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PRESENTATION

Operator

Welcome to the Juniper Network,s Inc. second quarter 2008 conference call. (OPERATOR INSTRUCTIONS) I would now like the turn the call over to Kathleen Bela, Vice President of Investor Relations.

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Thank you operator. Good afternoon, and thank you all for joining us today. Here today are Scott Kriens, Chairman and Chief Executive Officer, and Robyn Denholm, Chief Financial Officer. Before we get started, I would like to remind everyone that statements made during this call concerning Juniper's business outlook future financial operating results and overall future prospects are forward-looking statements that involve a number of uncertainties and risks. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including economic conditions generally. Or in the networking industry, changes in overall technology spending, the network capacity requirements of service providers, the timing of orders and shipments, manufacturing and supply chain constraints, variation in the mix of products sold, customer perceptions and acceptance of our production, litigation and other factors listed in our most recent report on form 10-Q filed with the SEC. All statements made during this call are made only as of today. Juniper undertakes no obligation to update the information in the conference call in the event facts or circumstances subsequently change after the date of this call. Also in discussing the financial results today,

Robyn will first present results on a GAAP basis and for purposes of today's discussion will also review non-GAAP results. For important commentary on why the management team considers non-GAAP information a useful view of the company's financial results, please consult our filings with the SEC. For the detailed reconciliation between GAAp and non-GAAP, please see today's press release. In general, non-GAAP results exclude certain non-recurring charges such as amortization of purchase intangibles, other acquisition related charges, impairment charges and expenses related to stock base compensation. Please note that today's call is scheduled to last for one hour and please limit your questions to one per firm. With that I will turn the call over to Scott.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Thank you, Kathleen. And good afternoon to everyone out there. As we've been doing with format of our calls beginning the last quarter, I will turn this call over to Robyn in a few minutes, for a full review of our financials and the key metrics for the second quarter and also the first half here at the mid-year. And then I will rejoin you to share some summary comments and also to provide guidance for the third quarter and the balance of 2008.

But first, let's start with the news of this morning. As we announced -- and I am very excited to talk to you about. And we can do this both now and in questions. Kevin Johnson will be joining us from Microsoft as our new CEO in early September. And at that time he will also be appointed to the Juniper Board of Directors. It seems like not enough to say. Kevin is a world class executive. He has done an amazing number of things. And in particular from my point of view, his alignment to our culture to the values that we have built this company on. And coupling that with his experience at scale, in a number of areas of absolute direct relevance to the vision for this company, Kevin is going to enhance this team in some very powerful ways. And I'm really looking forward to having him join this team.

I will be remaining as the company's chairman of the board. And I will also be very active on an ongoing basis in support of Kevin and the entire company. Principally in the areas of strategy, leadership, and talent development and of course ongoing support of a number of ongoing key relationships that I have built over the years. This first 12 years at Juniper has been, for me, an incredible, satisfying experience. And even with all that said, I look forward to the years ahead with even more enthusiasm. Kevin and I have built a great relationship and with his leadership, the support of Pradeep Sindhu, here, our founder, and the rest of the Juniper team we are fantastically staffed to make the most of opportunities.

I'll talk some more about that staffing in a few minutes, as well. But this is just a team that is just incredibly capable, and ready to take advantage of our future here in some ways that we're excited about. So I'll save the rest of this on Kevin and questions you might have for after primarily because we have a variety of questions to discuss with you today as well. But I'll frame that discussion with the simple headline for the first half of the year. And it is actually to reduce it if you want to, to six words that would tell you everything that I have said and am about to say. Juniper is strong and getting stronger. And I have said that in very unequivocal terms. So let me anticipate the obvious question you might have. Why such a confident statement in the midst of such an uncertain economy?

There's four basic reasons that underline the strength that we demonstrated and the results that you saw and also the confidence that we'll share with you today. First and most simply, our strategy is working. And that strategy is one of focusing on high performance networks where the network performance determines business success. That means that Juniper customers can remain focused on their networks as a priority. And even as they look elsewhere in their budgets for savings, that priority remains. So the strategy is solid. Second, we enjoy strength from the diversity and multiple markets. A wide range of products across all regions and all the economies of the world. Third, our product cycles are stronger than ever. With the Juniper high performance technology being manifested in ways that are more compelling than ever, particularly for discriminating network buyers. And then fourth, expanding our position in the enterprise market with our VX series ethernet switches is really ushering in a new area of opportunity. As customers are inviting us to join with them as a strategic partner in ways never before possible. And especially in the early examples we have seen of product excitement and acceptance. And I'll speak to a few of those examples in just a minute.

And finally, bundled in with all four of those drivers is the constant focus on execution and the improvements in the productivity and the operational efficiency behind those results, our ability to execute and to realize the leverage available in our business model, and our agility in managing changes as they occur, gives us the confidence that will manage our business well, even as uncertainty persists. So with that said, let's get into the results of the second quarter and our outlook. Once again, throughout Juniper, the team continued to execute well in the second quarter and delivered solid results. Top line revenue was up 32% over last year and non-GAAP operating profit up 53% over last year, underscoring the strength of the business model and our focus on operational excellence. So let's look first at the geographies and then the markets across both service provider and the enterprise businesses. On a geographic basis in the second quarter we saw a very consistent performance across the service provider and enterprise segments of our business around the world.

The Americas represented 44% of total revenue in the second quarter as compared to 51% in the first quarter of 2008 with particular strength in the U.S. federal sector. As a reminder, the average America's quarterly contribution throughout 2007 was 47%. So with the first quarter at 51% and the second quarter at 44%, we're at the same contribution level for the year that we have historically seen from the Americas Europe, middle East and Africa or AMEA represented 33% of total revenue in the second quarter as compared to 29% in the first quarter, with a continuing strength in the enterprise markets and also among Tier two service providers. Asia-Pacific or APAC represented 23% of total revenue in the second quarter as compared to 20% in the first quarter with strength in both enterprise and service provider. So let's review the service provider and enterprise businesses. And I'll start with the service provider. The second quarter marked continued success of our portfolio strategy with our service provider customers as we helped them to embrace new business models.

In particular we saw increasing contributions from cable providers in the quarter, with strategic wins that included Comcast deployment of the MX 240, 480 and 960, and also the T1600, Cox communications deployment of the MX 960, Telecable's deployment of the M and MX series in Spain, and Cablecom's deployment of the M series and SSG security products in Mexico. We also expanded the Juniper open IP development programs with the additions of IBM, NEC, [Kasenna] and Polycom and NTT advanced technology adopted the Juniper Partner Solution . Development Platform to build specialized applications on top of our Juno's network operating system. In the second quarter, the edge represented just over half of our infrastructure business. And as in previous quarters, we expect to see this mix fluctuate between core and edge on a quarter to quarter basis. At the core of the network, exiting the second full quarter of shipping the T-1600 core router, total units booked nearly doubled to 195, up 90 units in the quarter. And total units shipped, more than doubled to 165, up 88 units in the quarter. NTT communications selected the T-1600 core router to scale the capacity of its global IP network. The world's largest dedicated internet backbone network. And, several keys here to success. A couple being the non-disruptive upgrade path from the T-640 and also the energy efficiency advantages of the T-1600.

Another T-1600 customer in the quarter was Ono who is the leading service provider in Spain. We realized continued success with the T series and T-640 with [Anaro Telecom] of Korea, and Virgin Media demonstrated T series core routers equipped with 40 gigabit interfaces over a live UK commercial network. Moving to the edge of the network, the MX series continues to gain momentum exiting it's first anniversary with more than 250 customer deployments in 43 countries, at an annual revenue run rate of over $300 million. MX series customer shipments in the quarter, Above Net, Bell Canada, Internet Initiative of Japan or IIJ, Qwest, Excel Communications and Yahoo!. We also realized the success of MX and E series with three New Zealand service providers. Orcon's deployment of MX 960, E-120 and C series controllers and World Exchanges deployment of the E-320.. These overall results continue to be enabled by a number of partners, in particular NSN was responsible for just over 10% of revenues, delivering 10.4% of total Juniper revenues, primarily in their role as a partner in the service provider marketplace. From a market share perspective Juniper continued to maintain or gain market share in every major product category.

According to Synergy Research for the latest quarter reported Q! of '08. Juniper fortified it's number two position in service provider routing, maintained the number two position in core routing, gained share in the edge, the B ras multiservice edge categories and also maintained share in the ethernet edge category as well. So enterprise, let me comment on the enterprise business, including some of the achievements in the quarter. I actually spent an extra minute here because there is a lot of news to cover. We are seeing consistent and expanding success with our strategy of positioning Juniper as a partner to our enterprise customers. The customers are extending invitations to us to join them at the network planning table and play a significant role

in their success. We're seeing this consistently across geographies and industries including financial services, education and public sector segments of the market..

A key driver in our ability to compete and win in enterprise network infrastructure opportunities is the availability of our EX series ethernet switches. In the quarter we recognized over $10 million in ethernet switching revenue, and shipped e=EX 3200 and EX 4200 switches to more than 100 customers around the world. The industry obviously has recognized the arrival of the EX as well. The EX was awarded top honors at Interop Tokyo 2008, winning the Grand Prix award for business infrastructure. And there was also a just published network world exclusive clear choice test where the EX 4200 was subjected to the same bench marks that are used previously to assess seven other competitors. And the findings in the words of the independent network test editors were that the EX 4200 delivered line rate throughput in every case. The only switch network world that is tested to do so. In addition latency or delay was the lowest ever measured. And they were equally impressed with the EX 4200 feature set. And of course the Juno's operating system. So the summary, and this is again in the words of the testers, solid results for a new product, more solid in fact than some other vendor's third and fourth efforts. Actually to underscore our momentum in the quarter, here is three very strategic enterprise wins that highlight the customer invitations in this portfolio strategy that we talked about. Our first example is from the Americas.

Commerce Bank, based in Missouri with approximately 360 locations across the central U.S. has selected Juniper high performance network infrastructure as the foundation of a companywide network upgrade to their core switching agregation and branch office routing infrastructure. In the initial phase, Commerce Bank will deploy, MX 960 ethernet service router, M10 I edge routers and J series services at all branch office locations. And the bank also plans to deploy the EX series ethernet switches into new branch bank locations as it expands. And all of this is under-pinned by our Juno's network operating system. Our second example which is from [Imea] the University of Exeter which is a leading research university in the UK has deployed Juniper solutions for it campus light infrastructure upgrade for more than 14,000 students to a host of converged applications that include video and audio conferencing and university's deployed Juniper EX series ethernet switches in tandem with the MX series ethernet services routers integrated security gateways and secure access SSLVPN infrastructure. And our third example, which is from Asia-Pacific, the Hastings District Council which is the administrative authority for the Hastings region on the east coast of New Zealand, has deployed a mix of EX 3200 and 4200 ethernet switches in a mixed layer 2, layer 3 environment to support a host of applications, including IP telempathy across their fiber based metro area network. Hastings also selected Juniper SSG and our unified access controls security solutions for consistent enterprise lights security for the applications and services that are running over the network.

And finally we're also seeing an ongoing adoption and integration of our network infrastructure. and to manage third party solutions with key partners. For example, HP announced that it is standardized on the Juniper N and J series edge and services routers as integral elements of their halo collaboration studio, which is a fully managed telepresence collaboration solutions supported with the halo video exchange network. So beyond these examples, there were several other factors that drove Enterprise to amendment in the quarter. Juno software was key as always in all the Juniper wins that I referenced, and our operating system strategy continues to drive their leadership position in this high performance networking segment. This past July 7th, marked the 10th anniversary of on time consecutive quarterly releases of Juno software, and when the history is written of this success overall, the single source operating system strategy is going to be a key determining element in that success story. Across our SLT portfolio, which is also a component of our service provider revenues, we realize continued acceptance in the enterprise market, as well with strength across our security offerings particularly the market introduction and acceptance of the new IEP 8200 which is the industry's fastest intrusion prevention system and (inaudible) running at true 10 gigabit per second speeds. And the strength NSLT was offset by some softness in our application acceleration business in the quarter as well.

And finally from a market share perspective, Juniper maintained or gained share across every category. According to Synergy Research, for the latest quarter reported which again is Q1 of '08, Juniper maintained the number two position in high end enterprise routing and according to Infinetics research for the latest quarter reported, Q1, Juniper maintained a number two position in total network security, the number one position in the SSDPN in high end firewall categories and gained share and

secure routing as well. So these are the highlights across the markets. And the geographics that we continue to serve around the world.

On the personnel side, in addition to obviously the news of Kevin this morning and along with now more than 6500 other employees, we added to the Juniper executive leadership team with the appointment of John Morris to head our world-wide field operations and Luis Avila, to head corporate development. John joins us most recently from Pay by Touch where he served as a CEO. And before that he enjoyed a 23 year career at IBM. And Luis joins us from Scientific Atlanta, and Cisco where he served in a series of strategic assignments over the course of 14 years, most recently as the vice president of corporate strategic planning. So all in all, to say the least, a very busy time for Juniper on many fronts. And with that, let me turn the call over the Robyn for a detailed financial review of the second quarter in the first half. And then I'll come back with a few final comments on the outlook that we see for our markets and our values going forward.

Robyn Denholm - *Juniper Networks, Inc. - CFO*

Thank you Scott. And good afternoon everyone. In the second quarter, Juniper had gained, met or exceeded all guidance metrics. We continue to deliver improving financial results demonstrating both strategically and operationally the company is performing well. Despite the current macroeconomic environment. Demand for our products remain strong and we believe we're going faster than our industry. Our product (inaudible) to bill ratio remains above one. We enjoy healthy deferred revenues and we have a solid business pipe line. Our execution is good and we expect to continue to deliver on both the revenue and expense side of the P&L as we move through the second half of the year. Scott will speak directly to what that means for our guidance in a few moments.

As an opening comment on our operating performance, I think the trends tell an interesting and positive story about Juniper. First, we are offering the more comprehensive portfolio product we've ever had and it is a strong lineup. Secondly, our focus on the high performance networking market and our improving ability to cross sell is fueling our revenue momentum. The profits these trends create are giving us the flexibility to invest in growth. And we're doing that. But we're doing it at a time when we are also continuing our operational excellence program to reduce and control infrastructure expense as well as build discipline and efficiency into our models. The result is that we're making good progress to our Q-4 '08, 25% or higher operating goal. And we're doing it in the right way.

Now onto the review of the results. I'll discuss revenue and earnings on a GAAP basis first and then shift to the non-GAAP discussion as we dive deeper into the operating performance. Total revenues for the second quarter of 2008 was $879 million. Up 32% from the prior year. And up 7% sequentially from the first quarter. Juniper earned net income of $120.4 million, on a GAAP basis or $0.22 per diluted share, up 47% from the $0.15 reported in the 2007 second quarter. The diversification of our revenue from both a geographic and customer perspective, is the key to the strength of our business. Regionally both (inaudible) APAC have strong quarters. Year over year growth in the (inaudible) was for total revenue was 44%. And APAC grew by 35%. Within these geographies, AMEA grew the enterprise business strongest of any geography with good growth in Eastern Europe, Middle East and Africa. Service providers,(inaudible) growth in this region was driven mainly by the second tier of service providers. In APAC, we saw strong growth in both the service provider and enterprise business with the strongest growth in Japan, China and (inaudible) including India.

In America, we saw strong growth in Latin America and Canada in both the service providers and enterprise customers. In the U.S. our service provider business showed good growth on a year over year basis but was sequentially lower due to the timing of purchases from some of our customers. We saw good year over year growth on a segment basis in the U.S. enterprise (inaudible) lead by strength in our federal business. On a segment basis, total IPG revenue was $672.4 million, was up 40% on a year over year basis. And total SLT revenue of $206.6 million was up 12% on a year over year basis. The IPG revenue includes $10.1 million of EX switch revenue. We are pleased by the reception of the switch products that we have received from our customers. And this first quarter of revenue is a good start. Within each of the segments,IPG product revenue was 43% year over year. And IPG services revenue was up 24% year over year. IPG results reflect strength in the MX and T series (inaudible)

to service providers. SLT product revenue was up 7% year over year. And SLT services revenue was up 30% year over year with growth in the SSJ series and IDP products, partially off set by declines in WX products. On a sequential basis total IPG revenue was up 8%. and total SLT revenue was up 3%.

Looking at the markets we address, service providers (inaudible) with 73% of the total revenue, up 33% year over year, and up 5% sequentially with strength in all three regions. Total (inaudible) into the enterprise market was 27% an increase of 29% year over year, and up 12% sequentially. This strong growth is clearly being driven by the sale of more infrastructure products solutions, including the new switching line to our enterprise customers. The only customer above 10% as Scott mentioned was NSN at 10.4% for the quarter. Turning to our non-GAAP results, total growth (inaudible) for the quarter was 67.6% of revenue. In line with our long term model range of 66 to 68%. Product growth margins were at 70.6%, essentially flat year over year, and down 130 basis points over a strong first quarter. The changes to gross margins were due to changes in the product and geography mix. Overall product growth margins are strong, including most of our newly introduced switch line. This is a good indicator that our strategy to focus on the high performance networking market and the and the investments that we have made in R&D have resulted in products that are target customers value. Services gross margins were 53.7% for the quarter up 120 basis points year over year..

This is mainly due to an increase in the volume of service contracts and a continued focus on the cost of servicing our installed base. Operating expenses totaled $386.8 million or 44% of revenue. This represents an improvement of better than three percentage points from the second quarter of last year when expenses were 47.1% of revenue. R&D expenses totaled $174 million, or 19.8% of revenue. Sales and marketing expenses totaled $180.6 million or 20.5% of revenue. Operating expenses were up 5% sequentially, primarily due to the increases in employee related expenses, continued investments in research and development, including head count and prototypes. Operating profits for the quarter were strong at $207.4 million resulting in an operating margin of 23.6% of revenue. This is an improvement of 3.2 percentage points over the second quarter of last year, and up modestly on a sequential basis. Looking at our segments, operating margins for IPG was strong at approximately -- sorry, 29% for the quarter. And SLT operating margins increased to 6% for the quarter. We are pleased with our continued progress on this front, which is due to good discipline on the operating expense area.

Turning to the bottom line, Juniper posted non-GAAP net income of $156.6 million an increase of 5% from the first quarter, and 35% higher than year ago results. Net interests and other income was down 25% sequentially and 48% year over year as a result of lower interest rates earned on our cash and investment balances. The non-GAAP tax rate for the quarter was 29%, diluted earnings per share were $0.28 s, up a penny from the first quarter and up substantially over the prior year figure of $0.20 . Turning to the balance sheet at June 30, we ended the second quarter with over $2.3 billion in cash and cash equivalent. This is up from about $2.2 billion in the first quarter. We generated cash flow from operations in the quarter of $200.5 million down from the first quarter primarily due to timing of tax payments in the quarter and the . timing of cash receipts from our customers. On June 16, the company's zero -- sorry, coupon, convertible senior notes matured, and were converted into shares.

As a result, we have no long term debt on the balance sheet. CapEx, totalled $47.4 million, in the period and depreciation and amortization was $40.4 million. DSO's increase to 43 days to 40 days in the first quarter, mainly as a result of timing of cash receipts from our customers, but well within our range of 35-45 days. Our deferred revenue was $592.8 million, up $26.9 million compared to the end of the first quarter. At June 30, 2008, Juniper had 6,531 employees, up from 6,111 at the end of the first quarter. The increase was primarily in research and development, and the sales and marketing departments with more than one third of this increase being added to our end year engineering center. During the quarter, we utilized approximately $68 million to repurchase shares of our stock. For the quarter our share count was approximately 559 million shares. And with that, let me hand it back to Scott to go through the guidance for the third quarter and the full

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Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Great, thank you, Robyn. As you can see from Robyn's, review, and as I said at the outset, Juniper's business is strong and getting stronger. And it is primarily a reflection of the portfolio strategy we've talked about. And the position we occupy in support of

our customers and also the plans with our partners. There are four attributes-- key attributes, really. The words we hear from our customers that answer this question why Juniper? We have the size and the strength to be relied on. The speed to innovate and respond to the demands of high performance networking. The focus to build upon customer confidence and our leadership position and the ability to execute that enables us to be trusted to deliver and meet the commitments.

So all of this translates into the strength of our outlook and the guidance I'll share with you now, so let's go through that. As a reminder, guidance is provided on a non-GAAP basis. All guidance is forward-looking, and actual results may vary for a number of reasons, including those noted in our recent 10-Q as filed with the SEC. A GAAP EPS target is not accessible on a forward-looking basis to the high variability and low visibility with respect to the charges which are excluded from the non-GAAP EPS estimates. So for the third quarter we expect revenue of 925 to $935 million. And non-GAAP earnings per share of between $0.29 and $0.30, assuming a tax rate of 29%. We expect gross margins to be in our range of between 66 to 68%, and operating margins to be roughly with the second quarter.

For the full year and based on a thorough assessment of the business pipeline, we are raising our revenue outlook to 3.59, to $3.62 billion. This is up from our previous outlook for revenue of 3.4 to $3.55 billion. And we are also raising the range of our non-GAAP earnings per share guidance to between $1.14 and $1.17 per share for the full year. This reflects both operational improvements as well as a share camp anticipated between 560 and 570 million shares. And finally to reiterate a previously stated goal, we continue to expect to exit the December 2008 quarter with operating margins of 25% or higher. As we chart our course for the second half of 2008, our financial objective here is clear and concise. Top line growth, market share gains as we continue to demonstrate leverage in the business by growing the bottom line even faster.

We believe that we have the visibility across the high-performance networking marketplace necessary to make this possible. And we have the commitment across Juniper to continue to drive the intense execution necessary to capitalize on the opportunities in front of us. All of this is possible only with the support of our employees, whose continued commitment and incredible efforts make these results possible. As well as our many partners, our customers, our suppliers and our long-term stockholders. I'd like to thank you all for your continued support and confidence in Juniper Networks. So with that, I'll turn the call over to Kathleen to initiate the question and answer session, Kathleen?

QUESTIONS AND ANSWERS

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Operator can you open the call for questions?

Operator

Yes we have a question from Ehud Gelblum, just go ahead. Can you hear me?

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Ehud, you out there? Go ahead.

Ehud Gelblum - *JP Morgan - Analyst*

Yes, I am here, thank you very much. A couple of questions if I could. First of all the guidance is certainly a lot stronger on the top line, the gross margin in the -- I'm sorry the operating margin on the IPG side fell a little bit. Is that essentially due to the addition of EX on the $10 million the lower margin on that? And is that why that grows in Q3, do we see the operating margins

stay relatively stable, and transitionally 25% higher guidance for Q4. What happens in the (inaudible) IPG and SLC margin-wise to get us to the 25%? And then certainly a larger comment on the transition of CEO. At what point did you make the realization that it was the right time to move on (inaudible) transition with the CEO as opposed to just replacing Steve [Etop] at the CEO spot ?

Robyn Denholm - *Juniper Networks, Inc. - CFO*

Hi Ehud. I'll answer the first part and I'll hand it over to Scott to answer the second part of your question. So on the JPG margin, we're very pleased with the margin of 29% that we have there. Obviously the gross margin overall was slightly lower than last quarter, due to the geographic and product mix that I talked about. And obviously as we've talked in previous quarters, the mix that we have in any quarter actually adds to the gross margin. So this quarter we actually saw that come down a little bit. And then the geography and product mix also influenced the overall gross margin an hence the operating margin. So we're very comfortable with the 66 to 68 range that we have talked about.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

And then, Ehud, also -- just one quick final point to add to Robyn's. The 25% goal is going to be contributed to by both businesses and product groups, so there's not -- it will certainly not be one at the expense at the other. it will be both.

Finally on the CEO or in certainly the arrival here of Kevin in particular, there was no real moment of realization in any of this. The goal was really to hire the best possible executive that we could find. And one that I would have supreme confidence in putting this company in the hands of And it may not have been possible to accomplish that as we have done with the caliber of person Kevin Johnson is, in which case we would have hired somebody into a lesser role. And it would have been a development exercise. But when Kevin and I met and began to understand one another both with regard to what he brings.

And I could talk about that. But the confidences and the capabilities he has on the sales side, the engineering side-- We're growing this business from the $3-plus billion we have today, we have our sights set on 5, we have aspirations to 10, there is not really a place that number stops. But Kevin has seen 3, 5, 10, 20, 30, 40 and 50 billion. He started at Microsoft at a time when it was 6,000 people and just under $2 billion. He began his career there when Microsoft was smaller than Juniper is today. So he has seen both sides and beyond of everything that we're trying to do here. And more importantly to me personally and to this company is who he is. And how he shows up and does what he does. And that is really on the axis of his values, his belief system and the alignment of those beliefs with my own and with this company's.

So, when this became possible it was simply obvious, frankly. And bringing Kevin in to play this role, and being here to support him in the ways that I spoke of is the best possible outcome I could have hoped for. And there wasn't a moment in time until we knew that this was secured and Kevin and I committed to each other to do this, that it would be possible for this to be the way it played out. But now that it has, I couldn't be more excited about it. This is the major insertion for this team and impact for this company. And we're going to have some fun. So no particular moment in time, but that is the -- kind of the history of what became possible and what we realized with Kevin's arrival.

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Next question please.

Operator

Our next question comes from the line of Ittai Kidron from Oppenheimer -- please go ahead.

Ittai Kidron - *Oppenheimer - Analyst*

Thank you and congratulations on the guidance as well. I have a two step question first, Scott, can you comment on the EX and how do you expect progress on that product to be going forward? You were very cautious when you introduced it and you said it is more of a (inaudible) seems like it is happening earlier than expected. Should the steps here be like the MX hopefully. And second, assuming that product still continues with its momentum (inaudible) to the year and assuming the strength that you have, the routing side continues, that implies that the rest of your business outside of EX is actually going to be declining on a quarter over quarter basis, for the next two quarters, so if you can reconcile that, it would be great.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Well, thank you, we have had a great first half. And the EX is of course is of course off to a great start. I don't know that there's a comparison to MX here that's as appropriate because the MX rolls into a pre existing commitments to the Juno's operating system in most cases across the service provider.market, given that we're in the top 65 service providers already. In most cases when you introduce an MX on Junos that Junos commitment has already been made. In many of these more than a hundred customers that have chosen the EX, those are new customers to Juniper. So these are not the same pre-existing understanding of the -- of the advantages there.

And that takes more effort and time. But overall I'd say the EX, it is progressing as we would have hoped. And it is doing what we would have wanted it to do. On a number of fronts, certainly on the revenue side, and the breadth of customers around the world. Importantly though, which is not a revenue comment. It is a portfolio comment. And that is the way that the EX has enabled customers like Commerce Bank or Exeter or Hastings that I talked about, it has enabled them to make portfolio commitments to Juniper. And that leverage is applicable to everything that we do.

And so we see the potential for the strength of that strategy to be a positive force across all product lines existing anew. And we'll watch and see how it unfolds over the year. The -- part of the reason for the strength that we reflected in our guidance is the confidence that we have in that portfolio strategy, having an impact in both the service provider and enterprise marketplaces. It won't happen for free. And so the work that it takes to do that does take time. So there is not any overnight successes in this that come without effort. But our focus and the realization of those early feedback from the customers has been this is exactly what we wanted to see from Juniper.

And it's exactly what we needed to make the kind of commitments that we have. So, frankly, I guess the simple direct translation, it's exactly what drives our confidence . The portfolio strategy, the enterprise business was up 29% from last year, the service provider business was up even more. So that is the beauty of the strength of the outlook that we have. You can look at it through any lens and you come to the same answer. And we are looking forward to watching that happen for the balance of the

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Next question, please?

Scott Coleman - *Morgan Stanley - Analyst*

Our next question comes from the line of Scott Coleman from Morgan and Stanley, please go ahead. Sure, thanks. I'm wondering if you can talk about the enterprise strategy going forward. The 8,000 product comes out in the not two distant future,and that possibly calls through demand for some of the access switches that you have out today. How do you think about penetrating the data center with the new products? What do you need to add on to that if anything? There would seem to be an argument in the market today that fiber channel is a requirement to be a player in the data center. And I'm wondering how Juniper is thinking about this going forward.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

You're right the 8,000 or A200 product is scheduled to be out at the end of this year and is on schedule to do so. And that does add to the portfolio, obviously in coupling with the 3200 and 4200 products, as you know and as we've talked about. As the data center emerges, it will also be a factor -- but it is important to point out also that the MX 960 ethernet product is a factor in the data center today. So the data center is a place that requires a number of things that would all pretty easily fall into the category of high performance networking. Whether it is the obvious performance or through put -- remember the EX was the only product to run at line rate with the lowest delay of any product they have ever tested.

Those kinds of things in a data center, when you measure things in micro seconds, this may sound a bit arcane in the midst of a conference call, but when you talk about latency and microsecond delays and line rate throughput in a data center conversation, it really matters. So put underneath that reliability and the strength of an operating system that delivers a kind of uptime and today supports literally billions of devices, with exactly the same operating system, you get a lot of good answers to important questions in the data center. There are surrounding attributes, and I'm sure that market will unfold over time here. Clearly, connection to storage infrastructure is relevant in connection to storage and processor infrastructure is important as well. The data center is not one beast. There is a big difference between the discussion around cloud computing and the data center in your local pharmacy. Or even medicine-sized businesses or large, private companies. And they either centralized or in some cases distributed designs around those data centers. So it's hard to put it all under one label. But I think one thing that does carry across every example, is you need absolutely rock-solid high performance network infrastructure to make it work.

And that starts with the operating system and it carries through the architecture of things like the 4200 and the upcoming 8,000 products and the existing MX and all of it , by the way, has to be secure. So that element of our portfolio matters a lot. Security is more important in the data center arguably to some than it is anywhere else in the network. So we are pretty comfortable with our position in that market, let me say that and we think we have got some pretty good answers to some pretty important

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Thank you. Next question, please.

Operator

The next question comes from Nikos Theodosopoulos just go ahead

Nikos Theodosopoulos - *UBS - Analyst*

Thank you, I had two questions. On the EX revenues of 100 customers, I think you said on the call, can you give a sense of the wind rate in those accounts. If you look at the market today, Cisco has about 70% of the market and everyone else combined has about 30%. Are your wins consistent with that kind of market share out there? Are you winning a greater percentage of deals in non Cisco accounts, or more Cisco accounts? That would be my first question and my second question is on SLT. , the operating margin went from 3 to 6%. sequentially Did you see an equivalent improvement in both services and hardware or was it skewed more to one or the other? Thank

Robyn Denholm - *Juniper Networks, Inc. - CFO*

Yes., Let me handle the second question first. So in terms of SLT margins from 3 to 6%, we are pleased with that as I said on the script. Please, but probably not satisfied. We're continuing to work on the cost structure there and we're continuing to work on the revenue drivers to make sure that we keep growing that business. I would say that our cost improvements on both services in aggregate as well as for SLT and both their products as well. And I think both of those contributed to the improvement.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Nikos, on the other side, on the X side -- sometimes it is a little hard to tell, because when they really get into the EX they stop talking about the other products, so I don't always know. But I would make a generalization about this. And it's not science, it's more anecdotal There is two types of wins, one of them is what I would call tactical, where someone simply making a fastest box or best point product kind of decision. Some of those we're involved in directly, some of those actually go through a distribution at a level we may not see with the same insights, and that could be against anybody. Because that is generally a criteria that are used for the selection.

So there it is a lot more of a potpourri but when it is a strategic decision, and when someone is making a decision on a network design, those tend to be primarily against Cisco being the only other company that approaches it with their own attempts at answers to those questions. So if it -- if it's a design decision and a strategic dialogue, the differentiation in the operating system, the portfolio, there is only two companies that end up in that conversation. And if it's a local or a tactical decision, then it is I would say more of a potpourri. I don't know what the mix is to give you that breakdown but these 100-plus examples that we have so far this quarter. The ones we are more actively involved in are of the more strategic nature. And that is probably a majority of them. But beyond that characterization I don't have a more precise breakdown.

Nikos Theodosopoulos - *UBS - Analyst*

All right, thank you.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Thank you for your note today too, Nikos, I appreciate it.

Operator

And the next question comes from the line of [Cobb Sadler] from Deutsche Bank. Please go ahead.

Cobb Sadler - *Deutsche Bank - Analyst*

Hi this is (inaudible) for Cobb Sadler. Just a quick question, Verizon and British Telecom (inaudible) internet one, to what extent that positive for your business and two do you feel others will follow the lead in moving away from BVD? Thanks.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

It remains to be seen what the other carriers choose in this mix. I think the -- the key for us and the priority here is supporting the technologies and the needs that the customers describe to us. It tends to be better to look at it that way than it does to turn it into a warring technology conversation. I think there are times when customers or sometimes vendors have things they wish were possible. And sometimes they are and sometimes they aren't. And those get explored and conclusions get reached. And at the end of the day, what customers tell us they need and they want is what we'll build and what we'll do,

And if PBT falls away, then obviously it will do so on our priority list as well. And if for some reason it carries forward, it will stay on our list as customers tell us it should. But I think those are -- at least a couple of examples you mentioned where you know, it would be nice if this did all of the things we need. Turns out it really doesn't. And on we go. So we'll see if that happens or to what extent it happens,. And we'll adjust our priorities. accordingly. But those are definitely a couple of clear cut conclusions that is we heard as well in the market.

Cobb Sadler - *Deutsche Bank - Analyst*

Thank you.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

All right, thank you.

Operator

And our next question comes from the line of Ken Muth from R. W. Baird, please go ahead.

Ken Muth - *Robert Baird - Analyst*

Hey, Scott, could you just kind of give us your insights of what market segments or geographies concerning the most in the second half of '08?

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Yes, I can, Ken -- it's a little bit of a guess here, because it's -- I'm lining up with all the other macro forecasters here, and none of us knowing until it happens. But certainly here in North America, particularly if you wanted to call it a vertical or a geography across financial services or the Eastern seaboard where most of those are based here, it depends on whether things get better or worse. I saw something today suggesting that oil was headed for $110. And inflation was over stated as a concern, and so forth. And if that's all true, and if we don't watch mortgage institutions failures happen and so forth, the more stable that is, the less concerned I'd be about the financial services sector in the Americas and to the extent that bleeds into other markets as well.

But I think if I step back and say where do we see the strength? The service providers have clear needs and strategic commitments and design decisions that they have to support. And that is pretty much true around the world. You watch it kind of come and go at a given moment in time. And in any individual situation, things can change. I like our chances at MSN a lot better today. But other than that, I think service providers, I would say generally are pretty solid contributors in all of this. On the enterprise side of things, America's in total -- probably fine. APAC across many countries is different. We saw strength in India, China, Japan, in Europe, it was Eastern Europe, Africa. As Robyn mentioned we talked about in the break down. I would expect that kind of thing to--- sorry not Europe-- so I would expect the sources of strength which have been pretty consistent in Eastern Europe, for example, Middle East, have been there.

I would expect that to be the continued source of strength. And I think if there is question marks it is just going to see how resilient we are in the United States in particular. And if that macro environment doesn't get horribly get worse, then it is probably no great concern here. Obviously if the sky falls, everybody seems to think that is where it will fall. And we'll watch and see if it does. But I don't have any reason to think that is going to happen, frankly.

Ken Muth - *Robert Baird - Analyst*

Great. Thank you.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Thank you.

Operator

And the next question comes from Mark Sue from RBC Capital Markets. Please go ahead.

Mark Sue - *RBC Capital Markets - Analyst*

Thank you, what happens once we hit 25% operating margins, aside from a party of course.. If it just a fourth quarter target? Do we move higher from there, or is it possible it can dip below that? I think historically it's been as high as 30%. And also, Scott, for those who may not be familiar with Kevin, any thoughts on operating margins as a priority for him in the overall scheme of things?

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Well, Mark, my first hope is when we hit the 25% goal you will write a poem. So if you do that, that will be a victory to begin the party with. That is a given. So let me start there. And as we said before, and I reiterate because it remains true, it may be implicit but let me make it explicit in our guidance as well. We see that target as one we have had and continue to be committed to do. The 25% target in the Q4 time frame this year, and that is not a ceiling. And it is not the case where we would redivert all proceeds beyond that to other purposes. It depends probably a bit on what the momentum of the business is. As to where it goes from there.

And the stronger the momentum the easter it is to move more of that to the operating margin, improvement over time. And there are strategic programs. And I guess the thing that is important here, and it is threaded through the results and the reason the results are what they are is because the strategy is working. The investment, the portfolio strategy and the operating system and the mix of products is why we're winning. And so to the extent more investment will create more wins, the priority here is going to be on growing the absolute top line, growing the absolute earnings in dollars and in earnings per share in absolute terms. And in that process, growing the operating margin percentage as a measure of continued discipline and improving our execution as a company. So it is a very important metric. It won't take the place of absolute growth as a priority.

We could grow the operating margin tomorrow but it would be at the expense of absolute growth, market share gains and the continuing march towards being a much larger company, which is probably a good segway to Kevin. And I'll let him speak for himself next time we join you in October. But Kevin is an incredibly capable operating executive. He measures success. He drives account ability for that success. And over the course of his career he realizes that success. So those metrics are going to include the operating measurements that all of us are driving for here. And certainly that is operating margin, operating margin improvement. One of the thing that makes Kevin as strong as he is as an executive, is he can synthesize that incredibly well with strategic intent. So it will not be done at the expense of strategy and the. position the company sees for itself and is realizing today. And in there is somewhere there when science becomes art.

Exactly what that means is a decision that you make over a set of information as it comes in and feedback that you get from customers and so on. But this will be a business which continues to be driven by not just Kevin, by Robyn, by the entire executive team on the metrics, and the use of those metrics to drive improvements and set targets for ourselves. And that will be continuous and uninterrupted with Kevin's arrival..

Mark Sue - *RBC Capital Markets - Analyst*

Thanks, Scott, we'll miss you a lot.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

Thank you, I won't be far away, but thank you very much.

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

We have time for one more question.

Operator

Our final question comes from the line of Sanjiv Wadhwani of Stifel Nicholaus-- please go ahead

Sanjiv Wadhwani - *Stifel Nicholaus - Analyst*

Thanks so much. Scott, thanks for the help over the last nine plus years. And we're going to miss you. One good question, there have been some concerns about shifting priorities and spending in the U.S. by service providers and you had a little bit of dip down sequentially. Just curious if you can shed some light about what is going on. Is there just sort of a very temporary thing? You see some shifts going on next year in terms of projects. Any color that would be just helpful, thanks.

Scott Kriens - *Juniper Networks, Inc. - Chairman, CEO*

First of all, thank you. Sanjiv, I appreciate your comments. Let me respond on the subject of SP trends.. I don't think I -- or let's say it this way. I don't take away any conclusions from this quarter with regard to SP momentum or market. You know we saw the SP growth, service provider growth of more than 30% here compared to last year. I do think we still see, and this is particularly true again, in a role as a strategic provider in these large projects, on any given time you can have some lumpiness in that, even as we now push near $900 million. Projects come and go. And timing of those can effect any given period.

So what we see is a very consistent thread that runs through all of -- all of the relationships that we have. Which is the commitment to the model. And the commitment to the multi service infrastructure around IP and so forth is very consistent across the world, really. Different stages of deployment, different investments in fiber optic. to the curb or to the home and so forth. So it won't always manifest in the same way but the strategic intent is amazingly consistent. If you have a great business in a particular country it gives you the freedom to invest in the new network infrastructure. And if you're in trouble and you need to produce more innovative products, and more cost efficiency, then you'd better invest in the infrastructure faster. Because that is what makes it possible.

There isn't as near as we can see not a bad time for the place we find ourselves in providing the kind of strategic future that is central to the service provider market across. And we think of this in many dimensions. That is in cable, that's in the content providers, meaning the Yahoo!, the Google, the Microsoft networks of the world. That is in the wireless marketplace, that's in the traditional wireline space, so we look through a lot of lenses underneath the broad umbrella of service providers. And every way you look and every which way you cut it, -- there is a need for world class high performance network infrastructure. And the solutions and operating systems with the reliability and resiliency and all the things you talk about, you just keep finding the same requirement. So exactly how it in a given snap shot in an instant in time, of course will always fluctuate. But I guess there is-- I would make this a final comment from our perspective as we look across not just the first half but looking out over the second half as well.

This -- this strong and getting stronger perspective that we see is because when we look at this business through a lot of lenses, you see the same line, which is up and to the right. And we're going to make that happen with the technology and the team and the people that are here, and as it comes into the top line you're going to see it driven through a decreasingly disciplined

model of execution so that it materializes on the bottom line at an even faster rate. And that is so far as we believe a pretty good formula. So expect to see more of it.

Kathleen Bela - *Juniper Networks, Inc. - VP of IR*

Okay. Thank you. Operator, that is all the time we have this afternoon. We would like to thank you again for joining us and we appreciate your interest in Juniper Networks. Thank you.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for participation, and ask that you please disconnect your line.
