

Media Relations:

Penny Still
Juniper Networks
+44 (0) 1372 385 692
pstill@juniper.net

Investor Relations:

John Nunziati
Juniper Networks
+1(408) 936-0007
jnunziati@juniper.net

Juniper Networks Reports Preliminary First Quarter 2013 Financial Results

SUNNYVALE, CA--(Marketwire - Apr 23, 2013) - Juniper Networks (NYSE: JNPR)

Q1 2013:

- **Revenue: \$1,059 million, down 7% from Q4'12 and up 3% from Q1'12**
- **Operating Margin: 8.2% GAAP; 15.7% non-GAAP, non-GAAP down 2.5 pts from Q4'12**
- **GAAP Net Income Per Share: \$0.18 diluted, includes \$0.05 tax benefit related to a tax settlement, 0.02 litigation charge and 0.01 restructuring charge**
- **Non-GAAP Net Income Per Share: \$0.24 diluted, includes a \$0.03 pre-tax benefit from the 2012 retroactive application of the renewal of the R&D tax credit; down from \$0.28 diluted in Q4'12 and up from \$0.16 diluted in Q1'12**

Juniper Networks (NYSE: JNPR), the industry leader in network innovation, today reported preliminary financial results for the three months ended March 31, 2013, and provided its outlook for the three months ending June 30, 2013.

Net revenues for the first quarter of 2013 increased 3% year-over year and decreased 7% sequentially to \$1,059 million.

Juniper's operating margin for the first quarter of 2013 increased to 8.2% on a GAAP basis from 4.6% in the first quarter of 2012, and decreased from 11.5% in the fourth quarter of 2012. Non-GAAP operating margin for the first quarter of 2013 increased to 15.7%, from 12.0% in the first quarter of 2012 and decreased from 18.2% in the fourth quarter of 2012.

The Company posted GAAP net income of \$91 million, or \$0.18 per diluted share for the first quarter of 2013. GAAP diluted net income per share includes a \$0.05 tax benefit related to a tax settlement, a \$0.02 pre-tax impact from a litigation charge as well as a \$0.01 pre-tax impact from restructuring. Non-GAAP net income was \$124 million, or \$0.24 per diluted share, for the first quarter of 2013. Both GAAP and non-GAAP diluted income per share includes a \$0.03 pre-tax benefit from the 2012 retroactive application of the renewal of the R&D tax credit. Non-GAAP net income per diluted share increased 50% compared to the first quarter of 2012.

The reconciliation between GAAP and non-GAAP results of operations is provided in a table immediately following the Preliminary Net Revenue by Market table below.

"This was a quarter of modest year-on-year growth driven by renewed demand from service providers and offset slightly by softness in enterprise sectors, including federal and financial services," said Kevin Johnson, chief executive officer of Juniper Networks. "We are seeing increased momentum with our new product offerings as we continue our strategy of innovating in the domain of high-performance networking. We believe Juniper has a strong position in the service provider market and has opportunity in the enterprise business as we continue to grow switching as well as revitalize our security business. We continue to focus on delivering great products, improving operational execution, and managing our costs carefully."

"Our first quarter results reflect our continued focus on driving revenue growth and expanding operating margins," said Juniper Networks CFO Robyn Denholm. "As expected, we saw continued strong broad based demand from US service providers and early indications of improving demand from EMEA service providers. I am pleased with the team's efforts and commitment to gaining efficiencies throughout the company and executing our strategy."

Other Financial Highlights

Total cash, cash equivalents and investments as of March 31, 2013 were \$3,672 million, compared to \$3,837 million as of December 31, 2012 and \$4,216 million as of March 31, 2012.

Juniper's net cash outflow from operations for the first quarter of 2013 was (\$9) million, compared to net cash provided by operations of \$155 million in the fourth quarter of 2012, and \$102 million in the first quarter of 2012. The cash outflow in the quarter was primarily due to a sequential increase in accounts receivable, annual payments for incentive compensation, the timing of payments to our supply chain and lower net income. In Q2, the Company expects to return to its historical pattern of strong positive cash flows.

Days sales outstanding in accounts receivable ("DSO") was 45 days in the first quarter of 2013, compared to 35 days in the prior quarter and 39 days in the first quarter of 2012.

For the first quarter, Juniper repurchased 6.2 million shares at an average share price of \$20.99 per share for a total of \$130 million.

Capital expenditures, as well as depreciation and amortization of intangible assets expense during the first quarter of 2013 were \$72 million and \$52 million, respectively.

Outlook

Juniper's outlook for the June quarter reflects its expectation that it will see continued weakness in the enterprise customer spending environment. In the service provider market, the Company expects to see a continuation of US service provider capital spending as well as moderately improved demand trends in EMEA. Juniper's new products continue to build momentum, especially in routing, and the Company remains focused on disciplined operational execution while driving revenue growth.

- Juniper estimates revenue for the second quarter ending June 30, 2013 to be in the range of \$1,070 million to \$1,100 million.
- Juniper estimates that its non-GAAP gross margin will be in the range of 64% to 65%.
- Juniper estimates that its non-GAAP operating expenses will be \$510 million plus or minus \$5 million.
- Juniper expects its non-GAAP operating margin for the second quarter will be 17.5%, at the midpoint of guidance.
- Juniper estimates that its non-GAAP net income per share will range between \$0.22 and \$0.26 on a diluted basis. This assumes a flat share count and non-GAAP tax rate of 29%, which includes the R&D tax credit.

All forward-looking non-GAAP measures exclude estimates for amortization of intangible assets, share-based compensation expenses, acquisition-related charges, restructuring charges, litigation settlements and resolutions, gain

or loss on equity investments, non-recurring income tax adjustments, valuation allowance on deferred tax assets, and income tax effect of non-GAAP exclusions. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis.

Change in Segment Reporting

In the first quarter of 2013, Juniper Networks made changes to align its business segment reporting to its current organizational structure. Security products previously reported in its Platform Systems Division (PSD) segment (including the Branch SRX, Branch Firewall, and J Series product families) are now reported in its Software Solutions Division (SSD) segment. This results in all security products now being reported in its SSD segment. The Company believes this change will provide investors with increased financial reporting transparency and will enable better insight into the market and performance trends driving its business. A summary showing PSD and SSD 2012 and 2011 quarterly revenues on a basis consistent with the new reporting structure is included in Appendix 1*.

A table showing revenue by product type within each segment is provided as Appendix 2*.

A table showing product detail by business segment is provided as Appendix 3*.

Under the new reporting structure, Juniper Networks continues to measure segment profitability by "Contribution Margin," which reflects segment revenues less those expenses which are directly attributable to (and controlled by) the segment organization. Such expenses would typically include costs of revenue, R&D, direct product marketing and product lifecycle management. A summary showing 2012 and 2011 segment contribution margins on a basis consistent with the Company's new reporting structure is included in Appendix 4*.

Conference Call Webcast

A [webcast replay](#) of the conference call held on April 23 will be archived on the Juniper Networks website.

About Juniper Networks

Juniper Networks is in the business of network innovation. From devices to data centers, from consumers to cloud providers, Juniper Networks delivers the software, silicon and systems that transform the experience and economics of networking. Additional information can be found at Juniper Networks (www.juniper.net) or connect with Juniper on [Twitter](#) and [Facebook](#).

* [Appendices 1-4](#) available on the Juniper website

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Statements in this release concerning Juniper Networks' business outlook, economic and market outlook, future financial and operating results, and overall future prospects are forward-looking statements that involve a number of uncertainties and risks. Actual results or events could differ materially from those anticipated in those forward-looking statements as a result of certain factors, including: general economic and political conditions globally or regionally; business and economic conditions in the networking industry; changes in overall technology spending and spending by communication service providers and major customers; the network capacity requirements of communication service providers; contractual terms that may result in the deferral of revenue; increases in and the effect of competition; the timing of orders and their fulfillment; manufacturing and supply chain constraints; ability to establish and maintain relationships with distributors, resellers and other partners; variations in the expected mix of products sold; changes in customer mix; changes in geography mix; customer and industry analyst perceptions of Juniper Networks and its technology, products and future prospects; delays in scheduled product availability; market acceptance of Juniper Networks products and services; rapid technological and market change; adoption of regulations or standards affecting Juniper Networks products, services or the networking industry; the ability to successfully acquire, integrate and manage businesses and technologies; product defects, returns or vulnerabilities; the ability to recruit and retain key personnel; significant effects of tax legislation and judicial or administrative interpretation of tax regulations; currency fluctuations; litigation settlements and and resolutions; and other factors listed in Juniper Networks' most recent report on Form 10-K filed with the Securities and Exchange Commission. All statements made in this press release are made only as of the date set forth at the beginning of this release. Juniper Networks undertakes no obligation to update the information in this release in the event facts or circumstances subsequently change after the date of this press release.

Juniper Networks believes that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to the company's financial condition and results of operations. For further information regarding why Juniper Networks believes that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the discussion below. The following tables and reconciliations can also be found on the Investor Relations website at www.juniper.net.