JUNIPER NETWORKS INC
Form 10-Q
August 06, 2015

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

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended June 30, 2015
or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from_________ to_________

Commission file number: 001-34501

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

Delaware	77-0422528
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1133 Innovation Way	
Sunnyvale, California	94089
(Address of principal executive offices)	(Zip code)
(408) 745-2000	
(Registrant's telephone number, including area code)	

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 filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
There were 384,426,751 shares of the Company's Common Stock, par value $0.00001, outstanding as of July 31, 2015.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net revenues:				
Product	$899.7	$929.2	$1,663.8	$1,805.2
Service	322.5	300.3	625.8	594.4
Total net revenues	1,222.2	1,229.5	2,289.6	2,399.6
Cost of revenues:				
Product	311.7	359.3	600.5	685.9
Service	129.0	122.0	250.3	245.4
Total cost of revenues	440.7	481.3	850.8	931.3
Gross margin	781.5	748.2	1,438.8	1,468.3
Operating expenses:				
Research and development	251.6	255.5	500.3	519.5
Sales and marketing	232.4	258.0	452.6	531.4
General and administrative	56.3	60.6	111.5	135.5
Restructuring and other (benefit) charges	(1.9)	58.2	(0.5)	172.2
Total operating expenses	538.4	632.3	1,063.9	1,358.6
Operating income	243.1	115.9	374.9	109.7
Other (expense) income, net	(17.1)	178.6	(32.9)	332.8
Income before income taxes	226.0	294.5	342.0	442.5
Income tax provision	68.0	73.4	103.8	110.8
Net income	$158.0	$221.1	$238.2	$331.7
Net income per share:				
Basic	$0.41	$0.47	$0.60	$0.69
Diluted	$0.40	$0.46	$0.59	$0.68
Shares used in computing net income per share:				
Basic	389.9	470.3	398.4	478.1
Diluted	397.2	476.5	406.1	487.3
Cash dividends declared per common stock	$0.10	$—	$0.20	$—

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$158.0	$221.1	$238.2	$331.7
Other comprehensive income (loss), net of tax:				
Available-for-sale securities:				
Unrealized gains on available-for-sale securities, net of tax benefit (provision) of $5.4 and $1.6 during the three and six months ended June 30, 2015, respectively, and ($6.1) and ($28.2) for the corresponding periods of the fiscal year ended December 31, 2014 ("fiscal 2014"), respectively	9.0	10.3	8.2	48.4
Reclassification adjustment for realized net gains on available-for-sale securities included in net income, net of tax provisions of zero during the three and six months ended June 30, 2015, and $0.1 and $60.4 for the corresponding periods of fiscal 2014, respectively	(0.3)	(0.3)	(0.5)	(103.8)
Net change on available-for-sale securities, net of taxes	8.7	10.0	7.7	(55.4)
Cash flow hedges:				
Unrealized gains (losses) on cash flow hedges, net of tax provisions of $0.4 and $0.7 during the three and six months ended June 30, 2015, respectively, and $0.7 and $1.3 for the corresponding periods of fiscal 2014, respectively	2.4	1.1	(4.0)	3.2
Reclassification adjustment for realized net losses (gains) on cash flow hedges included in net income, net of tax provisions of zero and $0.1 during the three and six months ended June 30, 2015, respectively, and $0.4 and $0.3 for the corresponding periods of fiscal 2014, respectively	3.8	(2.1)	6.9	(3.2)
Net change on cash flow hedges, net of taxes	6.2	(1.0)	2.9	—
Change in foreign currency translation adjustments	7.0	2.2	(4.1)	3.9

Other comprehensive income (loss), net of tax	21.9	11.2	6.5	(51.5)
Comprehensive income	$179.9	$232.3	$244.7	$280.2

See accompanying Notes to Condensed Consolidated Financial Statements

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

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$1,330.3	$1,639.6
Short-term investments	517.7	332.2
Accounts receivable, net of allowances	533.0	598.9
Deferred tax assets, net	138.3	147.0
Prepaid expenses and other current assets	207.6	239.9
Total current assets	2,726.9	2,957.6
Property and equipment, net	921.2	904.3
Long-term investments	1,228.3	1,133.1
Restricted cash and investments	45.7	46.0
Purchased intangible assets, net	44.8	62.4
Goodwill	2,981.3	2,981.5
Other long-term assets	334.6	303.9
Total assets	$8,282.8	$8,388.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$299.9	$—
Accounts payable	222.6	234.6
Accrued compensation	227.3	225.0
Deferred revenue	795.4	780.8
Other accrued liabilities	217.3	273.0
Total current liabilities	1,762.5	1,513.4
Long-term debt	1,648.7	1,349.0
Long-term deferred revenue	309.0	294.9
Long-term income taxes payable	180.2	177.5
Other long-term liabilities	134.5	134.9
Total liabilities	4,034.9	3,469.7
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Convertible preferred stock, $0.00001 par value; 10.0 shares authorized; none issued and outstanding	—	—
Common stock, $0.00001 par value; 1,000.0 shares authorized; 384.3 shares and 416.2 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	—	—
Additional paid-in capital	8,313.0	8,794.0
Accumulated other comprehensive loss	(7.3)	(13.8)
Accumulated deficit	(4,057.8)	(3,861.1)
Total stockholders' equity	4,247.9	4,919.1
Total liabilities and stockholders' equity	$8,282.8	$8,388.8

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$238.2	$331.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	104.9	120.1
Depreciation, amortization, and accretion	89.0	95.6
Restructuring and other (benefit) charges	(0.5)	194.4
Deferred income taxes	23.9	(82.3)
Gain on investments, net	(0.8)	(167.0)
Gain on legal settlement, net	—	(120.3)
Excess tax benefits from share-based compensation	(4.3)	(8.0)
Loss on disposal of fixed assets	0.4	0.8
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	29.0	21.4
Prepaid expenses and other assets	(41.7)	(3.9)
Accounts payable	(13.8)	52.5
Accrued compensation	3.6	(39.5)
Income taxes payable	56.7	113.5
Other accrued liabilities	(30.7)	(62.7)
Deferred revenue	28.6	101.9
Net cash provided by operating activities	482.5	548.2
Cash flows from investing activities:		
Purchases of property and equipment	(83.8)	(98.6)
Purchases of available-for-sale investments	(841.3)	(1,577.6)
Proceeds from sales of available-for-sale investments	450.9	1,504.6
Proceeds from maturities of available-for-sale investments	115.9	234.2
Purchases of trading investments	(2.5)	(2.4)
Proceeds from sales of privately-held investments	—	2.5
Purchases of privately-held investments	(3.2)	(5.0)
Payments for business acquisitions, net of cash and cash equivalents acquired	—	(27.1)
Changes in restricted cash	—	25.0
Net cash (used in) provided by investing activities	(364.0)	55.6
Cash flows from financing activities:		
Proceeds from issuance of common stock	63.0	121.2
Purchases and retirement of common stock	(1,004.7)	(907.1)
Purchase of equity forward contract	—	(300.0)
Issuance of long-term debt, net	594.6	346.5
Payment for capital lease obligation	0.4	(0.4)
Customer financing arrangements	—	0.7
Excess tax benefits from share-based compensation	4.3	8.0
Payment of cash dividends	(79.5)	—
Net cash used in financing activities	(421.9)	(731.1)
Effect of foreign currency exchange rates on cash and cash equivalents	(5.9)	3.1

Net decrease in cash and cash equivalents	(309.3)	(124.2)
Cash and cash equivalents at beginning of period	1,639.6	2,284.0
Cash and cash equivalents at end of period	$1,330.3	$2,159.8

See accompanying Notes to Condensed Consolidated Financial Statements

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

Note 1. Basis of Presentation

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements of Juniper Networks, Inc. (the “Company” or “Juniper”) have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Balance Sheet as of June 30, 2015, is derived from the audited Consolidated Financial Statements for the year ended December 31, 2014. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. The results of operations for the three and six months ended June 30, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, or any future period. The information included in this Quarterly Report on Form 10-Q (“Report”) should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors,” “Quantitative and Qualitative Disclosures About Market Risk,” and the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Certain amounts in the prior year Financial Statements contained in this Report have been reclassified to conform to the current year presentation.

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

Note 2. Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies compared to the accounting policies described in Note 2, Significant Accounting Policies, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-11 (Subtopic 330) - Simplifying the Measurement of Inventory, which provides guidance to companies who account for inventory using either the first-in, first-out ("FIFO") or average cost methods. The guidance states that companies should measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its Condensed Consolidated Financial Statements, if any.

In June 2015, the FASB issued ASU No. 2015-10 - Technical Corrections and Improvements, which contains minor guidance clarifications and reference corrections, simplification of the Codification, and minor improvements on a wide variety of topics. ASU 2015-10 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its Condensed Consolidated Financial

Statements, if any.

In April 2015, the FASB issued ASU No. 2015-05(Subtopic 350-40) - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 is effective for fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its Condensed Consolidated Financial Statements, if any.

In April 2015, the FASB issued ASU No. 2015-03 (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard would reduce the debt issuance cost asset on the Company's Condensed Consolidated Balance Sheet by approximately $11.0 million and correspondingly reduce its debt liabilities by approximately $11.0 million. The Company plans to adopt this standard in the first quarter of 2016. The adoption of this standard would not have an impact to the Condensed Consolidated Statement of Operations.

In January 2015, the FASB issued ASU No. 2015-01 (Subtopic 225-20) - Income Statement - Extraordinary and Unusual Items, which eliminates the concept of extraordinary items. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard will not have an impact on the Company's Condensed Consolidated Financial Statements.

In November 2014, the FASB issued ASU No. 2014-16 (Topic 815) - Derivatives and Hedging, which provides clarification on how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features in evaluating the host contract and that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. ASU 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amendment should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the year for which the amendments are effective. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-15 (Subtopic 205-40) - Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”) which provides guidance about management's responsibility to evaluate whether or not there is substantial doubt about the Company's ability to continue as a going concern and to provide related footnote disclosure. ASU 2014-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early application is permitted. The adoption of this standard is not expected to have an impact on the Company's Condensed Consolidated Financial Statements.

In June 2014, the FASB issued ASU No. 2014-12 (Topic 718) - Compensation - Stock Compensation (“ASU 2014-12”) which provides guidance that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period is a performance condition. As a result, the target is not reflected in the estimation of the award’s grant date fair value. Compensation cost for such an award would be recognized over the required service period, if it is probable that the performance condition will be achieved. ASU 2014-12 is effective for all entities for annual periods beginning after December 15, 2015 and interim periods within those annual periods. ASU 2014-12 should be applied on a prospective basis to awards that are granted or modified on or after the effective date. The adoption of this standard is not expected to have an impact on the Company's Condensed Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09 (Topic 606)—Revenue from Contracts with Customers (“ASU 2014-09”) which provides guidance for revenue recognition. This ASU affects all contracts that the Company enters into with customers to transfer goods and services or for the transfer of nonfinancial assets. This ASU will supersede the revenue recognition requirements in Topic 605, and most industry specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. The standard's core principle is that revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In doing so, the Company will need to use additional judgment and estimates than under the existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In July 2015, the FASB deferred the effective date of the new revenue standard from December 15, 2016 to December 15, 2017, with early adoption permitted before annual periods beginning after December 15, 2016. As a result, the Company will apply the new revenue standard for annual and interim periods beginning after December 15, 2017. Accordingly, the ASU will be effective for the Company beginning fiscal year 2018. The Company is currently evaluating the impact of the adoption of this standard on its Condensed Consolidated Financial Statements.

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

Note 3. Cash Equivalents and Investments

Investments in Available-for-Sale and Trading Securities

The following tables summarize the Company's unrealized gains and losses and fair value of investments designated as available-for-sale and trading securities as of June 30, 2015 and December 31, 2014 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of June 30, 2015				
Fixed income securities:				
Asset-backed securities	$331.1	$0.1	$(0.1)	$331.1
Certificates of deposit	4.7	—	—	4.7
Commercial paper	12.5	—	—	12.5
Corporate debt securities	917.9	0.5	(0.9)	917.5
Foreign government debt securities	26.0	—	—	26.0
Government-sponsored enterprise obligations	172.6	0.1	—	172.7
U.S. government securities	268.0	0.1	—	268.1
Total fixed income securities	1,732.8	0.8	(1.0)	1,732.6
Money market funds	207.5	—	—	207.5
Mutual funds	4.0	—	—	4.0
Publicly-traded equity securities	3.6	4.4	—	8.0
Total available-for-sale securities	1,947.9	5.2	(1.0)	1,952.1
Trading securities in mutual funds[(1)]	17.9	—	—	17.9
Total	$1,965.8	$5.2	$(1.0)	$1,970.0
Reported as:				
Cash equivalents	$178.8	$—	$—	$178.8
Restricted investments	45.2	—	—	45.2
Short-term investments	513.2	4.5	—	517.7
Long-term investments	1,228.6	0.7	(1.0)	1,228.3
Total	$1,965.8	$5.2	$(1.0)	$1,970.0

(1) Balance consists of the Company's non-qualified deferred compensation plan assets.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
As of December 31, 2014				
Fixed income securities:				
Asset-backed securities	$269.3	$—	$(0.3)	$269.0
Certificates of deposit	10.6	—	—	10.6
Commercial paper	20.3	—	—	20.3
Corporate debt securities	738.6	0.5	(1.1)	738.0
Foreign government debt securities	24.6	—	—	24.6
Government-sponsored enterprise obligations	162.2	—	(0.1)	162.1
U.S. government securities	246.1	—	(0.1)	246.0
Total fixed income securities	1,471.7	0.5	(1.6)	1,470.6
Money market funds	594.2	—	—	594.2
Mutual funds	3.9	0.1	—	4.0
Publicly-traded equity securities	2.1	—	(0.1)	2.0
Total available-for-sale securities	2,071.9	0.6	(1.7)	2,070.8
Trading securities in mutual funds[(1)]	16.3	—	—	16.3
Total	$2,088.2	$0.6	$(1.7)	$2,087.1
Reported as:				
Cash equivalents	$576.6	$—	$—	$576.6
Restricted investments	45.2	—	—	45.2
Short-term investments	332.2	0.2	(0.2)	332.2
Long-term investments	1,134.2	0.4	(1.5)	1,133.1
Total	$2,088.2	$0.6	$(1.7)	$2,087.1

(1) Balance consists of the Company's non-qualified deferred compensation plan assets.

The following table presents the contractual maturities of the Company's total fixed income securities as of June 30, 2015 (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Due in less than one year	$504.2	$0.1	$—	$504.3
Due between one and five years	1,228.6	0.7	(1.0)	1,228.3
Total	$1,732.8	$0.8	$(1.0)	$1,732.6

The Company had 418 and 437 investments in an unrealized loss positions as of June 30, 2015 and December 31, 2014, respectively. The gross unrealized losses related to these investments were primarily due to changes in market interest rates and stock prices. The Company periodically reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company aggregates its investments by category and length of time the securities have been in a continuous unrealized loss position to facilitate its evaluation.

For available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) it has the intention to sell any of these investments and (ii) whether it is more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. As of June 30, 2015, the Company anticipates that it will recover the entire amortized cost basis of such available-for-sale debt securities and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the three and six months ended June 30, 2015 and June 30, 2014.

For available-for-sale equity securities that have unrealized losses, the Company evaluates whether there is an indication of other-than-temporary impairments. This determination is based on several factors, including the financial condition and near-term prospects of the issuer and the Company's intent and ability to hold the publicly-traded equity securities for a period of time sufficient to allow for any anticipated recovery in market value. During the six months ended June 30, 2014, the Company determined that certain available-for-sale equity securities were other-than-temporarily impaired, resulting in an impairment charge of $1.6 million, which was recorded within other (expense) income, net, in the Condensed Consolidated Statements of Operations. During the three months ended June 30, 2014 and during the three and six months ended June 30, 2015 the Company did not recognize other-than-temporary impairments associated with these investments.

During the three and six months ended June 30, 2015, there were no material gross realized gains or losses from available-for-sale securities and there were no material gross realized gains or losses from trading securities. During the six months ended June 30, 2014, gross realized gains from available-for-sale securities were $165.8 million and gross realized losses were not material, excluding the impairment charge noted above. During the three months ended June 30, 2014, there were no material realized gains or losses from available-for-sale securities and during the three and six months ended June 30, 2014, there were no material gross realized gains or losses from trading securities.

The following tables present the Company's available-for-sale securities that were in an unrealized loss position as of June 30, 2015 and December 31, 2014 (in millions):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of June 30, 2015						
Fixed income securities:						
Asset-backed securities[1]	$190.3	$(0.1)	$10.2	$—	$200.5	$(0.1)
Corporate debt securities[1]	519.9	(0.9)	10.6	—	530.5	(0.9)
Foreign government debt securities[2]	17.0	—	—	—	17.0	—
Government-sponsored enterprise obligations[2]	51.1	—	—	—	51.1	—
U.S. government securities[2]	76.6	—	—	—	76.6	—
Total fixed income securities	854.9	(1.0)	20.8	—	875.7	(1.0)
Total available-for-sale securities	$854.9	$(1.0)	$20.8	$—	$875.7	$(1.0)

[1] Balances greater than 12 months include investments that were in an immaterial unrealized loss position as of June 30, 2015.
[2] Balances less than 12 months include investments that were in an immaterial unrealized loss position as of June 30, 2015.

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
As of December 31, 2014						
Fixed income securities:						
Asset-backed securities	$221.9	$(0.3)	$—	$—	$221.9	$(0.3)
Corporate debt securities	515.9	(1.1)	—	—	515.9	(1.1)

Foreign government debt securities(1)	24.6	—	—	—	24.6	—
Government-sponsored enterprise obligations	113.8	(0.1)	—	—	113.8	(0.1)
U.S. government securities	189.0	(0.1)	—	—	189.0	(0.1)
Total fixed income securities	1,065.2	(1.6)	—	—	1,065.2	(1.6)
Publicly-traded equity securities	2.0	(0.1)	—	—	2.0	(0.1)
Total available-for-sale securities	$1,067.2	$(1.7)	$—	$—	$1,067.2	$(1.7)

(1) Balances less than 12 months include investments that were in an immaterial unrealized loss position as of December 31, 2014.

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Restricted Cash and Investments

The Company classifies certain cash and investments as restricted cash and investments on its Condensed Consolidated Balance Sheets for: (i) amounts held in escrow accounts, as required in connection with certain acquisitions completed between 2005 and 2014; (ii) the India Gratuity Trust and Israel Retirement Trust, which cover statutory severance obligations in the event of termination of any of the Company's India and Israel employees, respectively; and (iii) the Directors and Officers indemnification trust (“D&O Trust”). The restricted investments are designated as available-for-sale securities.

Privately-Held Investments

The Company has privately-held investments, which include debt and redeemable preferred stock securities that are carried at fair value, and non-redeemable preferred stock securities that are carried at cost.

As of June 30, 2015 and December 31, 2014, the carrying values of the Company's privately-held investments of $92.1 million and $89.9 million, respectively, were included in other long-term assets in the Condensed Consolidated Balance Sheets. As of June 30, 2015 and December 31, 2014, the carrying value of the privately-held investments includes debt and redeemable preferred stock securities of $50.3 million and $47.5 million, respectively. For the three and six months ended June 30, 2015, there were no unrealized gains or losses associated with the privately-held debt and redeemable preferred stock securities. For the three and six months ended June 30, 2014, the Company recorded $10.0 million in other comprehensive income for unrealized gains associated with its privately-held debt securities.

The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. During the three and six months ended June 30, 2015 and June 30, 2014, the Company determined that no privately-held investments were other-than-temporarily impaired.

Juniper Networks, Inc.
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Note 4. Fair Value Measurements
Assets and Liabilities Measured at Fair Value on a Recurring Basis
The following tables provide a summary of assets and liabilities measured at fair value on a recurring basis and as reported in the Condensed Consolidated Balance Sheets (in millions):

	Fair Value Measurements at June 30, 2015 Using:			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Assets measured at fair value:				
Available-for-sale securities:				
Asset-backed securities	$—	$331.1	$—	$331.1
Certificates of deposit	—	4.7	—	4.7
Commercial paper	—	12.5	—	12.5
Corporate debt securities	—	917.5	—	917.5
Foreign government debt securities	—	26.0	—	26.0
Government-sponsored enterprise obligations	—	172.7	—	172.7
Money market funds(1)	207.5	—	—	207.5
Mutual funds(2)	4.0	—	—	4.0
Publicly-traded equity securities	8.0	—	—	8.0
U.S. government securities	268.1	—	—	268.1
Total available-for-sale securities	487.6	1,464.5	—	1,952.1
Trading securities in mutual funds(3)	17.9	—	—	17.9
Privately-held debt and redeemable preferred stock securities	—	—	50.3	50.3
Derivative assets:				
Foreign exchange contracts	—	1.3	—	1.3
Total assets measured at fair value	$505.5	$1,465.8	$50.3	$2,021.6
Liabilities measured at fair value:				
Derivative liabilities:				
Foreign exchange contracts	$—	$(1.7)	$—	$(1.7)
Total liabilities measured at fair value	$—	$(1.7)	$—	$(1.7)
Total assets measured at fair value, reported as:				
Cash equivalents	$166.4	$12.4	$—	$178.8
Restricted investments	45.2	—	—	45.2
Short-term investments	176.6	341.1	—	517.7
Long-term investments	117.3	1,111.0	—	1,228.3
Prepaid expenses and other current assets	—	1.3	—	1.3
Other long-term assets	—	—	50.3	50.3
Total assets measured at fair value	$505.5	$1,465.8	$50.3	$2,021.6

Total liabilities measured at fair value, reported as:				
Other accrued liabilities	$—	$(1.7)	$—	$(1.7)
Total liabilities measured at fair value	$—	$(1.7)	$—	$(1.7)

(1) Balance includes $41.2 million of restricted investments measured at fair market value related to the Company's D&O Trust and acquisition-related escrows.

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

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

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	Fair Value Measurements at December 31, 2014 Using:			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Remaining Inputs (Level 2)	Significant Other Unobservable Remaining Inputs (Level 3)	Total
Assets measured at fair value:				
Available-for-sale securities:				
Asset-backed securities	$—	$269.0	$—	$269.0
Certificates of deposit	—	10.6	—	10.6
Commercial paper	—	20.3	—	20.3
Corporate debt securities	—	738.0	—	738.0
Foreign government debt securities	—	24.6	—	24.6
Government-sponsored enterprise obligations	—	162.1	—	162.1
Money market funds(1)	594.2	—	—	594.2
Mutual funds(2)	4.0	—	—	4.0
Publicly-traded equity securities	2.0	—	—	2.0
U.S. government securities	246.0	—	—	246.0
Total available-for-sale securities	846.2	1,224.6	—	2,070.8
Trading securities in mutual funds(3)	16.3	—	—	16.3
Privately-held debt and redeemable preferred stock securities	—	—	47.5	47.5
Derivative assets:				
Foreign exchange contracts	—	0.1	—	0.1
Total assets measured at fair value	$862.5	$1,224.7	$47.5	$2,134.7
Liabilities measured at fair value:				
Derivative liabilities:				
Foreign exchange contracts	$—	$(3.9)	$—	$(3.9)
Total liabilities measured at fair value	$—	$(3.9)	$—	$(3.9)
Total assets measured at fair value, reported as:				
Cash equivalents	$552.9	$23.7	$—	$576.6
Restricted investments	45.2	—	—	45.2
Short-term investments	87.0	245.2	—	332.2
Long-term investments	177.4	955.7	—	1,133.1
Prepaid expenses and other current assets	—	0.1	—	0.1
Other long-term assets	—	—	47.5	47.5
Total assets measured at fair value	$862.5	$1,224.7	$47.5	$2,134.7
Total liabilities measured at fair value, reported as:				
Other accrued liabilities	$—	$(3.9)	$—	$(3.9)

Total liabilities measured at fair value	$—	$(3.9)	$—	$(3.9)

(1) Balance includes $41.3 million of restricted investments measured at fair market value related to the Company's D&O Trust and acquisition-related escrows.

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

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

The Company's Level 2 available-for-sale fixed income securities are priced using quoted market prices for similar instruments or non-binding market prices that are corroborated by observable market data. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, or alternative pricing sources with reasonable levels of price transparency which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets. The Company's derivative instruments are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs. The Company's policy is to recognize asset or liability transfers among Level 1, Level 2, and Level 3 at the beginning of the quarter in which a change in circumstances resulted in a transfer. During the three and six months ended June 30, 2015, the Company had no transfers between levels of the fair value hierarchy of its assets or liabilities measured at fair value.

All of the Company's privately-held debt and redeemable preferred stock securities, are classified as Level 3 assets due to the absence of quoted market prices and an inherent lack of liquidity. The Company estimates the fair value of its privately-held debt investments on a recurring basis using an analysis of the financial condition and near-term prospects of the investee, including recent financing activities and the investee's capital structure. During the six months ended June 30, 2015, there were purchases of $2.8 million related to privately-held debt securities and no purchases during the three months ended June 30, 2015.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain of the Company's assets, including intangible assets, goodwill, promissory note, and privately-held equity investments, are measured at fair value on a nonrecurring basis, only if impairment is indicated. Privately-held equity investments, which are normally carried at cost, are measured at fair value on a nonrecurring basis due to events and circumstances that the Company identifies as significantly impacting the fair value of investments. The Company estimates the fair value of its privately-held equity investments using an analysis of the financial condition and near-term prospects of the investee, including recent financing activities and the investee's capital structure. Purchased intangible assets are measured at fair value primarily using discounted cash flow projections.

As of June 30, 2015, the Company had a $125.0 million promissory note in connection with the sale of Junos Pulse measured at fair value on a nonrecurring basis, which was classified as a Level 3 asset due to the absence of quoted market prices and inherent lack of liquidity. Refer to Note 7, Other Financial Information, for further information on the impairment measurement of the promissory note and the unobservable inputs used. As of December 31, 2014, the Company recorded a goodwill impairment charge of $850.0 million for its Security reporting unit measured at fair value on a nonrecurring basis. The remeasurement of goodwill is classified as a Level 3 value assessment due to the significance of unobservable inputs developed using company-specific information. As of December 31, 2014, the Company had no significant privately-held equity investments measured at fair value on a nonrecurring basis.

As of June 30, 2015 and December 31, 2014, the Company had no liabilities measured at fair value on a nonrecurring basis.

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, financing receivables, accounts payable, and other accrued liabilities approximate fair value due to their short maturities. As of June 30, 2015 and December 31, 2014, the estimated fair value of the Company's short-term and long-term debt in the Condensed Consolidated Balance Sheets was approximately $1,982.8 million and $1,395.2 million, respectively, based on observable market inputs

(Level 2).

Note 5. Derivative Instruments

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

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

	As of	
	June 30, 2015	December 31, 2014
Cash flow hedges	$123.6	$160.7
Non-designated derivatives	76.0	78.0
Total	$199.6	$238.7

Cash Flow Hedges

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

See Note 4, Fair Value Measurements, for the fair values of the Company's derivative instruments in the Condensed Consolidated Balance Sheets.

During the three and six months ended June 30, 2015, the Company recognized an unrealized gain of $2.8 million and an unrealized loss of $3.3 million, respectively, in accumulated other comprehensive income (loss) for the effective portion of its derivative instruments and reclassified a realized loss of $3.8 million and $6.8 million, respectively, from other comprehensive income (loss) to operating expense in the Condensed Consolidated Statements of Operations. During the three and six months ended June 30, 2014, the Company recognized a unrealized gain of $1.8 million and $4.5 million, respectively, in accumulated other comprehensive income (loss) for the effective portion of its derivative instruments and reclassified a realized gain of $2.5 million and $3.5 million, respectively, during the three and six months ended June 30, 2014 from other comprehensive income (loss) to operating expense in the Condensed Consolidated Statements of Operations.

The ineffective portion of the Company's derivative instruments recognized in its Condensed Consolidated Statements of Operations was not material during the three and six months ended June 30, 2015 and June 30, 2014.

Non-Designated Derivatives

The Company also uses foreign currency forward contracts to mitigate variability in gains and losses generated from the remeasurement of certain monetary assets and liabilities denominated in foreign currencies. These derivatives are carried at fair value with changes recorded in other (expense) income, net, in the Condensed Consolidated Statements of Operations. Changes in the fair value of these derivatives are largely offset by remeasurement of the underlying assets and liabilities. Cash flows from such derivatives are classified as operating activities. These foreign exchange forward contracts have maturities within two months.

During the three and six months ended June 30, 2015, the Company recognized a net loss of $2.4 million and $0.3 million, respectively, on non-designated derivative instruments within other (expense) income, net, in its Condensed Consolidated Statements of Operations. During the three and six months ended June 30, 2014, the Company recognized net losses of $2.4 million and $3.0 million, respectively, on non-designated derivative instruments within other (expense) income, net, in its Condensed Consolidated Statements of Operations.

Offsetting of Derivatives

The Company presents its derivative assets and derivative liabilities on a gross basis in the Condensed Consolidated Balance Sheets. However, under agreements containing provisions on netting with certain counterparties of foreign exchange contracts, subject to applicable requirements, the Company is allowed to net-settle transactions on the same date in the same currency, with a single net amount payable by one party to the other. As of June 30, 2015 and December 31, 2014, the potential effect of rights of setoff associated with derivative instruments was not material. The Company is neither required to pledge nor entitled to receive cash collateral related to these derivative transactions.

Note 6. Goodwill and Purchased Intangible Assets

Goodwill

The following table presents goodwill activity during the six months ended June 30, 2015 (in millions):

Balance as of December 31, 2014	$2,981.5
Other	(0.2)
Balance as of June 30, 2015	$2,981.3

There were no impairments to goodwill during the three and six months ended June 30, 2015 and June 30, 2014.

Purchased Intangible Assets

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

	Gross	Accumulated Amortization	Accumulated Impairments and Other Charges	Net
As of June 30, 2015				
Intangible assets with finite lives:				
Technologies and patents	$567.7	$(482.2)	$(49.9)	$35.6
Customer contracts, support agreements, and related relationships	78.1	(66.6)	(2.8)	8.7
Other	1.1	(0.6)	—	0.5
Total purchased intangible assets	$646.9	$(549.4)	$(52.7)	$44.8
As of December 31, 2014				
Intangible assets with finite lives:				
Technologies and patents	$567.7	$(466.1)	$(49.9)	$51.7
	78.1	(65.2)	(2.8)	10.1

Customer contracts, support agreements, and related relationships				
Other	1.1	(0.5)	—	0.6
Total purchased intangible assets	$646.9	$(531.8)	$(52.7)	$62.4

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The following table presents the amortization of intangible assets included in the Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of revenues	$4.7	$8.4	$15.5	$16.6
Operating expenses:				
Sales and marketing	0.6	1.1	1.4	2.1
General and administrative	0.3	0.3	0.7	0.6
Total operating expenses	0.9	1.4	2.1	2.7
Total	$5.6	$9.8	$17.6	$19.3

During the six months ended June 30, 2015, the Company recorded $5.6 million to cost of revenues in the Condensed Consolidated Statements of Operations, related to the acceleration of the end-of-life of certain intangible assets. There were no such charges during the three months ended June 30, 2015 and three and six months ended June 30, 2014.

There were no impairment charges related to purchased intangible assets during the three and six months ended June 30, 2015 and June 30, 2014.

As of June 30, 2015, the estimated future amortization expense of purchased intangible assets with finite lives is as follows (in millions):

Years Ending December 31,	Amount
Remainder of 2015	$10.9
2016	11.6
2017	7.0
2018	5.1
2019	4.9
Thereafter	5.3
Total	$44.8

Note 7. Other Financial Information

Inventories

The Company purchases and holds inventory to help ensure adequate component supplies over the life of the underlying products. The majority of the Company's inventory is production components to be used in the manufacturing process and finished goods inventory in transit. Inventories are reported both within prepaid expenses and other current assets and other long-term assets in the Condensed Consolidated Balance Sheets. Total inventories consisted of the following (in millions):

	As of	
	June 30, 2015	December 31, 2014
Production materials	$50.3	$38.3
Finished goods	27.1	24.2
Inventories	$77.4	$62.5

In connection with the 2014 Restructuring Plan discussed in Note 8, Restructuring and Other Charges, the Company accelerated the end-of-service life of certain products resulting in inventory charges of $11.5 million and $15.5 million, recorded within cost of revenues in the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2014, respectively.

Other Long-Term Assets

Other long-term assets consisted of the following (in millions):

	As of June 30, 2015	December 31, 2014
Privately-held investments	$92.1	$89.9
Licensed software	8.0	8.6
Federal income tax receivable	28.9	20.0
Customer financing receivable	3.0	16.9
Inventory	11.3	8.0
Prepaid costs, deposits, and other	61.6	35.5
Promissory note in connection with the sale of Junos Pulse	125.0	125.0
Interest receivable in connection with Promissory note	4.7	—
Other long-term assets	$334.6	$303.9

On October 1, 2014, the Company completed the sale of its Junos Pulse product portfolio. The Company received total consideration of $230.7 million, of which $105.7 million was in cash, net of a $19.3 million working capital adjustment, and $125.0 million was in the form of an 18-month non-contingent interest-bearing promissory note issued to the Company. As of June 30, 2015, the Company has not received scheduled interest payments of $3.1 million and expects further delayed payments beyond the original term of the agreement. The Company measures any impairment based on the present value of expected cash flows, discounted at the note's effective interest rate, compared to the recorded investment of the note, including principal and accrued interest. Based on this calculation, no impairment charge was required.

The note receivable, along with the related interest receivable, is classified as a long-term asset based on expected collection beyond twelve months from the Condensed Consolidated Balance Sheet date.

Interest income on the note is accrued and credited to interest income as it is earned, unless it is not probable the Company will collect the amounts due or if the present value of expected future cash flow is less than the recorded investment. During the three months ended June 30, 2015, the related amount of interest income recognized was $1.6 million.

Warranties

The Company accrues for warranty costs based on associated material, labor for customer support, and overhead at the time revenue is recognized. This accrual is reported within other accrued liabilities in the Condensed Consolidated Balance Sheets. Changes in the Company's warranty reserve during the six months ended June 30, 2015 were as follows (in millions):

Balance as of December 31, 2014	$28.7
Provisions made during the period	13.6
Actual costs incurred during the period	(14.3)
Balance as of June 30, 2015	$28.0

Deferred Revenue

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

	As of June 30, 2015	December 31, 2014
Deferred product revenue:		
Undelivered product commitments and other product deferrals	$185.6	$180.3
Distributor inventory and other sell-through items	62.3	103.7
Deferred gross product revenue	247.9	284.0
Deferred cost of product revenue	(42.8)	(58.4)
Deferred product revenue, net	205.1	225.6
Deferred service revenue	899.3	850.1
Total	$1,104.4	$1,075.7
Reported as:		
Current	$795.4	$780.8
Long-term	309.0	294.9
Total	$1,104.4	$1,075.7

Deferred product revenue represents unrecognized revenue related to shipments to distributors that have not sold through to end-users, undelivered product commitments, and other shipments that have not met all revenue recognition criteria. In circumstances when costs are deferred, deferred product revenue is recorded net of the related costs of product revenue. Deferred service revenue represents billable amounts for service contracts, which include technical support, hardware and software maintenance, professional services, and training, for which services have not been rendered.

Other (Expense) Income, Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	$6.7	$2.1	$10.5	$4.2
Interest expense	(21.8)	(17.8)	(40.3)	(33.3)
Net gain on legal settlement	—	195.3	—	195.3
Gain on investments	0.2	0.8	0.8	167.0
Other	(2.2)	(1.8)	(3.9)	(0.4)
Other (expense) income, net	$(17.1)	$178.6	$(32.9)	$332.8

Interest income primarily includes interest earned on the Company’s cash, cash equivalents, investments, and on the promissory note issued to the Company in connection with the sale of Junos Pulse. Interest expense primarily includes interest, net of capitalized interest expense, from short-term debt, long-term debt, and customer financing arrangements. Other typically consists of investment and foreign exchange gains and losses and other non-operational income and expense items.

During the three months ended June 30, 2014, the Company entered into a settlement agreement with Palo Alto Networks, Inc. (“PAN”) resolving patent litigation between the two companies, which resulted in a realized gain on legal settlement of $195.3 million, net of legal fees. Under the terms of the settlement, PAN made a one-time payment to the Company of $75.0 million in cash and issued the Company PAN common stock and warrants. The fair value of the PAN common stock and warrants at the date of receipt was included in net realized gain. All such PAN securities were sold in the third quarter of 2014.

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During the six months ended June 30, 2014, the Company recorded a gain of $163.0 million primarily related to the sale of investments which were converted from privately-held investments to publicly-traded equity upon initial public offering and subsequently sold.

Note 8. Restructuring and Other Charges

2014 Restructuring Plan and Other Restructuring Plans

In the first quarter of 2014, the Company initiated a restructuring plan (the “2014 Restructuring Plan”) designed to refocus the Company's strategy, optimize its structure, and improve operational efficiencies. The 2014 Restructuring Plan consisted of workforce reductions, facility consolidations and closures, asset write-downs, contract terminations and other charges. The Company had also initiated restructuring plans in each of the fiscal years from 2011 through 2013 (the “Other Restructuring Plans”) which focused on improving the Company's cost structure through product portfolio rationalizations, workforce reductions, contract terminations, project cancellations, and facility closures and consolidations. As of December 31, 2014, the Company's restructuring plans have been substantially completed and the Company does not expect to record significant future charges under any of these restructuring plans.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Severance	$(1.1)	$10.2	$0.4	$38.5
Facilities	(0.8)	37.6	(0.9)	37.8
Contract terminations	—	1.5	—	2.3
Asset impairment and write-downs	—	22.7	—	115.8
Total	$(1.9)	$72.0	$(0.5)	$194.4
Reported as:				
Cost of revenues	$—	$13.8	$—	$22.2
Restructuring and other (benefit) charges	(1.9)	58.2	(0.5)	172.2
Total	$(1.9)	$72.0	$(0.5)	$194.4

During the three months ended June 30, 2015, the Company recorded benefits of $1.1 million for severance and $0.8 million for facility consolidation and closures that were recorded to restructuring and other (benefit) charges in the Condensed Consolidated Statements of Operations, related to the 2014 Restructuring Plan. During the six months ended June 30, 2015, the Company recorded $0.4 million of severance costs and a benefit of $0.9 million for facilities that were recorded in restructuring and other (benefit) charges in the Condensed Consolidated Statements of Operations, in connection with the 2014 Restructuring Plan.

During the three months ended June 30, 2014, the Company recorded $9.9 million of severance costs, $37.6 million of facility consolidation and closures, $8.9 million of asset write-downs, and $1.5 million of contract terminations, which were recorded in restructuring and other (benefit) charges in the Condensed Consolidated Statements of Operations, in connection with the 2014 Restructuring Plan. The Company also recorded inventory write-downs of $11.5 million and a charge related to products with contract manufacturers of $2.3 million for acceleration of the end-of-service life of certain products that were recorded in cost of revenues in the Condensed Consolidated Statements of Operations during the three months ended June 30, 2014, in connection with the 2014 Restructuring Plan. The remaining $0.3 million of charges were incurred for Other Restructuring Plans during the three months ended June 30, 2014.

During the six months ended June 30, 2014, the Company recorded $37.9 million of severance costs, $37.6 million of facility consolidation and closures, $84.7 million of impairment charges related to licensed software, $8.9 million of asset write-downs, and $2.3 million of contract terminations, which were recorded in restructuring and other (benefit) charges in the Condensed Consolidated Statements of Operations. The Company also recorded inventory write-downs of $15.5 million and a charge related to products with contract manufacturers of $6.7 million for acceleration of the end-of-service life of certain products to cost of revenues in the Condensed Consolidated Statement of Operations during the six months ended June 30, 2014, in connection with the 2014 Restructuring Plan. The remaining $0.8 million of charges were incurred for the other restructuring plans during the six months ended June 30, 2014.

Restructuring and other (benefit) charges noted above are based on the 2014 Restructuring Plan and Other Restructuring Plans that were committed to by management. Any changes in the estimates of executing the approved restructuring plans are reflected in the Company's results of operations.

Restructuring Liability

Restructuring liabilities are reported within other accrued liabilities and other long-term liabilities in the Condensed Consolidated Balance Sheets. The following table provides a summary of changes in the restructuring liability related to the Company's plans during the six months ended June 30, 2015 (in millions):

	December 31, 2014	Charges	Cash Payments	Non-cash Settlements and Other	June 30, 2015
Severance	$9.4	$0.4	$(7.8)	$(1.5)	$0.5
Facilities	7.4	(0.9)	(2.3)	(0.4)	3.8
Contract terminations and other	0.2	—	—	(0.2)	—
Total	$17.0	$(0.5)	$(10.1)	$(2.1)	$4.3

As of June 30, 2015, the Company's restructuring liability was $4.3 million, of which $0.5 million is related to severance expected to be substantially settled by September 2015. The remaining $3.8 million, which is primarily related to facility closures, is expected to be paid through March 2018.

Note 9. Debt and Financing

Debt

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

	As of June 30, 2015	
	Amount	Effective Interest Rates
Senior Notes:		
3.10% fixed-rate notes, due March 2016	$300.0	3.25%
3.30% fixed-rate notes, due June 2020	300.0	3.47%
4.60% fixed-rate notes, due March 2021	300.0	4.69%
4.50% fixed-rate notes, due March 2024	350.0	4.63%
4.35% fixed-rate notes, due June 2025	300.0	4.47%
5.95% fixed-rate notes, due March 2041	400.0	6.03%
Total senior notes	1,950.0	
Unaccreted discount	(1.4)	
Total	$1,948.6	

Reported as:	
Short-term debt	$299.9
Long-term debt	1,648.7
Total	$1,948.6

In March 2015, the Company issued $300.0 million aggregate principal amount of 3.30% senior notes due 2020 ("2020 Notes") and $300.0 million aggregate principal amount of 4.35% senior notes due 2025 ("2025 Notes"). In March 2014, the Company issued $350.0 million aggregate principal amount of 4.50% senior notes due 2024 ("2024 Notes"). In March 2011, the Company issued $300.0 million aggregate principal amount of 3.10% senior notes due 2016 ("2016 Notes"), $300.0 million aggregate principal amount of 4.60% senior notes due 2021 ("2021 Notes"), and $400.0 million aggregate principal amount of 5.95% senior notes due 2041 ("2041 Notes").

The "2016 Notes," "2020 Notes," "2021 Notes," "2024 Notes," "2025 Notes" and "2041 Notes" collectively the "Notes" are the Company's senior unsecured and unsubordinated obligations, ranking equally in right of payment to all of the Company's existing and future senior unsecured and unsubordinated indebtedness and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the Notes.

The Company may redeem the 2020 Notes and 2025 Notes, either in whole or in part, at any time one month prior to the maturity date of the 2020 Notes, and three months prior to the maturity date of the 2025 Notes, at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the 2020 Notes and 2025 Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments discounted at the Treasury rate plus 30 basis points for the 2020 Notes, or the Treasury rate plus 37.5 basis points for the 2025 Notes, plus, in the case of each of the clauses (i) and (ii) above, accrued and unpaid interest, if any. At any time on or after May 15, 2020, in the case of the 2020 Notes, and at any time on or after March 15, 2025, in the case of the 2025 Notes, the Company may redeem Notes of such series, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes and the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any. The Company may redeem the other Notes, either in whole or in part, at any time at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments discounted to the redemption date, plus, in either case, accrued and unpaid interest, if any.

In the event of a change of control repurchase event, the holders of the Notes may require the Company to repurchase for cash all or part of the Notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest, if any.

Interest on the Notes is payable in cash semiannually. The effective interest rates for the Notes include the interest on the Notes, accretion of the discount, and amortization of issuance costs. The indentures that govern the Notes also contain various covenants, including limitations on the Company's ability to incur liens or enter into sale-leaseback transactions over certain dollar thresholds.

As of June 30, 2015, the Company was in compliance with all covenants in the indentures governing the Notes.

Revolving Credit Facility

On June 27, 2014, the Company entered into a Credit Agreement ("Credit Agreement") with certain institutional lenders and Citibank, N.A., as administrative agent, that provides for a $500.0 million unsecured revolving credit facility, with an option of the Company to increase the amount of the credit facility by up to an additional $200.0 million, subject to certain conditions. Proceeds of loans made under the Credit Agreement may be used by the Company for working capital and general corporate purposes. Revolving loans may be borrowed, repaid and reborrowed until June 27, 2019, at which time all amounts borrowed must be repaid. Borrowings may be denominated, at the Company's option, in U.S. dollars, Pounds Sterling or Euro.

Borrowings under the Credit Agreement will bear interest at either i) a floating rate per annum equal to the base rate plus a margin of between 0.00% and 0.50%, depending on the Company's public debt rating or ii) a per annum rate equal to the reserve adjusted Eurocurrency rate, plus a margin of between 0.90% and 1.50%, depending on the Company's public debt rating. Base rate is defined as the greatest of (A) Citibank's base rate, (B) the Federal funds rate plus 0.50% or (C) the ICE Benchmark Administration Settlement Rate applicable to dollars for a period of one month plus 1.00%. The Eurocurrency rate is determined for U.S. dollars and Pounds Sterling as the rate at which deposits in such currency are offered in the London interbank market for the applicable interest period and for Euro as the rate specified for deposits in Euro with a maturity comparable to the applicable interest period.

As of June 30, 2015, the Company was in compliance with all covenants in the Credit Agreement, and no amounts were outstanding.

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Customer Financing Arrangements

The Company provides certain distribution partners access to extended financing arrangements for certain end-user customers that require longer payment terms than those typically provided by the Company through factoring accounts receivable to third-party financing providers (“financing providers”). The program does not and is not intended to affect the timing of the Company's revenue recognition. Under the financing arrangements, proceeds from the financing provider are due to the Company within 30 to 90 days from the sale of the receivable. In these transactions with the financing provider, the Company surrenders control over the transferred assets. The factored accounts receivable are isolated from the Company and put beyond the reach of the Company's creditors, even in the event of bankruptcy. The Company does not maintain effective control over the transferred assets through obligations or rights to redeem, transfer, or repurchase the receivables after they have been transferred. In 2014, the Company transitioned certain distribution partners from the third party financing program to the Company's commercial payment terms. As a result, the Company's customer financing activities significantly declined from fiscal year 2014 through the second quarter of 2015.

Pursuant to the financing arrangements for the sale of receivables, the Company sold net receivables of $11.8 million and $209.8 million during the three months ended June 30, 2015 and June 30, 2014, respectively, and $58.9 million and $342.7 million during the six months ended June 30, 2015 and June 30, 2014, respectively.

The Company received cash proceeds from the financing provider of $25.5 million and $152.1 million during the three months ended June 30, 2015 and June 30, 2014, respectively, and $85.5 million and $344.4 million during the six months ended June 30, 2015 and June 30, 2014, respectively. As of June 30, 2015 and December 31, 2014, the amounts owed to the Company by the financing provider were $1.4 million and $28.0 million, respectively, and were recorded in accounts receivable on the Condensed Consolidated Balance Sheets.

The Company has provided guarantees to third-party financing companies for certain third-party financing arrangements extended to certain end-user customers, which have terms of up to four years. The Company is liable for the aggregate unpaid payments to the third-party financing company in the event of customer default. As of June 30, 2015, the Company has not been required to make any payments under these arrangements. Pursuant to these arrangements, the Company has guarantees for third-party financing arrangements of $11.2 million as of June 30, 2015.

The portion of the receivable financed that has not been recognized as revenue is accounted for as a financing arrangement and is included in other accrued liabilities and other long-term liabilities in the Condensed Consolidated Balance Sheets. As of June 30, 2015 and December 31, 2014, the estimated cash received from the financing provider not recognized as revenue was $13.3 million and $67.5 million, respectively.

Note 10. Equity

Cash Dividends on Shares of Common Stock

During the six months ended June 30, 2015, the Company declared a quarterly cash dividend of $0.10 per share of common stock on January 27, 2015 and on April 23, 2015, which were paid on March 24, 2015 and on June 23, 2015, respectively, to stockholders of record on March 3, 2015 and on June 2, 2015, respectively, in the aggregate amount of $79.5 million. Any future dividends, and the establishment of record and payment dates, are subject to approval by the Board of Directors (the “Board”) of Juniper or an authorized committee thereof. See Note 16, Subsequent Events, for discussion of the Company's dividend declaration subsequent to June 30, 2015.

Stock Repurchase Activities

In February 2014, the Company's Board approved a stock repurchase program that authorized the Company to repurchase up to $2.1 billion of its common stock, including $1.2 billion pursuant to an accelerated share repurchase program (“2014 Stock Repurchase Program”). In October 2014, the Board authorized a $1.3 billion increase to the 2014 Stock Repurchase Program for a total of $3.4 billion.

During the three and six months ended June 30, 2015, the Company repurchased and retired approximately 23.2 million and 40.6 million shares of its common stock, respectively, at an average price of $25.83 and $24.64 per share, respectively, for an aggregate purchase price of $600.0 million and $1.0 billion, respectively.

During the six months ended June 30, 2014, the Company entered into two separate accelerated share repurchase agreements (collectively, the “ASR”) with two financial institutions to repurchase an aggregate of $1.2 billion of the Company's common stock. During the first quarter of 2014, the Company made an up-front payment of $1.2 billion pursuant to the ASR and received and retired an initial 33.3 million shares ("Initial Shares") of the Company's common stock for an aggregate price of $900.0 million based on the market value of the Company's common stock on the date of the transaction. On July 23, 2014, the ASR was completed and the Company received an additional 16.0 million shares from the financial institutions for the remaining $300.0 million for a total repurchase of 49.3 million shares of the Company's common stock, which resulted in a volume weighted average repurchase price, less an agreed upon discount, of $24.35. The shares received with respect to the ASR have been retired. Retired shares return to authorized but unissued shares of common stock.

As of June 30, 2015, there was $175.0 million of authorized funds remaining under the 2014 Stock Repurchase Program. In July 2015, the Board approved an incremental $500.0 million stock repurchase authorization to the 2014 Stock Repurchase Program.

In addition to repurchases under the Company’s stock repurchase program, the Company also repurchases common stock from certain employees in connection with the net issuance of shares to satisfy minimum tax withholding obligations upon the vesting of certain stock awards issued to such employees. Repurchases associated with tax withholdings were not significant during the three and six months ended June 30, 2015 and June 30, 2014.

Future stock repurchases under the Company’s stock repurchase program will be subject to a review of the circumstances at that time and will be made from time to time in private transactions or open market purchases as permitted by securities laws and other legal requirements.

See Note 16, Subsequent Events, for discussion of the Company's stock repurchase activity subsequent to June 30, 2015.

Accumulated Other Comprehensive Income, Net of Tax

The components of accumulated other comprehensive income, net of related taxes, during the six months ended June 30, 2015 were as follows (in millions):

	Unrealized Gains (Losses) on Available-for-Sale Securities[1]	Unrealized Gains (Losses) on Cash Flow Hedges[2]	Foreign Currency Translation Adjustments	Total
Balance as of December 31, 2014	$8.4	$(4.2)	$(18.0)	$(13.8)
Other comprehensive gain (loss) before reclassifications	8.2	(4.0)	(4.1)	0.1
Amount reclassified from accumulated other	(0.5)	6.9	—	6.4

comprehensive income				
Other comprehensive gains (losses), net	7.7	2.9	(4.1)	6.5
Balance as of June 30, 2015	$16.1	$(1.3)	$(22.1)	$(7.3)

(1) The reclassifications out of accumulated other comprehensive income during the six months ended June 30, 2015 for realized gains on available-for-sale securities of $0.5 million are included in other (expense) income, net, in the Condensed Consolidated Statements of Operations.

(2) The reclassifications out of accumulated other comprehensive income during the six months ended June 30, 2015 for realized losses on cash flow hedges are included within cost of revenues of $2.1 million, sales and marketing of $4.4 million, and general and administrative of $0.4 million and an immaterial realized gain within research and development for which the hedged transactions relate in the Condensed Consolidated Statements of Operations.

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Note 11. Employee Benefit Plans

Equity Incentive Plans

The Company’s equity incentive plans include the 2015 Equity Incentive Plan (the “2015 Plan”), the 2006 Equity Incentive Plan (the “2006 Plan”), the 2000 Nonstatutory Stock Option Plan (the “2000 Plan”), the Amended and Restated 1996 Stock Plan (the “1996 Plan”), various equity incentive plans assumed through acquisitions, and the 2008 Employee Stock Purchase Plan (the “ESPP”). Under these plans, the Company has granted (or, in the case of acquired plans, assumed) stock options, restricted stock units (“RSUs”), restricted stock awards (“RSAs”), and performance share awards (“PSAs”).

The 2015 Plan was adopted and approved by the Company's stockholders in May 2015 and had an initial authorized share reserve of 38.0 million shares of common stock plus the addition of any shares subject to outstanding awards under the 2006 Plan and the 1996 Plan that were outstanding as of May 19, 2015, and that subsequently expire or otherwise terminate, up to a maximum of an additional 29.0 million shares. As of June 30, 2015, an aggregate of 23.1 million shares were subject to outstanding equity awards under the 2015 Plan, the 2006 Plan and the 1996 Plan, and no shares were subject to outstanding equity awards under the 2000 Plan. As of June 30, 2015, 38.1 million shares were available for future issuance under the 2015 Plan and no shares were available for future issuance under the 2006 Plan, the 2000 Plan or the 1996 Plan.

The ESPP was adopted and approved by the Company's stockholders in May 2008. To date, the Company's stockholders have approved a share reserve of 26.0 million shares of the Company's common stock for issuance under this plan, which includes an additional 7.0 million shares approved by the Company's stockholders in May 2015. The ESPP permits eligible employees to acquire shares of the Company’s common stock at a 15% discount to the offering price (as determined in the ESPP) through periodic payroll deductions of up to 10% of base compensation, subject to individual purchase limits of 6,000 shares in any twelve-month period or $25,000 worth of stock, determined at the fair market value of the shares at the time the stock purchase option is granted, in one calendar year. As of June 30, 2015, approximately 17.1 million shares have been issued and 8.9 million shares remain available for future issuance under the ESPP.

In connection with certain past acquisitions, the Company assumed stock options, RSUs, RSAs and PSAs under the assumed stock plans of the acquired companies and exchanged the assumed awards for the Company's stock options, RSUs, RSAs and PSAs, respectively. No new equity awards can be granted under these assumed plans. As of June 30, 2015, stock options, RSUs, RSAs and PSAs representing approximately 2.8 million shares of common stock were outstanding under all awards assumed through the Company's acquisitions.

Stock Option Activities

The following table summarizes the Company’s stock option activity and related information as of and for the six months ended June 30, 2015 (in millions, except for per share amounts and years):

	Outstanding Options			
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value

			(In Years)	
Balance as of December 31, 2014	9.9	$24.87		
Canceled	(0.1)	23.73		
Exercised	(1.9)	18.83		
Expired	(2.2)	27.19		
Balance as of June 30, 2015	5.7	$26.04	2.1	$23.5
As of June 30, 2015:				
Vested and expected-to-vest options	5.6	$26.16	2.1	$22.9
Exercisable options	5.3	$27.45	1.8	$16.1

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The aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was $25.97 per share as of June 30, 2015, and the exercise price of the applicable options multiplied by the number of related options. The pre-tax intrinsic value of options exercised, representing the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option, was $10.6 million and 13.9 million for the three and six months ended June 30, 2015, respectively.

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

The following table summarizes the Company's RSU, RSA, and PSA activity and related information as of and for the six months ended June 30, 2015 (in millions, except per share amounts and years):

	Outstanding RSUs, RSAs, and PSAs			
	Number of Shares	Weighted Average Grant-Date Fair Value per Share	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of December 31, 2014	21.3	$22.05		
RSUs granted [1][3]	7.3	22.63		
PSAs granted [2][3]	0.8	22.44		
RSUs vested	(5.4)	23.47		
RSAs vested	(1.0)	20.51		
PSAs vested	(0.2)	22.65		
RSUs canceled	(1.6)	22.00		
PSAs canceled	(1.0)	22.28		
Balance as of June 30, 2015	20.2	$21.94	1.4	$524.7

(1) Includes service-based and market-based RSUs granted under the 2015 Plan and the 2006 Plan according to its terms.

(2) The number of shares subject to PSAs granted represents the aggregate maximum number of shares that may be issued pursuant to the award over its full term. The aggregate number of shares subject to these PSAs that would be issued if performance goals determined by the Compensation Committee are achieved at target is 0.5 million shares. Depending on achievement of such performance goals, the range of shares that could be issued under these awards is 0 to 0.8 million shares.

(3) The grant date fair value of RSUs and PSAs were reduced by the present value of dividends expected to be paid on the underlying shares of common stock during the requisite and derived service period as these awards are not entitled to receive dividends until vested. On April 23, 2015, the Company declared a cash dividend of $0.10 per share of common stock, or $38.8 million in the aggregate, to stockholders of record on June 2, 2015, which was paid on June 23, 2015.

Employee Stock Purchase Plan

The ESPP is implemented in a series of offering periods, each currently six months in duration, or such other period as determined by the Board. Employees purchased 1.4 million and 1.5 million shares of common stock through the ESPP at an average exercise price of $19.32 and $18.67 per share for the six months ended June 30, 2015 and June 30, 2014, respectively. No stock purchases under the ESPP were made during the three months ended June 30, 2015 and June 30, 2014.

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Valuation Assumptions

The weighted-average assumptions used and the resulting estimates of fair value for ESPP and market-based RSUs during the six months ended June 30, 2015 and June 30, 2014 were as follows:

	Six Months Ended June 30,	
	2015	2014
ESPP [1]:		
Volatility	30%	33%
Risk-free interest rate	0.1%	0.1%
Expected life (years)	0.5	0.5
Dividend yield	1.9%	—
Weighted-average fair value per share	$5.23	$6.37
Market-based RSUs [2]:		
Volatility	34%	36%
Risk-free interest rate	1.4%	1.6%
Dividend yield	0% - 1.8%	0% - 1.5%
Weighted-average fair value per share	14.97	18.28

(1) The Black-Scholes-Merton option-pricing model is utilized to estimate the fair value of shares issuable under the ESPP.

(2) The fair value of market-based RSUs utilizes a Monte Carlo valuation methodology. The Company amortizes the fair value of these awards over the derived service period adjusted for estimated forfeitures for each separately vesting tranche of the award. Provided that the derived service is rendered, the total fair value of the market-based RSUs at the date of grant is recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

Share-Based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of revenues - Product	$1.5	$1.3	$3.2	$2.6
Cost of revenues - Service	3.8	3.1	7.2	7.1
Research and development	32.5	31.6	63.2	63.7
Sales and marketing	13.4	14.4	19.2	29.0
General and administrative	7.7	8.9	12.1	17.7
Total	$58.9	$59.3	$104.9	$120.1

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stock options	$1.5	$3.7	$3.7	$8.8
RSUs, RSAs, and PSAs	53.3	51.9	93.9	103.7

ESPP	4.1	3.7	7.3	7.6
Total	$58.9	$59.3	$104.9	$120.1

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The following table presents unrecognized compensation cost, adjusted for estimated forfeitures, recognized over a weighted-average period related to unvested stock options, RSUs, RSAs, and PSAs as of June 30, 2015 (in millions, except years):

	Unrecognized Compensation Cost	Weighted Average Period (In Years)
Stock options	$5.7	1.0
RSUs, RSAs, and PSAs	$279.5	1.9

Note 12. Segments

The Company realigned its organization into a One-Juniper structure which includes consolidating each of the Company's R&D and go-to-market functions. As a result of these changes, the consolidated business is considered to be one reportable segment, consistent with how the Company's chief operating decision maker ("CODM") views the business, allocates resources, and assesses the performance of the Company.

The Company sells its high-performance networking products and service offerings across routing, switching, and security to service provider and enterprise markets.

The following table presents net revenues by product and service (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Routing	$602.4	$617.8	$1,107.2	$1,167.6
Switching	190.2	199.8	356.7	391.8
Security	107.1	111.6	199.9	245.8
Total product	899.7	929.2	1,663.8	1,805.2
Total service	322.5	300.3	625.8	594.4
Total	$1,222.2	$1,229.5	$2,289.6	$2,399.6

The Company attributes revenues to geographic region based on the customer's ship-to location. The following table presents net revenues by geographic region (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Americas:				
United States	$670.6	$660.7	$1,204.1	$1,284.4
Other	65.2	50.3	120.7	108.1
Total Americas	735.8	711.0	1,324.8	1,392.5
Europe, Middle East, and Africa	316.3	324.8	620.1	620.5
Asia Pacific	170.1	193.7	344.7	386.6
Total	$1,222.2	$1,229.5	$2,289.6	$2,399.6

No customer accounted for 10% or more of the Company's net revenues during the three and six months ended June 30, 2015 and June 30, 2014, respectively.

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The following table presents geographic information for property and equipment, net and purchased intangible assets, net (in millions):

	As of June 30, 2015	December 31, 2014
United States	$865.1	$871.7
International	100.9	95.0
Property and equipment, net and purchased intangible assets, net	$966.0	$966.7

The Company tracks assets by physical location. The majority of the Company's assets, excluding cash and cash equivalents and investments, as of June 30, 2015 and December 31, 2014, were attributable to U.S. operations.

Note 13. Income Taxes

The Company's effective tax rate for the three and six months ended June 30, 2015 of 30.1% and 30.4%, respectively, differs from the federal statutory rate of 35% primarily due to the benefit of the Section 199 deduction for U.S. production activities and earnings in foreign jurisdictions, which are subject to lower tax rates, and differs from the effective tax rate for the same periods in 2014 due to the impact of the discrete items noted below. The effective rate for the period does not reflect the benefit of the federal research and development ("R&D") credit, which expired on December 31, 2014.

The Company's effective tax rate for the three and six months ended June 30, 2014 of 24.9% and 25.0%, respectively, was lower than the federal statutory rate of 35% primarily due to the benefit of the Section 199 deduction for U.S. production activities, earnings in foreign jurisdictions, which are subject to lower tax rates, and the impact of the discrete items noted below. The effective rate for the period does not reflect the benefit of the federal R&D credit, which expired on December 31, 2013.

The effective tax rates for the three and six months ended June 30, 2015 and June 30, 2014 include the tax expense (benefit) of the following discrete items (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Tax on equity investments[1]	$—	$—	$—	$35.6
Restructuring	$0.2	$(25.1)	$(1.1)	$(55.9)
Legal settlement	$—	$44.7	$—	$44.7

[1] During the six months ended June 30, 2014, tax on equity investments of $35.6 million is net of a valuation allowance release of $24.7 million.

As of June 30, 2015, the total amount of gross unrecognized tax benefits was $205.1 million, of which $171.1 million, if recognized, would affect the Company's effective tax rate.

The Company engages in continuous discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. There is a greater than remote likelihood that the balance of the gross unrecognized tax benefits will decrease by approximately $3.1 million within the next twelve months due to lapses of applicable statutes of limitations and the completion of tax review cycles in various tax jurisdictions.

The Company is currently under examination by the Internal Revenue Service ("IRS") for the 2007 through 2009 tax years and the California Franchise Tax Board for the 2004 through 2006 tax years. During the first quarter of 2015, the IRS issued "Notices of Proposed Adjustments" ("NOPA's") related to the examination. The Company regularly assesses the likelihood of an adverse outcome resulting from such examinations. As of June 30, 2015, the Company believes the resolution of the audits will not have a material adverse impact on the financial statements.

The Company is also subject to separate ongoing examinations by the India tax authorities for the 2004 tax year, 2004 through 2008 tax years, and the 2008 through 2010 tax years.

In 2008, the Company received a proposed adjustment from the India tax authorities related to the 2004 tax year. In 2009, the India tax authorities commenced a separate investigation of our 2004 through 2008 tax returns and are disputing the Company's determination of taxable income due to the cost basis of certain fixed assets. The Company accrued $4.6 million in penalties and interest in 2009 related to this matter. The Company understands that in accordance with the administrative and judicial process in India, the Company may be required to make payments that are substantially higher than the amount accrued in order to ultimately settle this issue. The Company strongly believes that any assessment it may receive in excess of the amount accrued would be inconsistent with applicable India tax laws and intends to defend this position vigorously.

The Company is not aware of any other examinations by tax authorities in any other major jurisdictions in which it files income tax returns as of June 30, 2015.

The Company is pursuing all available administrative remedies relative to these matters. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to these proposed adjustments and the ultimate resolution of these matters is unlikely to have a material effect on its consolidated financial condition or results of operations; however there is still a possibility that an adverse outcome of these matters could have a material effect on its consolidated financial condition and results of operations.

Note 14. Net Income Per Share

The Company computed basic and diluted net income per share attributable to Juniper Networks common stockholders as follows (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income	$158.0	$221.1	$238.2	$331.7
Denominator:				
Weighted-average shares used to compute basic net income per share	389.9	470.3	398.4	478.1
Dilutive effect of employee stock awards	7.3	6.2	7.7	9.2
Weighted-average shares used to compute diluted net income per share	397.2	476.5	406.1	487.3
Net income per share attributable to Juniper Networks common stockholders:				
Basic	$0.41	$0.47	$0.60	$0.69
Diluted	$0.40	$0.46	$0.59	$0.68
Anti-dilutive:				
Potential anti-dilutive shares	3.7	28.0	4.8	26.8

Basic net income per share is computed using net income available to common stockholders and the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed using net income available to common stockholders and the weighted-average number of common shares outstanding plus potentially dilutive common shares outstanding during the period. Dilutive potential common shares consist of common shares issuable upon exercise of stock options, issuances of ESPP, and vesting of RSUs, RSAs, and PSAs. The Company includes the common shares underlying PSAs in the calculation of diluted net income per share when they become contingently issuable and excludes such shares when they are not contingently issuable. Potentially dilutive common shares were excluded from the computation of diluted net income per share because their effect would be anti-dilutive.

Note 15. Commitments and Contingencies

Commitments

Operating Leases

The Company leases its facilities and certain equipment under non-cancelable operating leases that expire at various dates through October 31, 2024. Certain leases require the Company to pay variable costs such as taxes, maintenance, and insurance and include renewal options and escalation clauses. Future minimum payments under the non-cancelable operating leases totaled $118.6 million as of June 30, 2015. Rent expense was $10.9 million and $22.4 million for the three and six months ended June 30, 2015, respectively, and $12.7 million and $25.7 million for the three and six months ended June 30, 2014, respectively.

Purchase Commitments with Contract Manufacturers and Suppliers

In order to reduce manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with contract manufacturers and certain suppliers to procure inventory based on the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consists of firm and non-cancelable commitments. These purchase commitments totaled $476.4 million as of June 30, 2015.

The Company establishes a liability in connection with purchase commitments related to quantities in excess of its demand forecasts or obsolete materials charges for components purchased by the contract manufacturers based on the Company’s demand forecast or customer orders. As of June 30, 2015, the Company accrued $20.6 million based on its estimate of such charges.

Debt and Interest Payment on Debt

As of June 30, 2015, the Company held short-term and long-term debt consisting of senior notes with a carrying value of $299.9 million and $1,648.7 million, respectively. Of these Notes, $300.0 million will mature in 2016 and bears interest at a fixed rate of 3.10%, $300.0 million will mature in 2020 and bears interest at a rate of 3.30%, $300.0 million will mature in 2021 and bears interest at a fixed rate of 4.60%, $350.0 million will mature in 2024 and bears interest at a fixed rate of 4.50%, $300.0 million will mature in 2025 and bears interest at a fixed rate of 4.35%, and $400.0 million will mature in 2041 and bears interest at a fixed rate of 5.95%. Interest on the Notes is payable semiannually. See Note 9, Debt and Financing, for further discussion of the Company's short-term and long-term debt.

Other Contractual Obligations

As of June 30, 2015, other contractual obligations primarily consisted of (1) $45.7 million in indemnity and employee-related obligations and service-related escrows, including those required in connection with certain asset purchases and acquisitions completed by the Company between 2005 and 2014; (2) $3.5 million in campus build-out obligations; and (3) $26.0 million of agreements that include firm and non-cancelable terms to transfer funds in the future for fixed or minimum amounts or quantities to be purchased at fixed or minimum prices.

Tax Liabilities

As of June 30, 2015, the Company had $180.2 million included in long-term income taxes payable in the Condensed Consolidated Balance Sheets for unrecognized tax positions. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments related to this amount due to uncertainties in the timing of tax audit outcomes.

Guarantees

The Company enters into agreements with customers that contain indemnification provisions relating to potential situations where claims could be alleged that the Company's products infringe the intellectual property rights of a third-party. The Company also has financial guarantees consisting of guarantees of product and service performance, guarantees related to third-party customer-financing arrangements, custom and duty guarantees, and standby letters of credit for certain lease facilities. As of June 30, 2015 and December 31, 2014, the Company had $17.2 million and $26.2 million, respectively, in financing arrangements, bank guarantees, and standby letters of credit related to these financial guarantees, of which $11.2 million in financing guarantees was recorded in other accrued liabilities and other long-term liabilities in the Condensed Consolidated Balance Sheets as of June 30, 2015. See Note 9, Debt and Financing, for further discussion of the Company's third-party customer financing arrangements that contain guarantee provisions.

Legal Proceedings

Investigations

The U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) are conducting investigations into possible violations by the Company of the U.S. Foreign Corrupt Practices Act (FCPA). The Company is cooperating with these agencies regarding these matters. The Company’s Audit Committee, with the assistance of independent advisors, has been investigating and conducting a thorough review of possible violations of the FCPA, and has made recommendations for remedial measures, including employee disciplinary actions in foreign jurisdictions, which the Company has implemented and continues to implement. The Company is unable to predict the duration, scope or outcome of the SEC and DOJ investigations, but believes that an adverse outcome is reasonably possible. However, the Company is not able to estimate a reasonable range of possible loss. The SEC and/or DOJ could take action against us or we could agree to settle. In such event, we could be required to pay substantial fines and sanctions and/or implement additional remedial measures; in addition, it may be determined that we violated the FCPA.

Other Litigation

In addition to the investigations discussed above, the Company is involved in other disputes, litigation, and other legal actions. The Company is aggressively defending these current litigation matters, and while there can be no assurances and the outcome of these matters is currently not determinable, and the Company currently believes that none of these existing claims or proceedings are likely to have a material adverse effect on its financial position. There are many uncertainties associated with any litigation and these actions or other third-party claims against the Company may cause the Company to incur costly litigation and/or substantial settlement charges. In addition, the resolution of any intellectual property litigation may require the Company to make royalty payments, which could adversely affect gross margins in future periods. If any of those events were to occur, the Company's business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from the Company's estimates, if any, which could result in the need to adjust the liability and record additional expenses.

We record an accrual for loss contingencies for legal proceedings when we believe that an unfavorable outcome is both (a) probable and (b) the amount or range of any possible loss is reasonably estimable. We have not recorded any accrual for loss contingencies associated with such legal proceedings or the investigations discussed above.

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

Note 16. Subsequent Events

Dividend Declaration

On July 23, 2015, the Company announced that it had declared a cash dividend of $0.10 per share of common stock payable on September 22, 2015 to stockholders of record as of the close of business on September 1, 2015.

Stock Repurchase Activities

In July 2015, the Board approved an incremental $500.0 million stock repurchase authorization under the 2014 Stock Repurchase Program.

Subsequent to June 30, 2015, through the filing of this Report, the Company repurchased 1.3 million shares of its common stock, for an aggregate of $35.0 million at an average purchase price of $27.96 per share, under the 2014 Stock Repurchase Program. Repurchases of 0.9 million shares were settled prior to the filing of this Report and the remaining shares will be settled after the filing date. Under the 2014 Stock Repurchase Program, the Company has $640.0 million authorized funds remaining as of the filing date. Purchases under the Company's stock repurchase program are subject to review of the circumstances in place at the time and will be made from time to time as permitted by securities laws and other legal requirements. This program may be discontinued at any time.

Data Center Lease Agreement

On July 10, 2015, the Company entered into a data center lease agreement that will be accounted for as a build-to-suit lease, in which the Company will be deemed to be the owner of the property during the construction period. As a result, the Company will capitalize the construction cost in property, plant and equipment and record a financing liability on the Condensed Consolidated Balance Sheet during the construction period. The lease is a ten-year lease, and the Company has the option to extend the term of the lease for up to twenty years in increments of either five years or ten years, for approximately 63,000 square feet of space in the State of Washington. The total rent payment for the lease is expected to be approximately $118.1 million over the ten-year term. The lease agreement provides the Company with a tenant allowance of $6.0 million to be used for tenant leasehold improvements. Any unused tenant allowance may be applied as a credit to the rent payment. The space will be used, among other things, to consolidate certain of the Company's laboratory operations currently located in Sunnyvale, California.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q (“Report”), including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and the future results of Juniper Networks, Inc. (“we,” “us,” or the “Company”) that are based on our current expectations, estimates, forecasts, and projections about our business, economic and market outlook, our results of operations, the industry in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “would,” “could,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and simila expressions are intended to identify such forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Report under the section entitled “Risk Factors” in Item 1A of Part II and elsewhere, and in other reports we file with the U.S. Securities and Exchange Commission (“SEC”), specifically our most recent Quarterly Report on Form 10-Q filed with the SEC on May 8, 2015. While forward-looking statements are based on reasonable expectations of our management at the time that they are made, you should not rely on them. We undertake no obligation to revise or update publicly any forward-looking statements for any reason, except as required by applicable law.

The following discussion is based upon our unaudited Condensed Consolidated Financial Statements included in Part 1, Item I, of this Report, which have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the manufacturing and shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory and spare parts, among other matters. In making these decisions, we consider various factors, including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. Each of these decisions has some impact on the financial results for any given period.

To aid in understanding our operating results for the periods covered by this Report, we have provided an executive overview and summary of our business and market environment along with a financial results overview. These sections should be read in conjunction with the more detailed discussion and analysis of our condensed consolidated financial condition and results of operations in this Item 2, our “Risk Factors” section included in Item 1A of Part II of this Report, and our unaudited Condensed Consolidated Financial Statements and Notes included in Item 1 of Part I of this Report, as well as our audited Consolidated Financial Statements and Notes included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Business and Market Environment

At Juniper Networks, we design, develop, and sell products and services for high-performance networks to enable customers to build highly scalable, reliable, secure and cost-effective networks for their businesses, while achieving agility, efficiency and value through automation. We focus on customers and partners across our key market verticals who view these network attributes as fundamental to their business; including Telecom, Cable Providers, Cloud Providers, National Government, Financial Services, and Strategic Verticals. We believe that product and solution differentiation, with a relentless customer focus, will assist us to achieve our primary goal of growing our revenue faster than the market.

Our products are sold in three geographic regions: Americas; Europe, Middle East, and Africa ("EMEA"); and Asia Pacific ("APAC"). Our high-performance routing, switching, and security networking products and service offerings are sold to service provider and enterprise markets. Our silicon, systems, and software represent innovations that transform the economics and experience of networking, helping customers achieve superior performance, greater choice, and flexibility, while reducing overall total cost of ownership. In addition to our products, we offer technical support and professional services, as well as education and training programs to our customers. Together, our high-performance product and service offerings help our customers convert legacy networks that provide commoditized services into more valuable assets that provide differentiation, value, and increased performance, reliability, and security to end-users.

During the second quarter of 2015, compared to the same period in 2014, we saw a slight decline in net revenues primarily from a decline in APAC Enterprise and a decline in EMEA and APAC Service Providers, partially offset by Cloud and Cable Providers in the Americas. In the second half of 2015, we expect continued momentum from our Cloud and Cable Providers and improved demand from our large US Carriers. We also expect continued improvement in the Enterprise market along with growth from some of our international customers as they continue to build-out their networks. We believe our product gross margins may continue to vary in the future due to a mix of products sold and competitive pricing pressures, which may be offset by continued improvements

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to our cost structure. We believe our product portfolio continues to be strong, and we remain focused on operational excellence, cost discipline and targeted growth initiatives.

We continue to invest in innovation and strengthening of our product portfolio, which resulted in the announcement of new product offerings across routing, switching and security during the second quarter of 2015. In routing, we announced an expanded Converged Supercore architecture with PTX1000, which delivers the industry’s most compact 3 Terabits per second fixed configuration core router, leveraging our ExpressPlus silicon chip.

In switching, we announced the QFX5100-AA switch and the QFX-PFA, a new packet flow accelerator module. Together, this solution provides a data center switch that consolidates compute resources and customizable logic into the network.

In security, we announced new hardware for Juniper Networks® SRX5800 Services Gateway. We believe that the improvements will increase available Internet Mix (IMIX) firewall throughput up to 2 Terabits per second.
In addition to our new product announcements, we continued to deliver on our previously announced capital return program. In the second quarter of 2015, we repurchased $600.0 million of shares of our common stock, completing our previously announced intention to repurchase a total of $1.0 billion of shares from January through June 2015.
In addition, during the second quarter of 2015, we paid a quarterly cash dividend of $0.10 per share for an aggregate amount of $38.7 million and on July 23, 2015, we announced a cash dividend of $0.10 per share of common stock payable on September 22, 2015 to stockholders of record as of the close of business on September 1, 2015.

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Financial Results and Key Performance Metrics Overview

The following table provides an overview of our key financial metrics (in millions, except per share amounts, percentages, days sales outstanding ("DSO"), and book-to-bill):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	$ Change	% Change	2015	2014	$ Change	% Change
Net revenues	$1,222.2	$1,229.5	$(7.3)	(1)%	$2,289.6	$2,399.6	$(110.0)	(5)%
Gross margin	$781.5	$748.2	$33.3	4%	$1,438.8	$1,468.3	$(29.5)	(2)%
Percentage of net revenues	63.9%	60.9%			62.8%	61.2%		
Operating income	$243.1	$115.9	$127.2	110%	$374.9	$109.7	$265.2	242%
Percentage of net revenues	19.9%	9.4%			16.4%	4.6%		
Net income	$158.0	$221.1	$(63.1)	(29)%	$238.2	$331.7	$(93.5)	(28)%
Percentage of net revenues	12.9%	18.0%			10.4%	13.8%		
Net income per share:								
Basic	$0.41	$0.47	$(0.06)	(13)%	$0.60	$0.69	$(0.09)	(13)%
Diluted	$0.40	$0.46	$(0.06)	(13)%	$0.59	$0.68	$(0.09)	(13)%
Cash dividends declared per common stock	$0.10	$—	$0.10	—%	$0.20	$—	$0.20	—%
Stock repurchase plan activity	$600.0	$—	$600.0	—%	$1,000.0	$900.0	$100.0	11%
Operating cash flows					$482.5	$548.2	$(65.7)	(12)%
DSO	39	41	(2)	(5)%				
Product book-to-bill	>1	1						

	June 30, 2015	December 31, 2014	$ Change	% Change
Deferred revenue	$1,104.4	$1,075.7	$28.7	3%

- Net Revenues: During the three months ended June 30, 2015, compared to the same period in 2014, we experienced a slight decline in net revenues primarily from APAC Enterprise and Service Provider markets, in particular a significant decline in China net revenues, partially offset by an increase in net revenues from Cloud and Cable Providers in the Americas. The decline from prior year in our net revenues was due to a decrease in net revenues from our routing, switching, and security product revenues, partially offset by an increase in our service revenue.

During the six months ended June 30, 2015, compared to the same period in 2014, net revenues decreased in both our Service Provider and Enterprise markets. The decline in Service Provider was primarily due to a decline in net revenues from large US Carriers and APAC Service Providers, partially offset by increased net revenues from Americas Cloud Providers. The decline in net revenues in the Enterprise market was primarily due to a decline in campus and branch.

- Gross Margin: Our gross margin as a percentage of net revenues increased during the three and six months ended June 30, 2015, compared to the same period in 2014, primarily due to product mix, cost reduction efforts and strong growth in service revenues in the quarter, which improved service gross margin. The increase in gross margin is also as a result of higher restructuring and other (benefit) charges recorded in 2014, in connection with the 2014 Restructuring Plan.

- Operating Income: Our operating income as a percentage of net revenues increased during the three and six months ended June 30, 2015, compared to the same period in 2014, as a result of improved operating efficiencies and our cost reduction efforts. Further, in the three and six months ended June 30, 2015, compared to the same period in 2014, restructuring and other (benefit) charges decreased $60.1 million and $172.7 million, respectively.

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- Cash Dividends Declared per Common Stock: During the six months ended June 30, 2015, we declared a quarterly cash dividends of $0.10 per share of common stock, on January 27, 2015 and on April 23, 2015, which were paid on March 24, 2015 and on June 23, 2015, respectively, to stockholders of record on March 3, 2015 and on June 2, 2015, respectively, in the aggregate amount of $79.5 million.

- Stock Repurchase Plan Activity: During the three and six months ended June 30, 2015, we repurchased approximately 23.2 million and 40.6 million shares of our common stock in the open market, at an average price of $25.83 and $24.64 per share, for an aggregate purchase price of $600.0 million and $1.0 billion, respectively. Pursuant to the $1.2 billion accelerated share repurchase, or ASR, program, during the six months ended June 30, 2014, we received and retired 33.3 million shares of our common stock at a cost of $900.0 million. No repurchases of our common stock were made during the three months ended June 30, 2014.

- Operating Cash Flows: Operating cash flows decreased during the six months ended June 30, 2015, compared to the same period in 2014, primarily due to higher net income for the six months ended June 30, 2014, which included the proceeds from a patent litigation settlement, partially offset by a decrease in expenditures associated with restructuring and compensation, in particular incentive compensation.

- DSO: DSO is calculated as the ratio of ending accounts receivable, net of allowances, divided by average daily net revenues for the preceding 90 days. DSO for the second quarter of 2015 decreased by 2 days, or 5%, compared to the same period in 2014, primarily due to improved shipment and invoice linearity.

- Product book-to-bill: Product book-to-bill represents the ratio of product orders booked divided by product revenues during the respective period. Product book-to-bill was greater than one for the three months ended June 30, 2015 and one for the three months ended June 30, 2014.

- Deferred Revenue: Total deferred revenue increased by $28.7 million to $1,104.4 million as of June 30, 2015, compared to $1,075.7 million as of December 31, 2014, primarily due to an increase in deferred service revenue of $49.2 million driven by an increase in annual renewals of support agreements, which are billed in advance, partially offset by a decrease in deferred product revenue of $20.5 million, which was driven by a reduction in channel inventory reflecting the improvement in the underlying Enterprise demand.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. On an ongoing basis, we evaluate our estimates and assumptions. These estimates and assumptions are based on current facts, historical experience, and various other factors that we believe are reasonable under the circumstances to determine reported amounts of assets, liabilities, revenue and expenses that are not readily apparent from other sources.

An accounting policy is considered to be critical if the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and the effect of the estimates and assumptions on financial condition or operating performance is material. The accounting policies that we believe reflect our more significant estimates, judgments, and assumptions and are most critical to understanding and evaluating our reported financial results are as follows:

- Goodwill;
- Inventory Valuation and Contract Manufacturer Liabilities;
- Revenue Recognition;

- Income Taxes; and
- Loss Contingencies.

During the six months ended June 30, 2015, there were no significant changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2014.

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Recent Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report, for a full description of recent accounting pronouncements, including the actual and expected dates of adoption and estimated effects on our consolidated results of operations and financial condition, which is incorporated herein by reference.

Results of Operations

We sell our high-performance networking products and service offerings across routing, switching, and security to two primary markets: Service Provider and Enterprise. Our determination of the market to which a particular revenue transaction relates is based primarily upon the customer's industrial classification code, but may also include subjective factors such as the intended use of the product. The service provider market generally includes wireline and wireless carriers, and cable operators, as well as major Internet content and application providers, including those that provide social networking and search engine services. The Enterprise market is generally comprised of businesses; federal, state, and local governments; research and education institutions; and financial services.

The following table presents product and service net revenues (in millions, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,
	2015	2014	