

Edgar Filing: CITRIX SYSTEMS INC - Form 10-K/A

CITRIX SYSTEMS INC  
Form 10-K/A  
March 09, 2012  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K/A  
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 0-27084

CITRIX SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

75-2275152  
(IRS Employer  
Identification No.)

851 West Cypress Creek Road  
Fort Lauderdale, Florida 33309  
(Address of principal executive offices, including zip code)  
Registrant's Telephone Number, Including Area Code:  
(954) 267-3000

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.001 Par Value  
(Title of each class)

The NASDAQ Stock Market LLC  
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

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  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in 12b-2 of the Exchange Act.

- Large accelerated filer
- Non-accelerated filer
- Accelerated filer
- Smaller reporting company

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

The aggregate market value of Common Stock held by non-affiliates of the registrant computed by reference to the price of the registrant's Common Stock as of the last business day of the registrant's most recently completed second fiscal quarter (based on the last reported sale price on The Nasdaq Global Select Market as of such date) was \$14,773,638,960. As of February 17, 2012 there were 185,577,251 shares of the registrant's Common Stock, \$.001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The registrant intends to file a proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2011. Portions of such proxy statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

## Explanatory Note

Citrix Systems, Inc. is filing this Amendment No. 1 (“Amendment No. 1”) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the “Form 10-K”), as filed with the Securities and Exchange Commission on February 23, 2012, solely to correct certain typographical errors in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The errors appear in the subsection entitled “Product Licenses” on page 41 of the Form 10-K. In the first sentence of this subsection regarding the increase in Product License revenue during 2011 when compared to 2010, the Form 10-K states that sales of our Desktop Solutions, led by XenDesktop, increased by \$141.5 million and sales of our Datacenter and Cloud Solutions, led by Netscaler, increased by \$86.9 million; however, such amounts actually represented the increases in sales of the entire Desktop Solutions product group and Datacenter and Cloud Solutions product group, including Product License, License Updates and Technical Services, respectively. The correct year-over-year sales increase attributable to Product License revenue for our Desktop Solutions is \$74.1 million, and the correct year-over-year sales increase attributable to Product License revenue for our Datacenter and Cloud Solutions is \$48.7 million. The amounts included in the table preceding the “Product Licenses” subsection were correctly stated in the Form 10-K.

For convenience purposes, this table, referred to above, and the accompanying “Products Licenses” subsection, as corrected, are included below:

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Revenues:					
Product Licenses	\$744,513	\$619,452	\$538,975	\$125,061	\$80,477
License Updates	741,834	682,246	604,968	59,588	77,278
Software as a Service	430,213	360,617	308,177	69,596	52,440
Technical Services	289,832	212,347	161,968	77,485	50,379
Total net revenues	\$2,206,392	\$1,874,662	\$1,614,088	\$331,730	\$260,574

## Product Licenses

Product License revenue increased during 2011 when compared to 2010 primarily due to increased sales of our Desktop Solutions, led by XenDesktop, of \$74.1 million and increased sales of our Datacenter and Cloud Solutions, led by NetScaler, of \$48.7 million. Product License revenue increased during 2010 when compared to 2009 primarily due to increased sales of our Datacenter and Cloud Solutions, led by NetScaler, of \$41.3 million and increased sales of our Desktop Solutions, led by XenDesktop and related programs, of \$41.2 million. We currently target Product License sales to increase when comparing the first quarter of 2012 to the first quarter of 2011.

In accordance with Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment No. 1 sets forth below the complete text of Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as amended. In addition, new Certifications of our Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act are filed as exhibits to this Amendment No 1.

This Amendment No. 1 does not include any additional changes, nor does it update any disclosures to reflect developments since the Form 10-K. In particular, any forward-looking statements included in this Amendment No. 1 represent management’s view as of the filing date of the Form 10-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Form 10-K.

This Amendment No. 1 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Actual results could differ materially from those set forth

in the forward-looking statements. Certain factors that might cause such actual results to differ materially from those set forth in these forward-looking statements are included in Part I, Item 1A, "Risk Factors" beginning on page 15 of the Form 10-K.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We design, develop and market technology solutions that enable IT services to be securely delivered on demand – independent of location, device or network. Our customers achieve lower IT operating costs, increased information security, and greater business agility using Citrix technologies that enable virtual computing. We market and license our products directly to enterprise customers, over the Web, and through systems integrators, or SIs, in addition to indirectly through value-added resellers, or VARs, value-added distributors, or VADs, and original equipment manufacturers, or OEMs.

### Executive Summary

We are a strategic technology provider transforming how people, business and IT work and collaborate in the Cloud Era. With our virtualization, networking and cloud technologies, we make complex enterprise IT simpler and more accessible for a diverse, global, and mobile workforce. We deliver a secure and familiar virtual workplace experience that powers mobile work styles, so people can work and collaborate virtually anywhere, with anyone on virtually any device, simply accessing the services they need. These technologies give workers more control over their work and life, while helping business and IT be more flexible and agile.

We believe our approach is unique in the market because we have combined innovative technologies in the area of desktop management, including but not limited to desktop virtualization and application virtualization, marketed as our Desktop Solutions, and cloud networking and cloud platform products, marketed as our Datacenter and Cloud Solutions, to deliver a comprehensive end-to-end application delivery solution, and one that we believe, when considered as a whole, is competitively differentiated by its feature set and interoperability.

In today's business environment, however, there is a sharp focus on IT products and services that can reduce cost and deliver a quick, tangible return on investment, or ROI. With our customers focused on economic value in technology solutions, we intend to continue highlighting our solutions' abilities to reduce IT costs, increase business flexibility and deliver ROI with a simpler more flexible approach to computing.

We saw uncertainties surrounding IT spending, particularly in the European markets, in 2011. This trend is expected to continue in 2012 as we continue to experience uneven demand in many European countries, especially in the public sector. This overall economic uncertainty may adversely affect sales of our products and services and may result in longer sales cycles, slower adoption of technologies and increased price competition, particularly in Europe.

Offsetting the uneven demand in European countries, we continue to see demand growth in the Americas and Asia-Pacific regions.

Our priorities for 2012 are to sustain the long-term growth of our businesses around the world by expanding our go-to-market reach and customer attachment points; enhancing our current products through intelligent integration, licensing and packaging across our product portfolio to deliver simpler, better and more competitive solutions; fostering technological innovation; and engineering excellence; and making selective and strategic acquisitions of technology, talent and/or businesses.

We continue to make strategic investments in research and development of existing and new products, and to invest in research and development of advanced and innovative technologies for future application, including increasing research and development capacity and headcount. We believe that delivering innovative and high-value solutions through our Enterprise division's products and services and our Online Services division's services is the key to meeting customer and partner needs and achieving our future growth. We also intend to continue making significant investments to expand our brand awareness in virtualization, networking and cloud computing spaces. We plan to increase sales, consulting and technical services capacity and headcount to support larger strategic customer engagements and more focus on SI partnerships, as well as investing in new service provider channel programs that allow our partners to upgrade their capabilities in desktop virtualization, giving us more capacity to drive strategic desktop deals and to cross-sell networking, data sharing and collaboration.

### Enterprise division

Our Desktop Solutions are built to transform and reduce the cost of traditional desktop management by virtualizing the desktop, with our XenDesktop product, and virtualizing applications, with our XenApp product, in a customer's

datacenter. We are moving the delivery of desktops and related applications to an on-demand service as opposed to the delivery of a device. We continue to see growing customer interest in XenDesktop and, in addition, by making the XenDesktop trade-up program a standard program, we are maximizing our XenApp install base and driving continued XenDesktop adoption. Further, we are helping customers accelerate the implementation of desktop virtualization enterprise-wide through our Desktop Transformation Model. Our Desktop Transformation Model has been enhanced by our acquisition of RingCube, which facilitates user personalization in virtual desktop deployments, and our App-DNA acquisition, which provides customers a means of analyzing

an enterprise's application portfolio, offering deployment guidance and calculating project effort.

Our Datacenter and Cloud Solutions, including our cloud networking products and cloud platform products, which include our newly acquired CloudStack and CloudPortal products, can alter the traditional economics of the datacenter by providing much greater levels of flexibility of computing resources, especially with respect to servers, by improving application performance and thereby reducing the amount of processing power involved, and allowing easy reconfiguration of servers by allowing storage and network infrastructure to be added-in virtually rather than physically. Our cloud networking products are also enhancing our differentiation and driving customer interest around desktop virtualization, as enterprises are finding good leverage in deploying these technologies together.

In 2011, we continued to invest in innovative products and services for the Enterprise division through strategic acquisitions. In July 2011, we acquired Cloud.com, Inc., or Cloud.com, a privately-held market leading provider of software infrastructure platforms for cloud providers. Cloud.com's CloudStack™ and CloudPortal™ product lines help providers of all types deploy and manage simple, cost-effective cloud services that are scalable, secure, and open by design. In August 2011, we acquired RingCube, a privately-held company that specializes in user personalization technology for virtual desktops. In October 2011, we acquired Novel Labs, Inc., or ShareFile, a privately-held market leading provider of secure data sharing and collaboration. The ShareFile product line makes it easy for businesses of all sizes to securely store, sync and share business documents and files, both inside and outside the company. ShareFile's centralized cloud storage capability also allows users to share files across multiple devices and access them from any location. In November 2011, we acquired App-DNA™, a privately-held leader in application migration and management. App-DNA's technology adds a significant component to our Desktop Transformation Model, which is aimed at helping customers speed deployments of desktop virtualization enterprise-wide. The App-DNA AppTititude™ product enables organizations to quickly and intelligently assess their application portfolio and migration plans.

#### Online Services division

Our Online Services division is focused on developing and marketing Web-based access, support and collaboration products. These products are primarily marketed via the Web to large enterprises, medium and small businesses, prosumers and individuals. Our Online Services division's Web collaboration products offer secure and cost-effective solutions that allow users to host and actively participate in online meetings, webinars and training sessions remotely and reduce costs associated with business travel. Our remote access solution offers a secure, simple and cost efficient way for users to access their desktops remotely, and our remote support solutions offer secure, on-demand support over the Internet.

In addition, we continue to grow our Online Services division by increasing our addressable market geographically and offering products that appeal to a wider range of customers. To accelerate the European expansion of our Online Services division, in February 2011, we acquired Netviewer AG, or Netviewer, a privately held European software as a service, or SaaS, vendor in collaboration and IT services. Netviewer is part of our Online Services division and is expected to further enable the extension of our SaaS leadership in Europe.

#### Summary of Results

For the year ended December 31, 2011 compared to the year ended December 31, 2010, we delivered the following financial performance:

- Product License revenue increased 20.2% to \$744.5 million;
- License Updates revenue increased 8.7% to \$741.8 million;
- Software as a Service revenue increased 19.3% to \$430.2 million;
- Technical Services revenue increased 36.5% to \$289.8 million;
- Operating income increased 30.0% to \$417.0 million; and
- Diluted earnings per share increased 28.4% to \$1.87.

The increase in our Product License revenue was primarily driven by increased sales of our Desktop Solutions, led by our XenDesktop product and increased sales of our Datacenter and Cloud Solutions, led by our NetScaler products. We currently expect our Product License revenue to increase when comparing the first quarter of 2012 to the first quarter of 2011. The increase in License Updates revenue was driven by an increase in Subscription Advantage renewal sales over our growing subscriber base. Our Software as a Service revenue increased due to increased sales of our Web collaboration services. The increase in Technical Services revenue was primarily driven by increased sales of support and consulting services related to our Enterprise division's products. Our increase in operating income and

diluted earnings per share was driven by our increased revenue as well as operating leverage gained by managing our overall operating expenses. We currently target that total revenue will increase when comparing the first quarter of 2012 to the first quarter of 2011, as well as when comparing the 2012 fiscal



year to the 2011 fiscal year. In addition, consistent with the growth we are experiencing in our business, we also currently target that total operating expenses will increase when comparing the first quarter of 2012 to the first quarter of 2011, as well as when comparing the 2012 fiscal year to the 2011 fiscal year.

Our business is subject to seasonal fluctuations. Historically, our net revenues have fluctuated quarterly and have generally been the highest in the fourth quarter of our fiscal year due to corporate calendar year-end spending trends. This seasonal factor also typically results in net revenue during the fourth quarter of any year being typically higher than the revenue for the first quarter of the subsequent year.

#### 2011 Acquisitions

##### Netviewer AG

In February 2011, we acquired all of the issued and outstanding securities of Netviewer, which we refer to as the Netviewer Acquisition, a privately held European SaaS vendor in collaboration and IT services. Netviewer became part of our Online Services division and the acquisition enables the extension of our Online Services business in Europe. The total consideration for this transaction was approximately \$107.5 million, net of \$6.3 million of cash acquired, and was paid in cash. In addition, in connection with the acquisition, we assumed non-vested stock units, which were converted into the right to receive up to 99,100 shares of our common stock, for which the vesting period reset fully upon the closing of the transaction. Transaction costs associated with the acquisition were approximately \$3.1 million, of which we expensed \$1.1 million and \$2.0 million during the years ended December 31, 2011 and 2010, respectively, and are included in general and administrative expense in our consolidated statements of income included in this Annual Report on Form 10-K for the year ended December 31, 2011.

##### Cloud.com

In July 2011, we acquired all of the issued and outstanding securities of Cloud.com. Cloud.com became part of our Enterprise division and the acquisition further establishes us as a leader in infrastructure for the growing cloud provider market. The total consideration for this transaction was approximately \$158.8 million, net of \$5.6 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately \$2.9 million, all of which we expensed during the year ended December 31, 2011, and are included in general and administrative expense in our consolidated statements of income included in this Annual Report on Form 10-K for the year ended December 31, 2011. In addition, in connection with the acquisition we assumed non-vested stock units, which were converted into the right to receive up to 288,742 shares of our common stock and certain stock options which are exercisable for 183,780 shares of our common stock, for which the vesting period reset fully upon the closing of the transaction.

##### RingCube

In August 2011, we acquired all of the issued and outstanding securities of RingCube. RingCube became part of our Enterprise division and the acquisition further solidifies our position in desktop virtualization. The total consideration for this transaction was approximately \$32.2 million, net of \$0.5 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately \$0.6 million, all of which we expensed during the year ended December 31, 2011, and are included in general and administrative expense in our consolidated statements of income included in this Annual Report on Form 10-K for the year ended December 31, 2011. In addition, in connection with the RingCube acquisition, we assumed non-vested stock units which were converted into the right to receive up to 58,439 shares of our common stock, for which the vesting period reset fully upon the closing of the transaction.

##### ShareFile

In October 2011, we acquired all of the issued and outstanding securities of ShareFile. ShareFile became part of our Enterprise division. The total consideration for this transaction was approximately \$54.5 million, net of \$1.7 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately \$0.7 million, all of which we expensed during the year ended December 31, 2011 and are included in general and administrative expense in our consolidated statements of income included in this Annual Report on Form 10-K for the year ended December 31, 2011. In addition, in connection with the acquisition we assumed non-vested stock units, which were converted into the right to receive up to 180,697 shares of our common stock and assumed certain stock options which are exercisable for 390,775 shares of our common stock, for which the vesting period reset fully upon the closing of the transaction.

App-DNA

In November 2011, we acquired all of the issued and outstanding securities of App-DNA. App-DNA became part of our Enterprise division. The total consideration for this transaction was approximately \$91.3 million, net of \$3.2 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately \$1.3 million, all of which we expensed during the year ended December 31, 2011, and are included in general and administrative expense in our consolidated statements of income included in this Annual Report on Form 10-K for the year ended December 31, 2011. In

addition, in connection with the acquisition we assumed non-vested stock units, which were converted into the right to receive up to 114,487 shares of our common stock, for which the vesting period reset fully upon the closing of the transaction.

#### Other Acquisition

During the first quarter of 2011, we acquired certain assets of a wholly-owned subsidiary of a privately-held company for total cash consideration of approximately \$10.5 million. We accounted for this acquisition as a business combination in accordance with the authoritative guidance and it became part of our Enterprise division, thereby expanding our solutions portfolio for service providers and developing unique integrations with our application delivery solutions.

We have included the effects of all of the companies acquired in 2011 in our results of operations prospectively from the date of each acquisition.

#### Purchase of Non-Controlling Interest

##### Kaviza Inc.

In May 2011, we acquired all of the non-controlling interest of Kaviza Inc., or Kaviza, a provider of virtual desktop infrastructure solutions, for \$17.2 million. In addition, we also deposited an additional \$3.0 million to be held in escrow. As a result of this transaction, we have obtained a 100% interest in this subsidiary. In accordance with the authoritative guidance, the excess of the proceeds paid over the carrying amount of the non-controlling interest of Kaviza has been reflected as a reduction of additional paid-in capital. In addition, in connection with the purchase of the non-controlling interest of Kaviza, we assumed non-vested stock units which were converted into the right to receive up to 88,687 shares of our common stock and assumed certain stock options which are exercisable for 33,301 shares of our common stock, with existing vesting schedules.

#### 2010 Acquisitions

In September 2010, we acquired all of the issued and outstanding securities of VMLogix Inc., or VMLogix, a privately held provider of virtualization management software for private and public cloud computing systems. VMLogix became part of our Enterprise division. The total consideration for this transaction was approximately \$13.2 million, comprised of approximately \$10.4 million in cash, net of cash acquired, and approximately \$2.8 million related to VMLogix liabilities settled in conjunction with the acquisition. The sources of funds for this transaction consisted of available cash. We also assumed stock options for which the vesting period reset fully upon the closing of the transaction. When these stock options vest, they will be exercisable for up to 47,784 shares of our common stock. During the first quarter of 2010, we acquired two privately-held companies for a total cash consideration of approximately \$9.2 million, net of cash acquired and was paid in cash.

We have included the effects of all of the companies acquired in 2010 in our results of operations prospectively from the date of each acquisition.

#### Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. We base these estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, and these estimates form the basis for our judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically evaluate these estimates and judgments based on available information and experience. Actual results could differ from our estimates under different assumptions and conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve more significant judgments and estimates used in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. We have

discussed the development, selection and application of our critical accounting policies with the Audit Committee of our Board of Directors and our independent auditors, and our Audit Committee has reviewed our disclosure relating to our critical accounting policies and estimates in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended

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December 31, 2011 describes the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

#### Revenue Recognition

We recognize revenue when it is earned and when all of the following criteria are met: persuasive evidence of the arrangement exists; delivery has occurred or the service has been provided and we have no remaining obligations; the fee is fixed or determinable; and collectability is probable. We define these four criteria as follows:

Persuasive evidence of the arrangement exists. We primarily sell our software products via electronic or paper licenses and typically require a purchase order from the distributor, reseller or end-user (depending on the arrangement) who have previously negotiated a master distribution or resale agreement and an executed product license agreement from the end-user. For appliance sales, our customary practice is to require a purchase order from distributors and resellers who have previously negotiated a master packaged product distribution or resale agreement. We typically recognize revenue upon shipment for our appliance sales. For technical support, product training and consulting services, we require a purchase order and an executed agreement. For SaaS, we generally require the customer or the reseller to electronically accept the terms of an online services agreement or execute a contract. Delivery has occurred and we have no remaining obligations. We consider delivery of licenses under electronic licensing agreements to have occurred when the related products are shipped and the end-user has been electronically provided the software activation keys that allow the end-user to take immediate possession of the product. For hardware appliance sales, our standard delivery method is free-on-board shipping point. Consequently, we consider delivery of appliances to have occurred when the products are shipped pursuant to an agreement and purchase order. For SaaS, delivery occurs upon providing the users with their login id and password. For product training and consulting services, we fulfill our obligation when the services are performed. For license updates, technical support and SaaS, we assume that our obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 to 24 months.

The fee is fixed or determinable. In the normal course of business, we do not provide customers with the right to a refund of any portion of their license fees or extended payment terms. The fees are considered fixed and determinable upon establishment of an arrangement that contains the final terms of the sale including description, quantity and price of each product or service purchased. For SaaS, the fee is considered fixed or determinable if it is not subject to refund or adjustment.

Collectability is probable. We determine collectability on a customer-by-customer basis and generally do not require collateral. We typically sell product licenses and license updates to distributors or resellers for whom there are histories of successful collection. New customers are typically subject to a credit review process that evaluates their financial position and ultimately their ability to pay. Customers are also subject to an ongoing credit review process. If we determine from the outset of an arrangement that collectability is not probable, revenue recognition is deferred until customer payment is received and the other parameters of revenue recognition described above have been achieved. Management's judgment is required in assessing the probability of collection, which is generally based on an evaluation of customer specific information, historical experience and economic market conditions.

The majority of our product license revenue consists of revenue from the sale of stand-alone software products. Stand-alone software sales generally include a perpetual license to our software and are subject to the industry specific software revenue recognition guidance. In accordance with this guidance, we allocate revenue to license updates related to our stand-alone software and any other undelivered elements of the arrangement based on VSOE of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria described above have been met. The balance of the revenues, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If management cannot objectively determine the fair value of each undelivered element based on VSOE of fair value, revenue recognition is deferred until all elements are delivered, all services have been performed, or until fair value can be objectively determined. We also make certain judgments to record estimated reductions to revenue for customer programs and incentive offerings including volume-based incentives, at the time sales are recorded.

Our hardware appliances contain software components that are essential to the overall functionality of the products. For hardware appliance transactions entered into prior to January 1, 2011, revenue for arrangements with multiple elements, such as sales of products that included services, was allocated to each element using the residual method

based on the VSOE of the fair value of the undelivered items pursuant to authoritative guidance. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. If VSOE of one or more undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of: (i) delivery of those elements or (ii) when fair value can be established unless maintenance is the only undelivered

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element, in which case, the entire arrangement fee is recognized ratably over the contractual support period. In October 2009, the Financial Accounting Standards Board, or the FASB, amended the accounting standards for revenue recognition to remove tangible products containing software components and non-software components that function together to deliver the product's essential functionality from the scope of industry-specific software revenue recognition guidance. In October 2009, the FASB also amended the accounting standards for multiple deliverable revenue arrangements to:

- provide updated guidance on how the deliverables in a multiple deliverable arrangement should be separated, and how the consideration should be allocated;
- require an entity to allocate revenue in an arrangement using estimated selling prices, or ESP, of deliverables if a vendor does not have VSOE of selling price or third-party evidence of selling price, or TPE; and
- eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method.

Effective January 1, 2011, we adopted these standards on a prospective basis for new and materially modified arrangements originating after December 31, 2010. The adoption of these standards did not have a material impact on our financial position and results of operations for the year ended December 31, 2011. We do not expect the adoption of these standards to have a material impact on our financial position and results of operations in the future. However, we expect that this amended accounting guidance will facilitate our efforts to optimize our offerings due to better alignment between the economics of an arrangement and the accounting, which, may lead us to engage in new go-to-market practices in the future. In particular, we expect that the amended accounting standards will enable us to better integrate non-software products and services without VSOE into existing offerings and solutions. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in selling prices, including both VSOE and ESP.

For new and materially modified multiple element transactions which contain non-software deliverables subsequent to the adoption of the amended revenue recognition standards, the arrangement consideration is allocated to stand-alone software deliverables as a group and the non-software deliverables based on the relative selling prices of using the selling price hierarchy in the amended revenue recognition guidance. The selling price hierarchy for a deliverable is based on its VSOE if available, TPE if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available. We then recognize revenue on each deliverable in accordance with our policies for product and service revenue recognition. VSOE of selling price is based on the price charged when the element is sold separately. In determining VSOE, we require that a substantial majority of the selling prices fall within a reasonable range based on historical discounting trends for specific products and services. TPE of selling price is established by evaluating competitor products or services in stand-alone sales to similarly situated customers. However, as our products contain a significant element of proprietary technology and our solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained. Additionally, as we are unable to reliably determine what competitors products' selling prices are on a stand-alone basis, we are not typically able to determine TPE. The estimate of selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies and through different sales channels and competitor pricing strategies.

For our non-software deliverables we allocate the arrangement consideration based on the relative selling price of the deliverables. For our hardware appliances we use ESP as our selling price. For our support and services, we generally use VSOE as our selling price. When we are unable to establish selling price using VSOE for our support and services, we use ESP in our allocation of arrangement consideration.

Our SaaS is purchased by large enterprises, small and medium-sized businesses, as well as individuals, and are centrally hosted within our datacenters. Our SaaS are considered service arrangements per the authoritative guidance; accordingly, fees related to online service agreements are recognized ratably over the contract term. In addition, SaaS revenues may also include set-up fees, which are recognized ratably over the contract term or the expected customer life, whichever is longer. Generally, our SaaS is sold separately and not bundled with Enterprise division products and services.

Stock-Based Compensation

Under the fair value recognition provisions of the authoritative guidance, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service or performance period, which is the vesting period. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, the expected term of the award, the risk-free interest rate and any expected dividends.



For purposes of determining the expected volatility factor, we used the implied volatility in two-year market-traded options on our common stock based on third party volatility quotes in accordance with the provisions of Staff Accounting Bulletin, or SAB, No. 107. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. The expected term of our options is based on historical employee exercise patterns. We also analyzed our historical pattern of option exercises based on certain demographic characteristics and we determined that there were no meaningful differences in option exercise activity based on demographic characteristics. The approximate risk free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term on our options. We do not intend to pay dividends on our common stock in the foreseeable future and, accordingly, we used a dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards that vest based on service, including those with graded vesting schedules, are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. We issue non-vested stock units with performance goals to certain senior members of management. The number of non-vested stock units underlying each award may be determined based on a range of attainment within defined performance goals. We are required to estimate the attainment that will be achieved related to the defined performance goals and number of non-vested stock units that will ultimately be awarded in order to recognize compensation expense over the vesting period. If our initial estimates of performance goal attainment change, the related expense may fluctuate from quarter to quarter based on those estimates and if the performance goals are not met, no compensation cost will be recognized and any previously recognized compensation cost will be reversed. As of December 31, 2011, there was \$223.1 million of total unrecognized compensation cost related to options and non-vested stock units. That cost is expected to be recognized over a weighted-average period of 2.33 years. If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the stock-based compensation expense we recognize in future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and earnings per share. This may result in a lack of consistency in future periods and materially affect the fair value estimate of stock-based payments. It may also result in a lack of comparability with other companies that use different models, methods and assumptions. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. These characteristics are not present in our option grants. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire with little or no intrinsic value compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, the value realized from these instruments may be significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There is currently no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values. See Notes 2 and 7 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for further information regarding our adoption of the authoritative guidance for stock-based compensation.

#### Valuation and Classification of Investments

The authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Our available-for-sale investments are measured to fair value on a recurring basis and accordingly are carried at fair value. In addition, we hold investments that are accounted for based on the cost method. These investments are periodically reviewed for impairment and when indicators of impairment exist, are measured to fair value as appropriate on a

non-recurring basis. In determining the fair value of our investments we are sometimes required to use various alternative valuation techniques. The authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: Level 1, observable inputs such as quoted prices in active markets for identical assets or liabilities, Level 2, inputs, other than quoted prices in active markets, that are observable either directly or indirectly, and Level 3, unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. Observable inputs are those that market participants would use in pricing the asset or liability that are based on market data obtained from independent sources, such as market quoted prices. When Level 1 observable inputs for our investments are not available to determine their

fair value, we must then use other inputs which may include indicative pricing for securities from the same issuer with similar terms, yield curve information, benchmark data, prepayment speeds and credit quality or unobservable inputs that reflect our estimates of the assumptions market participants would use in pricing the investments based on the best information available in the circumstances. When valuation techniques, other than those described as Level 1 are utilized, management must make estimations and judgments in determining the fair value for its investments. The degree to which management's estimation and judgment is required is generally dependent upon the market pricing available for the investments, the availability of observable inputs, the frequency of trading in the investments and the investment's complexity. If we make different judgments regarding unobservable inputs we could potentially reach different conclusions regarding the fair value of our investments.

After we have determined the fair value of our investments, for those that are in an unrealized loss position, we must then determine if the investment is other-than-temporarily impaired. We review our investments quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment and if different judgments are used the classification of the losses related to our investments could differ. In making this judgment, we employ a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the carrying value of an available-for-sale investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than carrying value our intent to retain or sell the investment and whether it is more likely than not that we will not be required to sell the investment before the recovery of its amortized cost basis, which may not be until maturity. We also consider specific adverse conditions related to the financial health of and business outlook for the issuer, including industry and sector performance, rating agency actions and changes in credit default swap levels. For our cost method investments, our quarterly review of impairment indicators encompasses the analysis of specific criteria of the entity, such as cash position, financing needs, operational performance, management changes, competition and turnaround potential. If any of the above impairment indicators are present, we further evaluate whether an other-than-temporary impairment should be recorded. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. See Notes 4 and 5 to our consolidated financial statements and "Liquidity and Capital Resources" for more information on our investments and fair value measurements.

#### Product Related Technology Assets

We have acquired product related technology assets from our business combinations and other third party agreements. In applying purchase accounting, we allocate a portion of purchase price of acquired companies to the product related technology assets acquired based on their estimated fair values. We typically engage third party appraisal firms to assist us in determining the fair values and useful lives of product related technology assets acquired. Such valuations and useful life determinations require us to make significant estimates and assumptions. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in determining the fair value and useful lives of the product related technology assets include but are not limited to future expected cash flows earned from the product related technology and discount rates applied in determining the present value of those cash flows. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

We monitor acquired product related technology assets for impairment on a periodic basis by reviewing indicators of impairment. If an indicator exists we compare the estimated net realizable value to the unamortized cost of the technology. The recoverability of these technologies is primarily dependent upon our ability to commercialize products utilizing these technologies. The estimated net realizable value of the purchased technology is based on the estimated undiscounted future cash flows derived from such technology. Our assumptions about future revenues and expenses require significant judgment associated with the forecast of the performance of our products. Actual revenues and costs could vary significantly from these forecasted amounts. As of December 31, 2011, the estimated undiscounted future cash flows expected from product related technology assets from these acquisitions is sufficient to recover their carrying value. If these products are not ultimately accepted by our customers and distributors, and there is no alternative future use for the technology, we could determine that some or all of their remaining \$204.3 million carrying value is impaired. In the event of impairment, we would record an impairment charge to earnings that could have a material adverse effect on our results of operations.

Goodwill

At December 31, 2011, we had \$1,239.1 million in goodwill related to our acquisitions. The goodwill recorded in relation to these acquisitions is not deductible for tax purposes. Our revenues are derived from sales of our Enterprise division products, which include our Desktop Solutions, Datacenter and Cloud Solutions and related technical services and from sales of our Online Services division's Web collaboration, remote access and support services. The Enterprise division and the Online Services division constitute our two reportable segments. See Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for additional information regarding our reportable

segments. We evaluate goodwill between these segments, which represent our reporting units.

We account for goodwill in accordance with FASB's authoritative guidance, which requires that goodwill and certain intangible assets are not amortized, but are subject to an annual impairment test. We complete our goodwill impairment test on an annual basis, during the fourth quarter of our fiscal year, or more frequently, if changes in facts and circumstances indicate that an impairment in the value of goodwill recorded on our balance sheet may exist. In 2011 we early adopted the authoritative guidance, which provides entities with an option to perform a qualitative assessment to determine whether further quantitative impairment testing for goodwill is necessary, which we refer to as the Qualitative Screen. In performing the Qualitative Screen for our goodwill impairment test, we are required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If after performing the Qualitative Screen impairment indicators are present, we would perform a quantitative impairment test to estimate the fair value of goodwill. In doing so, we would estimate future revenue, consider market factors and estimate our future cash flows. Based on these key assumptions, judgments and estimates, we determine whether we need to record an impairment charge to reduce the value of the goodwill carried on our balance sheet to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our results of operations.

We performed the Qualitative Screen for our goodwill impairment test in the fourth quarter of 2011. As a result of the Qualitative Screen, no further quantitative impairment test was deemed necessary in 2011. There was no impairment of goodwill as a result of the annual impairment tests completed during the fourth quarters of 2011 and 2010.

Excluding goodwill, we have no intangible assets deemed to have indefinite lives.

#### Income Taxes

We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of the process of preparing our consolidated financial statements. At December 31, 2011, we had approximately \$93.3 million in net deferred tax assets. The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We review deferred tax assets periodically for recoverability and make estimates and judgments regarding the expected geographic sources of taxable income and gains from investments, as well as tax planning strategies in assessing the need for a valuation allowance. At December 31, 2011, we determined that a \$9.2 million valuation allowance relating to deferred tax assets for net operating losses was necessary. If the estimates and assumptions used in our determination change in the future, we could be required to revise our estimates of the valuation allowances against our deferred tax assets and adjust our provisions for additional income taxes.

In the ordinary course of global business, there are transactions for which the ultimate tax outcome is uncertain, thus judgment is required in determining the worldwide provision for income taxes. We provide for income taxes on transactions based on our estimate of the probable liability. We adjust our provision as appropriate for changes that impact our underlying judgments. Changes that impact provision estimates include such items as jurisdictional interpretations on tax filing positions based on the results of tax audits and general tax authority rulings. Due to the evolving nature of tax rules combined with the large number of jurisdictions in which we operate, it is possible that our estimates of our tax liability and the realizability of our deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect our results of operations, financial condition and cash flows. The following discussion relating to the individual financial statement captions, our overall financial performance, operations and financial position should be read in conjunction with the factors and events described in "— Overview" and Part 1 – Item 1A entitled "Risk Factors," included in this Annual Report on Form 10-K for the year ended December 31, 2011, which could impact our future performance and financial position.



## Results of Operations

The following table sets forth our consolidated statements of income data and presentation of that data as a percentage of change from year-to-year (in thousands other than percentages):

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
<b>Revenues:</b>					
Product licenses	\$744,513	\$619,452	\$538,975	20.2	% 14.9
License updates	741,834	682,246	604,968	8.7	12.8
Software as a service	430,213	360,617	308,177	19.3	17.0
Technical services	289,832	212,347	161,968	36.5	31.1
Total net revenues	2,206,392	1,874,662	1,614,088	17.7	16.1
<b>Cost of net revenues:</b>					
Cost of license revenues	74,393	66,682	52,160	11.6	27.8
Cost of services revenues	153,063	106,234	87,233	44.1	21.8
Amortization of product related intangible assets	54,741	50,504	47,917	8.4	5.4
Total cost of net revenues	282,197	223,420	187,310	26.3	19.3
Gross margin	1,924,195	1,651,242	1,426,778	16.5	15.7
<b>Operating expenses:</b>					
Research and development	343,727	326,647	281,980	5.2	15.8
Sales, marketing and services	839,818	729,754	679,053	15.1	7.5
General and administrative	307,270	258,875	239,623	18.7	8.0
Amortization of other intangible assets	16,390	14,279	20,972	14.8	(31.9)
Restructuring	24	971	26,473	*	*
Total operating expenses	1,507,229	1,330,526	1,248,101	13.3	6.6
Income from operations	416,966	320,716	178,677	30.0	79.5
Interest income	13,819	14,577	14,683	(5.2)	(0.7)
Other (expense) income, net	(288)	(1,473)	532	*	*
Income before income taxes	430,497	333,820	193,892	29.0	72.2
Income taxes	74,867	57,379	2,875	*	*
Consolidated net income	355,630	276,441	191,017	28.6	44.7
Less: Net loss attributable to non-controlling interest	692	624	—	*	*
Net income attributable to Citrix Systems, Inc.	\$356,322	\$277,065	\$191,017	28.6	% 45.0

\* not meaningful

## Revenues

Net revenues of our Enterprise division include product licenses, license updates, technical services and SaaS. Product Licenses primarily represent fees related to the licensing of the following major products:

• Our Desktop Solutions, comprised primarily of our desktop virtualization product XenDesktop and our application virtualization product XenApp; and

• Our Datacenter and Cloud Solutions revenues are primarily comprised of sales of our cloud networking products, which include NetScaler, Branch Repeater and Access Gateway and our Cloud platform products, which include XenServer, CloudStack and CloudPortal.

In addition, we offer incentive programs to our VADs and VARs to stimulate demand for our products. Product license revenues associated with these programs are partially offset by these incentives to our VADs and VARs.

License Updates consist of fees related to our Subscription Advantage program that are recognized ratably over the term of the contract, which is typically 12 to 24 months. Subscription Advantage is an annual renewable program that

provides

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subscribers with automatic delivery of unspecified software upgrades, enhancements and maintenance releases when and if they become available during the term of the subscription.

Technical Services revenues are comprised of fees from technical support, which includes hardware and software maintenance, and are recognized ratably over the contract term, as well as revenues from product training and certification, and consulting services revenue related to the implementation of our products, which are recognized as the services are provided. SaaS in our Enterprise division includes fees from sales of our ShareFile products, which are delivered as a subscription service and are recognized ratably over the contract term.

Our Online Services division's revenues consist of fees related to our SaaS products from our Web collaboration products which primarily include our GoToMeeting, GoToWebinar, Hi-Def Audio, and GoToTraining services, our connectivity product, GoToMyPC, and our remote IT support which primarily include GoToAssist and GoToManage. Our Online Services revenue is recognized ratably over the contract term.

During the first quarter of 2012, we performed a review of the historical presentation of the revenue categories presented in our consolidated statements of income. As a result, we will adopt a revised presentation, which we believe is more comparable to those presented by other companies in our industry and better reflects our evolving product offerings, for example, our new software maintenance products. Beginning in the first quarter of 2012 technical support and hardware and software maintenance revenues, which are currently presented in Technical Services, and License Updates will be classified together as License Updates and Maintenance. Product training and certification and consulting services, which are currently presented in Technical Services, will be classified together as Professional Services. The classification of Product Licenses and Software as a Service will remain unchanged. This change in our presentation will not affect our total net revenues, total cost of net revenues or gross margin.

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Revenues:					
Product Licenses	\$744,513	\$619,452	\$538,975	\$125,061	\$80,477
License Updates	741,834	682,246	604,968	59,588	77,278
Software as a Service	430,213	360,617	308,177	69,596	52,440
Technical Services	289,832	212,347	161,968	77,485	50,379
Total net revenues	\$2,206,392	\$1,874,662	\$1,614,088	\$331,730	\$260,574

#### Product Licenses

Product License revenue increased during 2011 when compared to 2010 primarily due to increased sales of our Desktop Solutions, led by XenDesktop, of \$74.1 million and increased sales of our Datacenter and Cloud Solutions, led by NetScaler, of \$48.7 million. Product License revenue increased during 2010 when compared to 2009 primarily due to increased sales of our Datacenter and Cloud Solutions, led by NetScaler, of \$41.3 million and increased sales of our Desktop Solutions, led by XenDesktop and related programs, of \$41.2 million. We currently target Product License sales to increase when comparing the first quarter of 2012 to the first quarter of 2011.

#### License Updates

License Updates revenue increased during 2011 when compared to 2010 primarily due to an increase in Subscription Advantage renewal sales over a larger base of subscribers. License Updates revenue increased during 2010 when compared to 2009 primarily due to an increase in new Subscription Advantage sales, led by increased XenDesktop product sales. We currently are targeting that License Updates revenue will increase when comparing the first quarter of 2012 to the first quarter of 2011 and when comparing the first quarter of 2012 to the fourth quarter of 2011. As described above, in the first quarter of 2012 License Updates revenue will be classified in Maintenance revenues.

#### Software as a Service

Software as a Service revenues increased during 2011 when compared to 2010 and during 2010 compared to 2009 primarily due to increased sales of our Online Services division's Web collaboration products. We currently target our Software as a Service revenues to increase when comparing the first quarter of 2012 to the first quarter of 2011 and when comparing the first quarter of 2012 to the fourth quarter of 2011 due primarily to increased sales of our Web

collaboration products.

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### Technical Services

Technical Services revenue increased during 2011 when compared to 2010 primarily due to increases in technical support revenues of \$45.4 million driven by increased sales of our Datacenter and Cloud Solutions and an increase in consulting revenues of \$23.9 million related to increased sales of our Enterprise division's products. Technical Services revenue increased during 2010 when compared to 2009 primarily due to increases in support revenues of \$22.5 million driven by increased sales of our Datacenter and Cloud Solutions and an increase in consulting revenues of \$15.4 million related to increased sales of our Enterprise division's products. We currently target technical support and consulting revenues to increase when comparing the first quarter of 2012 to the first quarter of 2011 consistent with the increase in Product License revenue described above. As described above, in the first quarter of 2012 product training and certification and consulting services will be classified as Professional Services revenues, and hardware and software maintenance and technical support will be classified as Maintenance revenues.

### Deferred Revenue

Deferred revenues are primarily comprised of License Updates revenue from Subscription Advantage, Technical Services revenues related to our support services and consulting contracts and Software as a Service revenues from annual service agreements. Deferred revenues primarily increased approximately \$180.9 million as of December 31, 2011 compared to December 31, 2010 primarily due to increased sales and renewals of our Subscription Advantage product of \$111.2 million and increased sales of our support services of \$51.3 million. We currently target deferred revenue to continue to increase in 2012.

While it is generally our practice to promptly ship our products upon receipt of properly finalized purchase orders, we sometimes have product license orders that have not shipped. Although the amount of such product license orders may vary, the amount, if any, of such product license orders at the end of a particular period has not been material to total revenue at the end of any reporting period. We do not believe that backlog, as of any particular date, is a reliable indicator of future performance.

### International Revenues

International revenues (sales outside the United States) accounted for approximately 43.2% of our net revenues for the year ended December 31, 2011, 42.7% of our net revenues for the year ended December 31, 2010 and 43.6% of our net revenues for the year ended December 31, 2009. For detailed information on international revenues, please refer to Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

### Segment Revenues

Our revenues are derived from sales of Enterprise division products which primarily include our Desktop Solutions, Datacenter and Cloud Solutions products and related technical services and from our Online Services division's Web collaboration, connectivity and remote support services. The Enterprise division and the Online Services division constitute our two reportable segments.

An analysis of our reportable segment net revenue is presented below (in thousands):

	Year Ended December 31,			Revenue	Revenue	
	2011	2010	2009	Growth	Growth	
	(In thousands)			2011 to 2010	2010 to 2009	
Enterprise division	\$1,778,646	\$1,514,045	\$1,305,911	17.5	% 15.9	%
Online Services division	427,746	360,617	308,177	18.6	% 17.0	%
Consolidated net revenues	\$2,206,392	\$1,874,662	\$1,614,088	17.7	% 16.1	%

With respect to our segment revenues, the increase in net revenues for the comparative periods presented was due primarily to the factors previously discussed above. See Note 12 of our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for additional information on our segment revenues.

## Cost of Net Revenues

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Cost of product license revenues	\$74,393	\$66,682	\$52,160	\$7,711	\$14,522
Cost of services revenues	153,063	106,234	87,233	46,829	19,001
Amortization of product related intangible assets	54,741	50,504	47,917	4,237	2,587
Total cost of net revenues	\$282,197	\$223,420	\$187,310	\$58,777	\$36,110

Cost of product license revenues consists primarily of hardware, product media and duplication, manuals, packaging materials, shipping expense and royalties. Cost of services revenue consists primarily of compensation and other personnel-related costs of providing technical support and consulting, as well as the costs related to providing our SaaS. Also included in cost of net revenues is amortization of product related intangible assets.

Cost of product license revenues increased during 2011 when compared to 2010 and during 2010 when compared to 2009 primarily due to increased sales of our Datacenter and Cloud Solutions, as described above, many of which contain hardware components that have a higher cost than our other software products. We currently are targeting cost of product license revenues will increase when comparing the first quarter of 2012 to the first quarter of 2011 consistent with increases in our product license revenues.

Cost of services revenues increased during 2011 compared to 2010 consistent with the increase in sales of our Web collaboration products, and related investments in platforms and server capacity of \$24.0 million. Also contributing to the increase in cost of services revenues is an increase in consulting and support costs of \$15.2 million related to increased sales of our Enterprise division's technical services as described above. Cost of services revenues increased during 2010 compared to 2009 consistent with the increase in revenue of technical services related to our Enterprise division's products as described above. We currently are targeting cost of services revenues will increase when comparing the first quarter of 2012 to the first quarter of 2011 consistent with the increase in Software as a Service and Technical Services revenues as discussed above.

## Gross Margin

Gross margin as a percent of revenue was 87.2% for 2011, 88.1% for 2010 and 88.4% for 2009. The slight decrease in gross margin as a percentage of net revenue for all periods presented was primarily due to the increase in sales of products with a hardware component and increased sales of our services both of which have a higher cost than our software products.

## Operating Expenses

## Foreign Currency Impact on Operating Expenses

A substantial majority of our overseas operating expenses and capital purchasing activities are transacted in local currencies and are therefore subject to fluctuations in foreign currency exchange rates. In order to minimize the impact on our operating results, we generally initiate our hedging of currency exchange risks up to 15 months in advance of anticipated foreign currency expenses. When the dollar is weak, the resulting increase to foreign currency denominated expenses will be partially offset by the gain in our hedging contracts. When the dollar is strong, the resulting decrease to foreign currency denominated expenses will be partially offset by the loss in our hedging contracts. There is a risk that there will be fluctuations in foreign currency exchange rates beyond the timeframe for which we hedge our risk.

## Research and Development Expenses

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Research and development	\$343,727	\$326,647	\$281,980	\$17,080	\$44,667

Research and development expenses consisted primarily of personnel related costs and facility and equipment costs directly related to our research and development activities. We expensed substantially all development costs included

in the research and development of our products.

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Research and development expenses increased during 2011 as compared to 2010 due to a \$36.4 million increase in compensation and other employee related costs primarily related to increased headcount due to strategic hiring and acquisitions. Partially offsetting the increases in research and development costs when comparing 2011 to 2010 is a \$22.4 million decrease in stock-based compensation expense due to stock-based awards related to certain acquisitions that fully vested.

Research and development expenses increased during 2010 as compared to 2009 primarily due to a \$30.9 million increase in compensation and other employee related costs. Also contributing to the increase in research and development expenses was a \$10.9 million increase in facilities and related depreciation. These increases primarily relate to the strategic hiring of employees in research and development as discussed above in our Executive Summary.

#### Sales, Marketing and Services Expenses

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Sales, marketing and services	\$839,818	\$729,754	\$679,053	\$110,064	\$50,701

Sales, marketing and services expenses consisted primarily of personnel related costs, including sales commissions, pre-sales support, the costs of marketing programs aimed at increasing revenue, such as brand development, advertising, trade shows, public relations and other market development programs and costs related to our facilities, equipment and information systems that are directly related to our sales, marketing and services activities.

Sales, marketing and services expenses increased during 2011 compared to 2010 primarily due to an \$81.1 million increase in compensation, including variable compensation and employee-related costs due to additional headcount in our sales force and technical services group, as well as from our acquisitions. Also contributing to the increase in sales, marketing and services expense was a \$10.6 million increase in facilities costs and related depreciation consistent with the increase in headcount and a \$10.3 million increase in marketing program costs related to various marketing campaigns and events.

Sales, marketing and services expenses increased during 2010 compared to 2009 primarily due to a \$43.1 million increase in compensation including variable compensation and employee related costs due to additional headcount in our sales force and technical services group. Also contributing to the increase in sales, marketing and services expense was a \$13.8 million increase in marketing program costs related to our brand awareness campaigns.

#### General and Administrative Expenses

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
General and administrative	\$307,270	\$258,875	\$239,623	\$48,395	\$19,252

General and administrative expenses consisted primarily of personnel related costs and expenses related to outside consultants assisting with information systems, as well as accounting and legal fees.

General and administrative expenses increased during 2011 compared to 2010 primarily due to an increase in compensation and employee related costs of \$30.4 million due to additional headcount, primarily in IT, facilities and operations, to support our growth and a related increase in stock-based compensation of \$8.6 million. Also contributing to the increase in general and administrative expense is a \$9.9 million increase in professional fees primarily related to acquisitions and strategic investment activity. General and administrative expenses increased during 2010 compared to 2009 primarily due to an increase in compensation and employee related costs due to additional headcount, primarily in IT.

#### 2012 Operating Expense Outlook

During the first quarter of 2012, we revised our methodology for allocating certain IT support costs to more closely align these costs with the employees directly utilizing the related assets and services. As a result, certain IT support costs will be reclassified from general and administrative expenses to research and development expenses and sales,

marketing and services expenses based on the headcount in each of these functional areas.

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When comparing the first quarter of 2012 to the fourth quarter of 2011, we are targeting operating expenses to increase in research and development and sales, marketing and services due to the full quarter impact of the acquisitions completed in the fourth quarter of 2011, investments that we have made in headcount and related expenses as well as the re-allocation of certain IT support costs as discussed above. Conversely, we are targeting general and administrative expenses to decrease by the amount of IT support costs allocated to research and development and sales, marketing and services, as described above. This decrease will be partially offset by an increase in general and administrative expenses due to the full quarter impact of the acquisitions completed in fourth quarter of 2011 and investments in headcount and related costs that we have made to support our growth.

#### Amortization of Other Intangible Assets

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Amortization of other intangible assets	\$16,390	\$14,279	\$20,972	\$2,111	\$(6,693 )

Amortization of other intangible assets consists of amortization of customer relationships, trade names and covenants not to compete primarily related to our acquisitions. The increase in amortization of other intangible assets during 2011 as compared to 2010 was primarily due to acquired intangible assets related to 2011 acquisitions of \$5.9 million offset by other acquired customer related intangible assets becoming fully amortized during 2011 of \$4.0 million. The decrease in amortization of other intangible assets during 2010 as compared to 2009 was primarily due to acquired customer related intangible assets becoming fully amortized during 2010. As of December 31, 2011, we had unamortized other identified intangible assets with estimable useful lives in the net amount of \$139.1 million. For more information regarding our acquisitions see, “— Overview” and Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

#### Other (Expense) Income, Net

	Year Ended December 31,			2011	2010
	2011	2010	2009	Compared to 2010	Compared to 2009
	(In thousands)				
Other (expense) income, net	\$(288 )	\$(1,473 )	\$532	\$1,185	\$(2,005 )

Other (expense) income, net is primarily comprised of remeasurement of foreign currency transaction gains (losses), realized gains (losses) related to changes in the fair value of our investments that have a decline in fair value that is considered other-than-temporary, recognized gains (losses) related to investments and interest expense which was not material for all periods presented.

The increase in Other (expense) income, net when comparing 2011 to 2010 primarily due to a gain on remeasurement of our foreign currency transactions of \$3.5 million and a decrease in losses recognized on prepayments at par of securities purchased at a premium within our available-for-sale investment portfolio of \$0.6 million partially offset by an impairment recognized on a cost method investment of \$3.5 million. Other (expense) income, net increased when comparing 2010 to 2009 primarily due to losses recognized on prepayments at par of securities purchased at a premium within our available-for-sale investment portfolio. For more information see “— Liquidity and Capital Resources” and Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

#### Income Taxes

We and certain of our subsidiaries are subject to U.S. federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations by tax authorities for years prior to 2004.

In the ordinary course of global business, there are transactions for which the ultimate tax outcome is uncertain and judgment is required in determining the worldwide provision for income taxes. We provide for income taxes on transactions based on our estimate of the probable liability. We adjust our provision as appropriate for changes that



impact our underlying judgments. Changes that impact provision estimates include such items as jurisdictional interpretations on tax filing positions based on the results of tax audits and general tax authority rulings. Due to the evolving nature of tax rules combined with the

large number of jurisdictions in which we operate, it is possible that our estimates of our tax liability and the realizability of our deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect our results of operations, financial condition and cash flows.

In June 2010, we reached a settlement in principle with the IRS regarding certain previously disclosed income tax deficiencies asserted in a Revenue Agent's Report, or RAR. Under the terms of the settlement in principle, we would agree to an assessment of income tax deficiencies in full settlement of all open claims under the RAR and would resolve with finality for future years all of the transfer pricing issues raised in the RAR. Based on this, we incurred a charge of \$13.1 million in 2010 in accordance with the authoritative guidance. Among other things, the authoritative guidance requires application of a "more likely than not" threshold to the recognition and non-recognition of tax positions. It further requires that a change in management judgment related to prior years' tax positions be recognized in the quarter of such change.

The final settlement requires the finalization of tax deficiency calculations with the IRS and a written agreement signed by the IRS. It is uncertain how long it will take to reach a final settlement with the IRS. There can be no assurances that a final written agreement will be obtained or that this matter will otherwise be resolved in our favor. An adverse outcome of this matter could have a material adverse effect on our results of operations and financial condition.

We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of the process of preparing our consolidated financial statements. At December 31, 2011, we had approximately \$93.3 million in net deferred tax assets. The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We review deferred tax assets periodically for recoverability and make estimates and judgments regarding the expected geographic sources of taxable income and gains from investments, as well as tax planning strategies in assessing the need for a valuation allowance. At December 31, 2011, we determined that \$9.2 million valuation allowance relating to deferred tax assets for net operating losses and tax credits was necessary. If the estimates and assumptions used in our determination change in the future, we could be required to revise our estimates of the valuation allowances against our deferred tax assets and adjust our provisions for additional income taxes.

We maintain certain strategic management and operational activities in overseas subsidiaries and our foreign earnings are taxed at rates that are generally lower than in the United States. We do not expect to remit earnings from our foreign subsidiaries. Our effective tax rate was approximately 17.4% for the year ended December 31, 2011 and 17.2% for the year ended December 31, 2010. The increase in the effective tax rate when comparing the year ended December 31, 2011 to the year ended December 31, 2010 was not significant.

Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due primarily to lower tax rates on earnings generated by our foreign operations that are taxed primarily in Switzerland. We have not provided for U.S. taxes for those earnings because we plan to reinvest all of those earnings indefinitely outside the United States. Our effective tax rate will fluctuate based on the mix of earnings from our U.S. and foreign jurisdictions. Accordingly, earnings from the production and distribution of our products and services through our foreign headquarters in Switzerland are currently taxed at lower income tax rates than earnings from our U.S. operations.

#### Liquidity and Capital Resources

During 2011 we generated operating cash flows of \$679.1 million. These operating cash flows related primarily to net income of \$355.6 million, adjusted for, among other things, non-cash charges, including depreciation and amortization expenses of \$159.3 million and stock-based compensation expense of \$92.9 million. Also contributing to these cash inflows was an aggregate increase in operating assets and liabilities of \$73.9 million, net of effects of acquisitions. Our investing activities used \$451.2 million of cash consisting primarily of cash paid for acquisitions of \$455.4 million, the purchase of property and equipment of \$111.9 million and \$32.3 million in cash paid for licensing agreements and other assets. These investing cash outflows were partially offset by net sales of investments of \$148.4 million. Our financing activities used cash of \$292.6 million primarily due to stock repurchases of \$424.8 million. This financing cash outflow was partially offset by proceeds received from the issuance of common stock under our employee stock-based compensation plans of \$125.6 million.

During 2010 we generated operating cash flows of \$616.3 million. These cash flows related primarily to net income of \$276.4 million, adjusted for, among other things, non-cash charges including depreciation and amortization of \$138.2 million, stock-based compensation expense of \$103.8 million and the tax effect of stock-based compensation of \$51.5 million. Also contributing to these cash inflows is an aggregate increase in cash flow from our operating assets and liabilities of \$144.8 million, net of the effects of acquisitions. These operating cash inflows are partially offset by the excess benefit from the exercise of stock options of \$60.2 million and \$46.7 million related to a deferred income tax benefit. Our investing activities used \$457.0 million of cash consisting primarily of cash paid for net purchases of investments of \$335.0 million. Also

contributing to these cash outflows is the purchase of property and equipment of \$75.4 million, \$26.2 million in cash paid for licensing agreements and other assets and \$20.5 million in cash paid for acquisitions. Our financing activities used cash of \$26.3 million, primarily from expenditures on our stock repurchase program of \$433.7 million partially offset by proceeds received from the issuance of common stock under our employee stock-based compensation plans of \$353.6 million and the excess tax benefit from the exercise of stock options of \$60.2 million.

Historically, significant portions of our cash inflows were generated by our operations. We currently expect this trend to continue throughout 2012. We believe that our existing cash and investments together with cash flows expected from operations will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months. We continue to search for suitable acquisition candidates and could acquire or make investments in companies we believe are related to our strategic objectives. We could from time to time seek to raise additional funds through the issuance of debt or equity securities for larger acquisitions.

#### Cash, Cash Equivalents and Investments

	December 31, 2011	2010	2011 Compared to 2010
	(In thousands)		
Cash, cash equivalents and investments	\$1,477,601	\$1,685,659	\$(208,058 )

The decrease in cash, cash equivalents and investments at December 31, 2011 as compared to December 31, 2010, is primarily due to cash paid for acquisitions, net of cash acquired, of \$455.4 million, expenditures made on stock repurchases of \$424.8 million, purchases of property and equipment of \$111.9 million and purchases of cost method investments and product-related intangible assets of \$32.3 million partially offset by cash provided by our operating activities of \$679.1 million and cash received from the issuance of common stock under our employee stock-based compensation plans of \$125.6 million. As of December 31, 2011, \$554.7 million of the \$1,477.6 million of cash, cash equivalents and investments was held by our foreign subsidiaries. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds. Our current plans are not expected to require repatriation of cash and investments to fund our U.S. operations and, as a result, we intend to permanently reinvest our foreign earnings. See “– Liquidity and Capital Resources.” We generally invest our cash and cash equivalents in investment grade, highly liquid securities to allow for flexibility in the event of immediate cash needs. Our short-term and long-term investments primarily consist of interest-bearing securities.

#### Fair Value Measurements

The authoritative guidance defines fair value as an exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Available-for-sale securities included in Level 2 are valued utilizing inputs obtained from an independent pricing service, or the Service, which uses quoted market prices for identical or comparable instruments rather than direct observations of quoted prices in active markets. The Service gathers observable inputs for all of our fixed income securities from a variety of industry data providers including, for example, large custodial institutions and other third-party sources. Once the observable inputs are gathered by the Service, all data points are considered and an average price is determined. The Service’s providers utilize a variety of inputs to determine their quoted prices. These inputs may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes. Substantially all of our available-for-sale investments are valued utilizing inputs obtained from the Service and accordingly are categorized as Level 2 in the table below. We

periodically independently assess the pricing obtained from the Service and historically have not adjusted the Service's pricing as a result of this assessment. Available-for-sale securities are included in Level 3 when relevant observable inputs for a security are not available.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In certain instances, the inputs used to measure fair value may meet the definition of more than one level of the fair value hierarchy. The input with the lowest level priority is used to determine the applicable level in the fair value hierarchy.

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our fixed income available-for-sale security portfolio generally consists of high quality, investment grade securities from diverse issuers with a minimum credit rating of A-/A3 and a weighted-average credit rating of AA+/Aa1. We previously classified these investments as Level 1 because we did not make adjustments to the prices obtained from the Service. However, as we value these securities based on pricing from the Service, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value, we began classifying all of our fixed income available-for-sale securities as Level 2 during 2011. See Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for more information regarding our available-for-sale investments.

We measure our cash flow hedges, which are classified as prepaid expenses and other current assets and accrued expenses and other current liabilities, at fair value based on indicative prices in active markets (Level 2 inputs). We have invested in convertible debt securities of certain early-stage entities that are classified as available-for-sale investments. As quoted prices in active markets or other observable inputs were not available for these investments, in order to measure them at fair value, we utilized a discounted cash flow model using a discount rate reflecting the market risk inherent in holding securities of an early-stage enterprise, adjusted by the probability-weighted exit possibilities associated with the convertible debt securities. This methodology required us to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible debt securities; accordingly it is a Level 3 valuation and is included in the "Purchases of Level 3 securities" line in the table below.

#### Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

	Long-term Investments (in thousands)
Balance at December 31, 2010	\$49,340
Purchases of Level 3 securities	\$3,696
Proceeds received on Level 3 securities <sup>(1)</sup>	\$(50,000 )
Decrease in previously recognized unrealized losses included in accumulated other comprehensive (loss) income	660
Balance at December 31, 2011	\$3,696

<sup>(1)</sup> In September 2011, our investment in AIG Matched Funding Corporation matured and proceeds of \$50.0 million were received. See Notes 4 and 5 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for more information.

#### Assets Measured at Fair Value on a Non-recurring Basis Using Significant Unobservable Inputs (Level 3)

During the third quarter of 2011, one of our cost method investments with a carrying value of \$5.0 million was determined to be impaired and has been written down to its fair value of \$1.5 million, resulting in an impairment charge of \$3.5 million, which is included in other (expense) income in our consolidated financial statements for the year ended December 31, 2011. The fair value of the cost method investment represents a Level 3 valuation as the assumptions used in valuing this investment were not directly or indirectly observable.

## Accounts Receivable, Net

	December 31,		2011
	2011	2010	Compared to 2010
	(In thousands)		
Accounts receivable	\$488,356	\$382,654	\$105,702
Allowance for returns	(1,361	) (850	) (511
Allowance for doubtful accounts	(2,564	) (3,409	) 845
Accounts receivable, net	\$484,431	\$378,395	\$106,036

The increase in accounts receivable at December 31, 2011 compared to December 31, 2010 was primarily due to increase in sales, particularly in the last month of 2011 compared to the last month of 2010. The activity in our allowance for returns was comprised primarily of \$5.5 million of provisions for returns recorded during 2011 partially offset by \$5.0 million in credits issued for returns during the 2011. The activity in our allowance for doubtful accounts was comprised primarily of \$2.6 million of uncollectible accounts written off, net of recoveries during 2011 partially offset by \$1.7 million in additional provisions for doubtful accounts primarily acquired in connection with our acquisitions during 2011.

From time to time, we could maintain individually significant accounts receivable balances from our distributors or customers, which are comprised of large business enterprises, governments and small and medium-sized businesses. If the financial condition of our distributors or customers deteriorates, our operating results could be adversely affected. At December 31, 2011, one distributor, Ingram Micro, accounted for 14% of our accounts receivable. At December 31, 2010, one distributor, Ingram Micro, accounted for 17% of our accounts receivable. For more information regarding significant customers see Note 12 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

## Credit Facility

Effective on August 9, 2005, we entered into a revolving credit facility, or the Credit Facility, with a group of financial institutions. Effective September 27, 2006, we entered into an amendment and restatement of our Credit Facility, or the Amendment. The Amendment decreased the overall range of interest rates we paid on amounts outstanding on the Credit Facility and lowered the facility fee. In addition, the Amendment extended the term of the Credit Facility until September 27, 2011. The Credit Facility, as amended, provided for a revolving line of credit in the aggregate amount of \$100.0 million, subject to continued covenant compliance. The Credit Facility, as amended, bore interest at the London Interbank Offered Rate ("LIBOR") plus 0.32% and adjusted in the range of 0.32% to 0.80% above LIBOR based on the level of our total debt and our adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") as defined in the agreement. In addition, we were required to pay a quarterly facility fee ranging from 0.08% to 0.20% based on the aggregate amount available under the Credit Facility, as amended, and the level of our total debt and its adjusted EBITDA. We did not renew the credit facility and it expired on September 27, 2011. Upon expiration, there was no indebtedness outstanding under the Credit Facility.

## Stock Repurchase Program

Our Board of Directors authorized an ongoing stock repurchase program with a total repurchase authority granted to us of \$3.0 billion. We may use the approved dollar authority to repurchase stock at any time until the approved amounts are exhausted. The objective of our stock repurchase program is to improve stockholders' returns. At December 31, 2011, approximately \$186.6 million was available to repurchase common stock pursuant to the stock repurchase program. All shares repurchased are recorded as treasury stock in our consolidated balance sheets included in this Annual Report on Form 10-K for the year ended December 31, 2011. A portion of the funds used to repurchase stock over the course of the program was provided by proceeds from employee stock option exercises and the related tax benefit.

We are authorized to make open market purchases of our common stock using general corporate funds. Additionally, from time to time, we may enter into structured stock repurchase arrangements with large financial institutions using general corporate funds in order to lower the average cost to acquire shares. These programs include terms that require us to make up-front payments to the counterparty financial institution and result in the receipt of stock during or at the

end of the agreement or the receipt of either stock or cash at the maturity of the agreement, depending on market conditions.

During the year ended December 31, 2011, we expended approximately \$424.8 million on open market purchases, repurchasing 6,275,470 shares of outstanding common stock at an average price of \$67.70. As of December 31, 2011, we did not have any prepaid notional amounts outstanding under structured stock repurchase programs and during the year we did not

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make any up-front payments to financial institutions related to structured stock repurchase agreements. During the year ended December 31, 2010, we expended approximately \$434.8 million on open market purchases, repurchasing 8,157,400 shares of outstanding common stock at an average price of \$53.31. In addition, during the third quarter of 2010, we made an up-front payment of \$15.0 million to a financial institution related to a structured stock repurchase agreement. At the maturity of the agreement in the fourth quarter of 2010, we received \$16.1 million in cash, including premiums, and did not take delivery of any shares related to the agreement due to market conditions. As of December 31, 2010, we did not have any prepaid notional amounts outstanding related to our structured stock repurchase programs.

During the year ended December 31, 2009, we expended approximately \$214.9 million on open market purchases, repurchasing 6,475,830 shares of outstanding common stock at an average price of \$33.19. As of December 31, 2009, we did not have any prepaid notional amounts outstanding under our structured stock repurchase programs and during the year we did not make any up-front payments to financial institutions related to structured stock repurchase agreements.

#### Shares for Tax Withholding

During the years ended December 31, 2011, 2010 and 2009, we withheld 182,203 shares, 123,489 shares and 46,732 shares, respectively, from stock units that vested. Amounts withheld to satisfy minimum tax withholding obligations that arose on the vesting of stock unit awards was \$13.3 million for 2011, \$6.3 million for 2010 and \$1.8 million for 2009. These shares are reflected as treasury stock in our consolidated balance sheets included in this Annual Report on Form 10-K for the year ended December 31, 2011 and the related cash outlays reduce our total stock repurchase authority.

#### Contractual Obligations and Off-Balance Sheet Arrangement

##### Contractual Obligations

We have certain contractual obligations that are recorded as liabilities in our consolidated financial statements. Other items, such as operating lease obligations, are not recognized as liabilities in our consolidated financial statements, but are required to be disclosed in the notes to our consolidated financial statements.

The following table summarizes our significant contractual obligations at December 31, 2011 and the future periods in which such obligations are expected to be settled in cash. Additional details regarding these obligations are provided in the notes to our consolidated financial statements (in thousands):

	Payments due by period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Operating lease obligations	\$261,323	\$59,925	\$103,738	\$68,087	\$29,573
Purchase obligations <sup>(1)</sup>	21,200	21,200	—	—	—
Total contractual obligations <sup>(2)</sup>	\$282,523	\$81,125	\$103,738	\$68,087	\$29,573

Purchase obligations represent non-cancelable commitments to purchase inventory ordered before year-end of (1) approximately \$11.8 million and a contingent obligation to purchase inventory, which is based on amount of usage, of approximately \$9.4 million.

Total contractual obligations do not include agreements where our commitment is variable in nature or where cancellations without payment provisions exist and excludes \$79.2 million of liabilities related to uncertain tax (2) positions recorded in accordance with authoritative guidance, because we could not make reasonably reliable estimates of the period or amount of cash settlement with the respective taxing authorities. See Note 11 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for further information.

As of December 31, 2011, we did not have any individually material capital lease obligations or other material long-term commitments reflected on our consolidated balance sheets.

#### Commitments

Capital expenditures were \$111.9 million during 2011, \$75.4 million during 2010 and \$76.2 million during 2009. During 2011, 2010 and 2009, capital expenditures were primarily related to application and infrastructure delivery to enable growth and enhance management reporting capabilities and leasehold improvements.

#### Office Leases

We have operating lease obligations through 2018 related to two properties that are not utilized. At December 31, 2011, the total remaining obligation on these leases was approximately \$5.4 million, of which \$2.1 million was accrued as of December 31, 2011, and is reflected in accrued expenses and other current liabilities and other liabilities in our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011. In calculating this accrual, we made estimates, based on market information, including the estimated vacancy periods and sublease rates and opportunities. We periodically re-evaluate our estimates related to these vacant facilities.

#### Off-Balance Sheet Arrangements

We do not have any special purpose entities or off-balance sheet financing arrangements.

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed as part of this Amendment No. 1.

Exhibit No.	Description
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31.1	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
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31.2	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer
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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Fort Lauderdale, Florida on the 9<sup>th</sup> day of March, 2012.

CITRIX SYSTEMS, INC.

By:

/s/ DAVID J. HENSHALL  
David J. Henshall  
Chief Financial Officer and Executive Vice  
President, Operations

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EXHIBIT INDEX

Exhibit No.	Description
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer