% of the fair value per share on the date of grant; however, no nonstatutory stock options have been granted for less than fair market value on the date of grant. Vesting and exercise provisions are determined by the Board of Directors or a committee of the Board of Directors. Options granted under the 1996 Plan generally become exercisable over a four-year period beginning on the date of grant. Options granted under the 1996 Plan have a maximum term of ten years. Options granted to consultants are in consideration for the fair value of services previously rendered, are not contingent upon future events and are expensed in the period of grant. Juniper Networks has authorized 164,623,000 shares of common stock for issuance under the 1996 Plan. At December 31, 2004, 34,210,000 shares were available for future option grants or stock sales under the 1996 Plan.

The 1996 Plan also provides for the sale of shares of common stock to employees and consultants. Shares issued to consultants are for the fair value of services previously rendered and are not contingent upon future events. Shares sold to employees are made pursuant to restricted stock purchase agreements containing provisions established by the Board of Directors or a committee of the Board of Directors. These provisions give Juniper Networks the right to repurchase the shares at the original sales price upon termination of the employee. This right expires at a rate determined by the Board of Directors, generally at the rate of 25% after one year and 2.0833% per month thereafter. At December 31, 2003, zero shares were subject to repurchase rights under the 1996 Plan. At December 31, 2003, 3,905,000 shares had been repurchased under the 1996 Plan in connection with employee terminations. No shares of restricted stock were issued under the 1996 Plan in 2004, 2003 and 2002.

2000 Nonstatutory Stock Option Plan

In July 2000, the Board of Directors adopted the Juniper Networks 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). The 2000 Plan provides for the granting of nonstatutory stock options to employees, directors and consultants. Nonstatutory stock options may be granted at an exercise price of not less than 85% of the fair value per share on the date of grant; however, no nonstatutory stock options have been granted for less than fair market value on the date of grant. Vesting and exercise provisions are determined by the Board of Directors or a committee of the Board of Directors. Options granted under the 2000 Plan generally become exercisable over a four-year period beginning on the date of grant. Options granted under the 2000 Plan have a maximum term of ten years. Options granted to consultants are in consideration for the fair value of services previously rendered, are not contingent upon future events and are expensed in the period of grant. As of December 31, 2004, Juniper Networks had authorized 63,875,000 shares of common stock for issuance under the 2000 Plan. At December 31, 2004, 28,190,000 shares were available for future option grants under the 2000 Plan.

Plans Assumed Upon Acquisition

In connection with the acquisitions it has made since 2000, the Company has assumed options under the plans of the acquired companies, exchanged those options for Juniper Networks options and authorized the appropriate number of shares of common stock for issuance pursuant to those options. As of December 31, 2004, there was approximately 23,381,000 shares outstanding under plans assumed through acquisitions.

Option activity under all option plans is summarized as follows:

	Outstanding Options	
	Number of Shares (in thousands)	Weighted-Average Exercise Price
Balance at December 31, 2001	32,486	$ 16.97
Options granted and assumed	64,210	$ 8.76
Options exercised	(6,187)	$ 3.14
Options canceled	(15,632)	$ 13.92
Balance at December 31, 2002	74,877	$ 10.71
Options granted and assumed	14,764	$ 13.06
Options exercised	(14,523)	$ 5.64
Options canceled	(6,726)	$ 13.58
Balance at December 31, 2003	68,392	$ 12.01
Options granted and assumed	47,911	$ 17.82
Options exercised	(20,254)	$ 8.07
Options canceled	(6,865)	$ 15.75
Balance at December 31, 2004	89,184	$ 15.75

The following schedule summarizes information about stock options outstanding under all option plans as of December 31, 2004:

	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
$0.02 - $5.69	22,937	6.4	$ 4.40	17,302	$ 4.24
$5.70 - $13.74	18,733	7.4	$ 9.85	13,344	$ 10.02
$13.83 - $21.88	18,204	8.1	$ 16.54	4,499	$ 15.92
$21.98 - $27.11	18,091	9.6	$ 24.07	324	$ 24.80
$27.17 - $183.06	11,219	6.4	$ 34.08	8,093	$ 36.34
$0.02 - $183.06	89,184	7.6	$ 15.75	43,562	$ 13.33

As of December 31, 2003 38,303,000 options were exercisable at an average exercise price of $12.97. As of December 31, 2002, 37,461,000 options were exercisable at an average exercise price of $11.92.

Employee Stock Purchase Plan

In April 1999, the Board of Directors 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. 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 respective offering period.

During 2004, employees purchased 769,000 shares of common stock through the Purchase Plan at an average exercise price of $15.39 per share. As of December 31, 2004, a total of 3,831,000 shares had been issued under the Purchase Plan at an average price of $7.95 per share, and 8,169,000 shares remained available for future issuance under the Purchase Plan.

Stock-Based Compensation

The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock-based compensation plans. Because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized, other than acquisition-related compensation costs.

The Company has disclosed the pro forma fair value stock-based compensation information required by SFAS 123 in Note 2, "Summary of Significant Accounting Policies." The fair value of each option granted or assumed through December 31, 2004 was estimated on the date of grant or date of assumption using the minimum value (before the Company went public) or the Black-Scholes method. The following shows the assumptions used to calculate the fair value of the Company's stock-based awards:

	Year Ended December 31,		
Employee Stock Options	2004	2003	2002
Dividend yield	—	—	—
Volatility factor	54%	81%	91%
Risk-free interest rate	3.26%	2.46%	2.22%
Expected life (years)	4.6	4.5	3.7
Purchase Plan			
Dividend yield	—	—	—
Volatility factor	54%	81%	91%
Risk-free interest rate	1.8%	1.1%	1.4%
Expected life (years)	0.5	0.5	1.0

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Black-Scholes model requires the input of highly subjective assumptions including the expected stock price volatility.

During the three months ended September 30, 2004, the Company changed its method of estimating the volatility of its common stock, which it believes provides a more thorough and accurate forecast. The Company currently estimates volatility by considering the volatility of publicly traded options to purchase its common stock, its outstanding convertible debentures and historical stock volatility. Prior to the three months ended September 30, 2004, the Company estimated its future volatility solely based on historical stock volatility. Estimating volatility is one of the inputs used in the Black-Scholes model to calculate the fair value of options granted from the Company's stock plans and Stock Purchase Plan.

The weighted average estimated fair value of employee stock options granted during 2004, 2003, and 2002 was $11.57, $8.17, and $4.85 per share, respectively. The weighted average estimated fair value of shares granted under the Purchase Plan during 2004, 2003, and 2002 was $4.44, $3.08 and $10.44, respectively.

Common Stock Reserved for Future Issuance

At December 31, 2004, Juniper Networks had reserved an aggregate of approximately 179,648,000 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.

Common Stock Repurchase Program

During July 2004, the Company announced that its Board of Directors approved a new program to repurchase up to $250.0 million of the Company's common stock. During 2004, the Company repurchased and retired 2.9 million shares of its common stock at an average price of $22.17 per share for an aggregate purchase price of $63.6 million. The program may be discontinued at any time.

Note 11. 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. All employees are eligible to participate on their first day of employment with Juniper Networks. Under the plan, employees may contribute up to 60% of their pretax salaries per year but not more than the statutory limits. Beginning January 1, 2001 Juniper Networks began matching employee contributions. The matching formula was $0.50 on the dollar up to 6% of eligible pay (up to an annual maximum of $2,000). All matching contributions vest immediately. The Company's matching contributions to the plan totaled $3.1 million, $2.0 million and $2.0 million in 2004, 2003 and 2002, respectively.

Note 12. Segment Information

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses and about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's CODM reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues by geographic theater and by categories of similar products for purposes of making operating decisions and assessing financial performance. For purposes of allocating resources, the Company evaluates the performance of its geographic theaters and its product categories based only on revenues. The Company does not assess the performance of its geographic theaters or categories of networking products on other measures of income or expenses. Accordingly, the Company operates as one operating segment. Below are the Company's net revenues by geographic theater (in millions):

	Year Ended December 31,		
	2004	2003	2002
Americas	$ 609.1	$ 296.2	$ 300.0
Europe, Middle East and Africa	380.5	186.4	131.1
Asia Pacific	346.4	218.8	115.4
Total	$ 1,336.0	$ 701.4	$ 546.5

Net revenues attributable to the United States were $561.8 million, $268.2 million and $269.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. Net revenues attributable to Japan were $158.7 million, $102.4 million and $56.8 million for the years ended December 31, 2004, 2003 and 2002, respectively.

As a result of the NetScreen acquisition, the Company expanded its customer base and portfolio of products, and now offers two categories of networking products: infrastructure products, which consist predominately of the original Juniper Networks products, and security products, which consist predominately of the former NetScreen products. The Company's service revenue is generated by services delivered to both categories of products and is managed as one organization; therefore the results of the service organization are reported as one amount in the Statements of Operations. Net product revenues by categories of networking products are as follows (in millions):

	Year Ended December 31,		
	2004	2003	2002
Infrastructure	$ 975.7	$ 602.5	$ 467.7
Security	187.2	–	–
Total net product revenues	$ 1,162.9	$ 602.5	$ 467.7

Substantially all of the Company's property and equipment as of December 31, 2004 and 2003 was attributable to its U.S. operations.

Note 13. Net Income (Loss) Per Share

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2004	2003	2002
Net income (loss)	$ 135,746	$ 39,199	$(119,650)
Basic and diluted:			
Weighted-average shares of common stock outstanding	493,408	382,302	351,289
Less: weighted-average shares subject to repurchase	(335)	(122)	(594)
Weighted-average shares used in computing basic net income (loss) per share	493,073	382,180	350,695
Effect of dilutive securities:			
Shares subject to repurchase	335	122	–
Shares issuable upon conversion of the Subordinated Notes	19,860	10,749	–
Employee stock options	29,357	20,770	–
Weighted-average shares used in computing diluted net income (loss) per share	542,625	413,821	350,695
Basic net income (loss) per share	$0.28	$0.10	$(0.34)
Diluted net income (loss) per share	$0.25	$0.09	$(0.34)

For 2002, Juniper Networks excluded 11,510,000 common stock equivalents consisting of outstanding stock options and shares subject to repurchase from the calculation of diluted loss per share because all such securities are antidilutive in that period due to the net loss. Employee stock options to purchase approximately 11,833,000 shares, 13,065,000 shares and 41,271,000 shares in 2004, 2003 and 2002, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the exercise price of the stock options was greater than the average share price of the common shares and, therefore, the effect would have been antidilutive.

Shares issuable upon conversion of the Zero Coupon Convertible Senior Notes due June 15, 2008 (the "Senior Notes") were included in the calculation of the diluted earnings per share for the years ended December 31, 2004 and 2003 in accordance with EITF Issue No. 04-8, *The Effect of Contingently Convertible Debt on Diluted Earnings Per Share* ("EITF 04-8"). EITF 04-8 required retroactive application; therefore the diluted earnings per share for 2003 have been restated.

Note 14. Income Taxes

Significant components of the provision for income taxes attributable to operations are as follows (in thousands):

	Year Ended December 31,		
	2004	2003	2002
Federal – Current	$ –	$ –	$ –
State – Current	1,067	998	750
Foreign – Current	16,217	7,984	3,750
Income tax benefits attributable to employee stock plan activity allocated to stockholders' equity	65,988	10,813	–
Total provision for income taxes	$ 83,272	$ 19,795	$ 4,500

Pretax income from foreign operations was $111.6 million, $21.2 million and $7.4 million for fiscal years 2004, 2003 and 2002, respectively.

Deferred income taxes reflect the net tax effects of tax carryforward 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 the Company's deferred tax assets and liabilities are as follows (in thousands):

As of December 31,

	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	$ 108,300	$ 56,908
Foreign tax credit carryforwards	8,108	
Research and other credit carryforwards	92,324	65,795
Deferred revenue	21,510	6,938
Property and equipment basis differences	8,940	15,759
Reserves and accruals not currently deductible	114,684	94,225
Other temporary differences	3,746	1,190
Total deferred tax assets	357,612	240,815
Valuation allowance	(207,785)	(207,782)
Net deferred tax asset	149,827	33,033
Deferred tax liabilities:		
Purchased intangibles	(96,855)	(18,660)
Unremitted foreign earnings	(35,787)	(10,323)
Deferred compensation and other	(8,578)	(4,050)
Total deferred tax liabilities	(141,220)	(33,033)
Net deferred tax assets	$ 8,607	$ —

Other long-term liabilities on the balance sheet include a deferred tax liability of $57.4 million.

At December 31, 2004, the Company had a valuation allowance on its U.S. domestic deferred tax assets of approximately $207.8 million, of which approximately $169.8 million relates to the tax benefits of stock option deductions that will be credited to equity when realized. The remaining balance of $38.0 million relates to capital losses that will carry forward to offset future capital gains.

As of December 31, 2004, the Company had federal and state net operating loss carry-forwards of approximately $299.9 million and $278.4 million, respectively. The Company also had federal and state tax credit carry-forwards of approximately $56.9 million and $54.5 million, respectively. Unused net operating loss and research and development tax credit carry-forwards will expire at various dates beginning in the years 2021 and 2022, respectively.

The provision for income taxes differs from the provision calculated by applying the federal statutory tax rate to income (loss) before taxes because of the following (in thousands):

	2004	2003	2002
Expected provision (benefit) at 35%	$ 76,656	$ 20,648	$ (40,303)
State taxes, net of federal benefit	6,601	1,668	348
Foreign income at different tax rates	(2,898)	1,180	(91)
Nondeductible goodwill and in-process R&D	9,625	—	29,218
(Benefited) unbenefited operating and investment losses	—	1,705	15,299
Research and development credits	(8,441)	(6,456)	—
Other	1,729	1,050	29
Total	$ 83,272	$ 19,795	$ 4,500

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. At December 31, 2004, the Company has unrecognized deferred tax liabilities of approximately $20.1 million related to approximately $55.8 million of cumulative net undistributed earnings of foreign subsidiaries. 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 American Jobs Creation Act of 2004 (the Act), enacted on October 22, 2004, provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during either fiscal

2004 or fiscal 2005. Juniper did not elect this provision in fiscal 2004; therefore the period during which the qualifying distributions can be made is fiscal 2005. The deduction would result in an approximate 5.25% federal tax rate on the repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by the Company's chief executive officer and approved by the Company's board of directors. Certain other criteria in the Act must be satisfied as well.

Note 15. Contingencies

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. An adverse result in one or more matters could negatively affect our results in the period in which they occur.

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 its 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 its 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 for the settlement and release of claims against the issuers, including the Company, was submitted to the Court for preliminary approval. The terms of the settlement, if approved, would dismiss and release all claims against participating defendants (including the Company). In exchange for this dismissal, Directors and Officers insurance carriers would agree to guarantee a recovery by the plaintiffs from the underwriter defendants of at least $1 billion, and the issuer defendants would agree to an assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. The settlement is subject to a number of conditions, including certification of a class for settlement purposes and formal court approval. If the settlement does not occur, and litigation continues, the Company believes it has meritorious defenses and intends to defend the case vigorously.

Federal Securities Class Action Suit

During the quarter ended March 31, 2002, a number of essentially identical shareholder class action lawsuits were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and former officers purportedly on behalf of those stockholders who purchased the Company's publicly traded securities between April 12, 2001 and June 7, 2001. In April 2002, the court granted the defendants' motion to consolidate all of these actions into one; in May 2002, the court

appointed the lead plaintiffs and approved their selection of lead counsel and a consolidated complaint was filed in August 2002. The plaintiffs allege that the defendants made false and misleading statements, assert claims for violations of the federal securities laws and seek unspecified compensatory damages and other relief. In September 2002, the defendants moved to dismiss the consolidated complaint. In March 2003, the court granted defendants motion to dismiss with leave to amend. The plaintiffs filed their amended complaint in April 2003 and the defendants moved to dismiss the amended complaint in May 2003. The hearing on defendants' motion to dismiss was held in September 2003. In March 2004, the court granted defendants motion to dismiss, without leave to amend. In April 2004, the plaintiffs filed a notice of appeal. The appeal has been fully briefed by the parties. The Court of Appeals has not yet scheduled arguments on the appeal.

State Derivative Claim Based on the Federal Securities Class Action Suit

In August 2002, a consolidated amended shareholder derivative complaint purportedly filed on behalf of the Company, captioned In re Juniper Networks, Inc. Derivative Litigation, Civil Action No. CV 807146, was filed in the Superior Court of the State of California, County of Santa Clara. The complaint alleges that certain of the Company's officers and directors breached their fiduciary duties to the Company by engaging in alleged wrongful conduct including conduct complained of in the securities litigation described above. The Company is named solely as a nominal defendant against whom the plaintiffs seek no recovery. After having their previous complaints dismissed with leave to amend, Plaintiffs lodged a third amended complaint in August 2004. Defendants demurred to the third amended complaint. On November 18, 2004, the Court sustained defendants' demurrer without leave to amend and entered an order of final judgment against plaintiffs. In January 2005, plaintiffs filed a notice of appeal from this ruling. There has not yet been any briefing or argument on appeal.

Toshiba Patent Infringement Litigation

On November 13, 2003, Toshiba Corporation filed suit in the United States District Court in Delaware against the Company, alleging that certain of the Company's products infringe four Toshiba patents, and seeking an injunction and unspecified damages. There has been limited discovery to date.

IRS Notices of Proposed Adjustments

The Internal Revenue Service (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 believes it has made adequate provisions in the accompanying consolidated financial statements for any adjustments that the IRS has proposed with respect to these tax returns.

In conjunction with the IRS income tax audit, certain of the Company's US payroll tax returns are currently under examination 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 intends to dispute this assessment with the IRS and resolve the issue at the Appeals level. The Company currently does not believe that it is probable that any final assessment will be sustained nor does it believe that a liability can be reasonably estimated at this time. In the event that this issue is resolved unfavorably to the Company, there exists the possibility of a material adverse impact on the Company's results of operations for the period in which an unfavorable outcome becomes probable and reasonably estimable.

Note 16. Quarterly Results (Unaudited)

The table below sets forth selected unaudited financial data for each quarter of the last two years (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

Year Ended December 31, 2004				
Net revenues	$ 224,053	$ 306,899	$ 375,014	$ 430,053
Gross margin	$ 150,034	$ 210,129	$ 261,980	$ 303,302
Restructuring and other	$ –	$ (3,835)	$ (1,223)	$ –
Amortization of purchased intangibles and deferred stock compensation	$ 4,129	$ 35,060	$ 33,025	$ 28,523
In-process research and development	$ –	$ 27,500	$ –	$ –
Operating income (loss)	$ 46,870	$ (4,804)	$ 70,918	$ 90,226
Gain on retirement of convertible subordinated notes	$ –	$ (4,107)	$ –	$ –
Write-down of equity investments	$ –	$ –	$ (2,939)	$ –
Net income (loss)	$ 33,540	$ (12,554)	$ 48,759	$ 66,001
Diluted income (loss) per share	$ 0.08	$ (0.02)	$ 0.08	$ 0.11

Year Ended December 31, 2003				
Net revenues	$ 157,207	$ 165,103	$ 172,128	$ 206,955
Gross margin	$ 95,856	$ 102,673	$ 109,189	$ 136,326
Restructuring and other	$ –	$ –	$ 13,985	$ –
Amortization of purchased intangibles and deferred stock compensation	$ 7,522	$ 7,803	$ 1,998	$ 5,375
Operating income	$ 4,408	$ 10,857	$ 7,040	$ 34,706
Gain (loss) on retirement of convertible subordinated notes	$ –	$ 4,888	$ 9,220	$ (15,193)
Gain on sale of investments	$ 4,352	$ 4,387	$ –	$ –
Net income	$ 3,683	$ 13,578	$ 7,205	$ 14,733
Diluted income per share	$ 0.01	$ 0.03	$ 0.02	$ 0.03

The 2004 quarterly results reflect the impact of the acquisition of NetScreen in the second quarter and the ongoing effects of its operations for the remainder of the year. Basic and diluted net losses per share are computed independently for each of the quarters presented, therefore, the sum of the quarters may not be equal to the full year net loss per share amounts. In addition, the diluted earnings per share have been restated to include the shares issuable upon conversion of the Senior Notes in accordance with EITF 04-8.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*: We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are 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.

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 40 of this Form 10-K, which report is incorporated by reference.

(b) For the "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting," please see Item 8 of this Form 10-K, which report is incorporated herein by

reference.

(c) *Changes in Internal Controls*: There has been no significant change in our internal controls over the financial reporting that occurred during the fourth quarter of fiscal 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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, click on “Worldwide Code of Business Conduct and Ethics.”

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.

Information regarding our current executive officers in Part I of this Report on Form 10-K is also incorporated by reference into this Item 10.

The information required in this Item is incorporated herein by reference to the Company's definitive proxy statement for our 2005 Annual Meeting of Stockholders.

ITEM 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for our 2005 Annual Meeting of Stockholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for our 2005 Annual Meeting of Stockholders.

ITEM 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for our 2005 Annual Meeting of Stockholders.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement for our 2005 Annual Meeting of Stockholders.

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	77

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 78 of this report.

(b) Exhibits

See Exhibit Index on page 78 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 had 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 3rd day of March 2005.

Juniper Networks, Inc.
By: /s/ Robert R.B. Dykes
Robert R.B. Dykes
Executive Vice President, Business Operations 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 Robert Dykes, 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, the following persons in the capacities and on the date indicated have signed this report below.

Signature	Title	Date
/s/ Scott Kriens Scott Kriens	Chairman and Chief Executive Officer (Principal Executive Officer)	March 3, 2005
/s/ Robert R.B. Dykes Robert R.B. Dykes	Chief Financial Officer (Principal Financial and Accounting Officer)	March 3, 2005
/s/ Pradeep Sindhu Pradeep Sindhu	Chief Technical Officer and Vice Chairman of Board	March 3, 2005
/s/ Robert M. Calderoni Robert M. Calderoni	Director	March 3, 2005
/s/ Kenneth Goldman Kenneth Goldman	Director	March 3, 2005
______________ William R. Hearst III	Director	
/s/ Kenneth Levy Kenneth Levy	Director	March 3, 2005
/s/ Frank Marshall Frank Marshall	Director	March 3, 2005
/s/ Stratton Sclavos Stratton Sclavos	Director	March 3, 2005
/s/ William R. Stensrud William R. Stensrud	Director	March 3, 2005

Juniper Networks, Inc.

Schedule II – Valuation and Qualifying Account
Years Ended December 31, 2004, 2003 and 2002
(in thousands)

	Balance at beginning of year	Amount acquired through acquisitions	Charged to (reversed from) costs and expenses	Recoveries (Deductions), net	Balance at end of year
Year ended December 31, 2004					
Allowance for doubtful accounts	$ 9,206	$ 3,691	$ (2,250)	$ (463)	$ 10,184
Sales returns reserve	$ 14,818	$ 11,929	$ 4,861	$ (14,291)	$ 17,317
Year ended December 31, 2003					
Allowance for doubtful accounts	$ 8,328	$ –	$ 700	$ 178	$ 9,206
Sales returns reserve	$ 16,892	$ –	$ 6,074	$ (8,148)	$ 14,818
Year ended December 31, 2002					
Allowance for doubtful accounts	$ 8,991	$ –	$ 7,757	$ (8,420)	$ 8,328
Sales returns reserve	$ 14,950	$ 3,264	$ 6,294	$ (7,616)	$ 16,892

Exhibit Index

		Incorporated By Reference			
Exhibit No.	**Exhibit**	**Filing**	**Exhibit No.**	**File No.**	**File Date**
3.1	Juniper Networks, Inc. Amended and Restated Certificate of Incorporation fiscal year ended December 31, 2000)	10-K	3.1	000-26339	3/27/2001
3.2	Amended and Restated Bylaws of Juniper Networks, Inc.	10-Q	3.2	000-26339	11/14/2003
4.1	Form of Indenture by and between the Registrant and Norwest Bank Minnesota, N.A.	S-1	4.3	333-96171	2/23/2000
4.2	Form of Note (included in 4.1)	S-1	4.3	333-96171	2/23/2000
4.3	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
4.4	Form of Note (included in Exhibit 4.3)	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++	S-8	10.2	333-57860	3/29/2001
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	Juniper Networks 1999 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit to the Registrant's registration statement on Form No. ++	S-8	10.1	333-92088	7/9/2002
10.5	Juniper Networks 2000 Nonstatutory Stock Option Plan ++	S-8	10.1	333-92086	7/9/2002
10.6	Form of Option Agreement for the Juniper Networks 2000 Nonstatutory Stock Option Plan*++				
10.7	Unisphere Networks, Inc. Second Amended and Restated 1999 Stock Incentive Plan ++	S-8	10.1	333-92090	7/9/2002
10.8	NetScreen Technologies, Inc. 1997 Equity Incentive Plan++	S-1+	10.2	333-71048	10/5/2001
10.9	NetScreen Technologies, Inc. 2001 Equity Incentive Plan++	S-1+	10.3	333-71048	12/10/2001
10.10	NetScreen Technologies, Inc. 2002 Stock Option Plan++	S-8	4.7	333-114688	4/21/2004
10.11	Neoteris 2001 Stock Plan++	S-8+	4.1	333-110709	11/24/2003
10.12	Severance Agreement between Scott Kriens and the Registrant dated October 1, 1996 ++	S-1	10.6	333-76681	4/23/1999
10.13	Change of Control Agreement between Marcel Gani and the Registrant dated February 18, 1997++	S-1	10.7	333-76681	4/23/1999
10.14	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

10.15	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
10.16	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
10.17	Lease between Mathilda Associates LLC and the Registrant dated June 18, 1999	S-1	10.10	333-76681	6/23/1999
10.18	Lease between Mathilda Associates LLC and the Registrant dated February 28, 2000	10-K	10.9	000-26339	3/27/2001
10.19	Lease between Mathilda Associates II LLC and the Registrant dated February 28, 2000	10-Q	10.15	000-26339	11/2/2004
10.20	Krishna “Kittu” Kolluri Employment Agreement++	10-Q	10.14	000-26339	8/5/2004
10.21	Carol Mills Employment Agreement*++				
10.22	Robert R.B. Dykes Employment Agreement++	8-K	99.1	000-26339	12/14/2004
10.23	Amended and Restated Aircraft Reimbursement Policy*++				
10.24	Summary of 2005 Executive Officer Bonus Plan++	8-K	10.1	000-26339	2/8/2005
21.1	Subsidiaries of the Company*				
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm*				
24.1	Power of Attorney (see page 76)				
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 21.1

SUBSIDIARIES OF THE COMPANY AS OF DECEMBER 31, 2004*

NAME	JURISDICTION OF INCORPORATION
Juniper Networks International, Inc.	Delaware, USA
Juniper Networks Ireland Ltd.	Ireland
Juniper Networks China 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 ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 Nos. 333-92086, 333-92088, 333-92090, 333-85387, 333-32412, 333-44148, 333-52258, 333-57860, 333-57862, 333-57864, and 333-75770) of Juniper Networks, Inc.;

2) Registration Statement (Form S-3 Nos. 333-44116, 333-52260, 333-75758, 333-106889, and 333-110714), of Juniper Networks, Inc.;

of our reports dated March 1, 2005, with respect to the consolidated financial statements and schedule of Juniper Networks, Inc., Juniper Networks, Inc. management's assessment of the effectiveness of internal control over financial reporting, 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, 2004.

/s/ Ernst & Young LLP

San Jose, California
March 1, 2005

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.

Date: March 3, 2005

/s/ Scott Kriens

Scott Kriens
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Robert R.B. Dykes, 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.

Date: March 3, 2005

/s/ Robert R.B. Dykes

Robert R.B. Dykes
Executive Vice President, Business
Operations and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER 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 year ended December 31, 2004 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.

By: /s/ Scott Kriens

Name: Scott Kriens
Title: Chairman and Chief Executive Officer
Date: March 3, 2005

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert R.B. Dykes, 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 year ended December 31, 2004 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.

By: /s/ Robert R.B. Dykes

Name: Robert R.B. Dykes
Title: Executive Vice President, Business Operations and Chief Financial Officer
Date: March 3, 2005