CITRIX SYSTEMS INC
Form 10-K
February 23, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

or

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

For the transition period from to .

Commission File Number 0-27084

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

| | |
|---|---|
| Delaware | 75-2275152 |
| (State or other jurisdiction of incorporation or organization) | (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 | The NASDAQ Stock Market LLC |
| (Title of each class) | (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 ý 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 ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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.

| | |
|---|---|
| x Large accelerated filer | o Accelerated filer |
| o Non-accelerated filer | o 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 o No x
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.

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PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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.

ITEM 1. BUSINESS

General

Citrix Systems, Inc. is a Delaware corporation founded on April 17, 1989. We design, develop and market technology solutions that enable information technology, or 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.

Business Overview

For over two decades, we have pursued our long-term vision of enabling people to work or play - from anywhere through successive waves of invention. The first wave, beginning in the early-1990s, enabled secure remote access to mission critical applications for thousands of road warriors. This required the invention of a new way to “transmit” application screens allowing applications to be virtualized instead of installed on the user's personal computer, or PC, even over very thin network connections. IT administrators found that virtualized applications on a central server made them more secure, faster running, easier to update and much more accessible. The shifting of computing to servers also allowed the invention of thin-clients and network computers powered by Citrix client and server technologies. Since the early-1990s, we have become a leading provider of server-based computing solutions and our products have been accepted by thousands of organizations as strategic infrastructure for user mobility.

In the early 2000s, we turned our focus toward new market opportunities created by the connectivity of the Internet, rapid expansion of network bandwidth, and an increase of device form factors, such as smart phones, tablet PCs and netbooks. In parallel, customers began to realize the increasing value of mobility technologies, like remote access, Web collaboration and remote support tools. We also believe that there are similar opportunities emerging in the datacenter to address high operating costs, inflexible infrastructure and new application architectures.

These opportunities have been the driving forces behind our second wave of invention, building on our core ideas and technologies for virtualizing applications - extending them to adjacent product and technology markets. Since 2004, we have focused our investments on a broader array of technologies, strategic acquisitions and new business models. This has expanded our core capabilities beyond application virtualization to include desktop, client and server virtualization. It has also made Citrix a leading manufacturer of network appliances and one of the largest providers of software as a service, or SaaS, in the world.

Citrix powers mobile work styles and cloud services, making complex enterprise IT simpler and more accessible for 260,000 enterprises. Today, Citrix touches a large percent of Internet users each day and partners with more than 10,000 companies in 100 countries. Citrix products and services allow people to collaborate, communicate and work virtually from anywhere - using virtually any device they choose. Our virtual computing infrastructure services are securely delivered on demand and we believe our datacenter computing resources are simpler, lower cost and more efficient than traditional PC-based distributed computing models.

Invention and re-invention has driven our growth. Our diversified product lines, routes to-the-customer, and business models have been enabled by our virtual computing products that offer collaboration as a service, desktop virtualization and infrastructure as a service, or IaaS.

IT organizations are struggling at the intersection of opposing forces - the control of standardization versus the freedom of consumerization, and the legacy of distributed computing versus the flexibility of cloud services. We believe we are in a position to help our customers make the difficult transition to the Cloud Era with market-leading products that enable them to embrace consumerization and adopt cloud services.

Our product and industry leadership in collaboration, desktop virtualization and cloud networking strengthened in 2011. We also made some important new investments in data sharing and cloud orchestration. We are combining these technologies into a compelling set of solutions that power mobile work styles and cloud services. An overview of our current products and solutions follows.

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Products and Services

Our products and services target customers of all sizes - from individuals and professional consumers, or prosumers, who subscribe to our GoToMyPC remote access service, to network engineers who purchase our NetScaler Web application devices, or the IT professional who licenses our XenDesktop infrastructure products. This section provides an overview of our major product and services offerings.

Desktop Solutions

Our Desktop Solutions - XenDesktop, XenApp, App-DNA, VDI-in-a-Box, and XenClient reduce the complexity and cost of administering Windows-based desktops and applications in the enterprise.

- Citrix® XenDesktop™ is a fully integrated desktop virtualization system that gives customers the flexibility to deliver the desktop as a service - dramatically simplifying desktop management for a broad range of users. XenDesktop is available in a range of packages designed for several market segments. The Express Edition of XenDesktop is offered as a free download from our website to allow IT professionals to conduct no-cost trials. The XenDesktop Virtual Desktop Infrastructure, or VDI, Edition is designed for virtual desktop projects that only require the hosted virtual machine method of desktop delivery. The Enterprise and Platinum Editions of XenDesktop include all of our major virtual desktop delivery models in one integrated package, and also include the capabilities of Citrix XenApp for delivering on-demand applications into virtual or physical desktops. All versions of XenDesktop include Citrix HDX technologies to give users a high-definition experience - even when using multimedia, real-time collaboration, USB devices, and 3D graphics content - while consuming less bandwidth than competing solutions. HDX leverages the Citrix ICA® protocol and adds Adaptive Orchestration which helps optimize performance and bandwidth to fit each unique user scenario. Each edition comes with user profile management and provisioning services to stream a single desktop image, on-demand, to multiple servers in the datacenter. All editions feature licensing for both Citrix XenServer and Microsoft Hyper-V virtualization infrastructure. The most advanced editions include our FlexCast™ delivery technologies which allow virtual desktops to be hosted in the datacenter or run locally at the endpoint, wherever costs, security or mobility is optimal. We believe that our FlexCast technology dramatically improves our customer's return on their investment and makes desktop virtualization a practical reality for broad, enterprise-wide deployments.
- Citrix® XenApp™ is a widely-deployed application virtualization solution that allows enterprise applications to be centralized and delivered as an on-demand service. XenApp delivers applications in two ways: hosted by running application business logic on a central server using our HDX technologies to securely transmit the application's user experience to the endpoint device, or streamed by running the application locally. Keeping applications under the centralized control of IT administrators enhances data security and reduces the costs of managing separate clients and applications on every user's desktop. The XenApp server runs on Microsoft® Windows Server® 2008, Windows Server® 2008 R2, Windows Server 2003 x64 Edition to Windows Server 2003 and several versions of UNIX®. In 2011, we announced Citrix XenApp 6.5 that continued the integration with Microsoft® App-V, introduced in XenApp 6, delivering App-V virtualized applications to virtually any user - on virtually any device anywhere. Through this integration, joint customers can extend the benefits of the Microsoft Desktop Optimization Pack to reach a broader set of devices including lightly managed and non-Windows® endpoints across local or wide area networks. Our joint solution lowers the cost of delivering and maintaining Windows applications for all users in the enterprise. We offer XenApp as a standalone product in different editions. The Platinum Edition includes the most features and adds powerful capabilities for application performance monitoring, secure sockets layers/virtual private network, or SSL/VPN, advanced SmartAccess™ control and single sign-on application security. The capabilities of XenApp are now available in XenDesktop Enterprise and Platinum Editions to provide a complete desktop virtualization system. XenApp continues to be available as a standalone solution for on demand applications for customers wishing to use it on physical PCs and with competing virtual desktop products.
- Citrix®AppDNA application migration software enables enterprises to discover, automate, model and manage applications for faster application migration, easier application virtualization and streamlined application management. AppDNA software combines application insight with accurate application testing, remediation and compatibility.
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Citrix® VDI-in-a-Box is an easy, affordable, all-in-one desktop virtualization solution aimed at small and medium sized businesses. Running on off-the-shelf servers, the solution enables IT to deliver centrally-managed virtual desktops to virtually any user, on virtually any device.

- Citrix® XenClient™ is a high-performance, bare-metal hypervisor that runs directly on the client device hardware, dividing up the resources of the machine and enabling multiple operating systems to run side by side in complete isolation. XenClient is available as a free download on citrix.com.

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Citrix Receiver is the client side of XenApp and XenDesktop. Citrix Receiver is available as a free download from citrix.com supporting numerous types of client devices. Citrix Receiver uses the Citrix HDX Technologies (discussed below) to communicate with XenApp and XenDesktop.

Datacenter and Cloud Solutions

Our Datacenter and Cloud Solutions bring lower operating costs, greater flexibility and cloud-enablement to the enterprise datacenter. These products are also designed to power public "clouds" when used by hosting and cloud service providers. Our Datacenter and Cloud solutions include Cloud Networking and Cloud Platform products.

Cloud Networking

- Citrix® NetScaler ® is an all-in-one Web application delivery controller designed to (i) make applications run five times faster by application accelerator methods such as hypertext transfer protocol, or HTTP compression and caching, ensuring application availability through the advanced L4-7 load balancer and content switching methods, (ii) increase application security with an integrated application firewall and (iii) substantially lower costs by offloading servers to enable server consolidation. It reduces Web application total cost of ownership, or TCO, optimizes the user experience and makes sure that applications are always available. NetScaler comes in purpose built MPX-series hardware appliances powered by our nCore technology, an economical form factor with our VPX virtual appliance that operates with any standard industry server using our XenServer technology, and SDX for use in environments, such as cloud computing, where service-centric IT models create requirements for application delivery that extend beyond the simple transport and acceleration for Web application traffic. Also available with NetScaler is the Citrix CloudConnector, which extends the NetScaler footprint from the datacenter to points-of-presence around the world, creating an end-to-end service delivery fabric. CloudConnectors are offered in conjunction with key partners as hybrid networking services. The fabric knitted between on-premise NetScaler devices and off-premise cloud-based services enables CloudConnectors to apply application acceleration, security and availability techniques that a datacenter appliance or a managed service cannot provide by itself.
- Citrix Branch Repeater™ controls and optimizes services, desktops, applications and multimedia for branch and mobile users. Branch Repeater is optimized for virtual desktops and applications delivered by XenDesktop and XenApp. It offers granular visibility, enhanced prioritization and control of service traffic, to ensure quality of experience (QoE) and availability while reducing bandwidth consumption and simplifying branch IT.
- Citrix Access Gateway™ is an SSL/VPN that securely delivers applications with policy-based SmartAccess control. Users have easy-to-use secure access to applications and data for improved productivity. Organizations can cost-effectively extend access to datacenter resources from outside the office, while maintaining unprecedented control through comprehensive SmartAccess policies.

Cloud Platform

- Citrix®XenServer™ is a complete, managed server virtualization platform built on the powerful open source-based Xen hypervisor. Xen technology is widely acknowledged as the fastest and most secure virtualization software in the industry. XenServer is designed for efficient management of Windows® and Linux® virtual servers and delivers cost-effective server consolidation and business continuity. The free edition of XenServer starts with a 64-bit hypervisor and centralized management, live migration, and conversion tools to create a virtual platform. The premium editions of XenServer extend the platform to enable organizations of any size to integrate and automate management processes, delivering a virtual datacenter solution.
- Citrix CloudStack provides an advanced open source software platform to build highly scalable and reliable cloud computing environments. With CloudStack, customers can quickly and easily build cloud services within their existing infrastructure and start realizing the benefits of this transformative service delivery model without the overhead of integration, professional services and complex deployment schedules.
- Citrix CloudGateway is a unified service broker that aggregates, controls and delivers Windows, Web, SaaS and mobile applications to virtually any device. CloudGateway provides end-users with an intuitive single point of access and self-service to all of their business applications on virtually any device. CloudGateway also provides IT with a comprehensive single point of aggregation and control for applications and users.
- Citrix CloudBridge connects enterprise datacenters to external clouds and hosting environments, making the cloud a secure extension of the enterprise network. CloudBridge is a complete network solution and is available as a

standalone physical or virtual appliance or integrated into NetScaler Platinum. CloudBridge sits at the "back door" of the enterprise datacenter, where it enables enterprises to transparently shift Web and application servers to the cloud while keeping sensitive data assets, including databases and corporate directories, safely on-premise. With CloudBridge, enterprises can augment their datacenters with the infinite capacity and elastic efficiency provided by cloud providers.

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- Citrix CloudPortal is a comprehensive portal for provisioning hosted applications, desktops, services and IaaS from the cloud. The multi-tenant platform automates business and operations support services thereby saving time and money while empowering customers with self-service day-to-day administration. CloudPortal simplifies cloud services by making management consistent and easy through a Web portal for on-boarding, provisioning, adds-moves-changes and usage reports.

Software as a Service

Citrix's SaaS businesses deliver Web collaboration, including virtual meetings, Web-based desktop support, remote access and data sharing to customers worldwide. Our SaaS products are delivered as a subscription service and customers are able to subscribe to our SaaS products without making any capital investment. These SaaS products delivered as a subscription service help customers reduce travel, increase tele-working and enable cost-effective remote access, support and storage.

Web Collaboration

- GoToMeeting® is an online, easy-to-use, secure and cost-effective product for online meetings, sales demonstrations and collaborative gatherings. GoToMeeting allows a user with a PC or Mac and an Internet browser to easily host, attend or participate in an online meeting or session without significant training. Mobile devices are supported on GoToMeeting, allowing a participant to join a GoToMeeting from an Apple iOS supported device (iPhone or iPad) or an Android smart phone or tablet. GoToMeeting is capable of providing a standard public switch telephone network, or PSTN, conference dial-in number, voice over Internet Protocol, or VoIP, and high-definition video conferencing. It features an advanced, secure communication architecture that uses industry-standard SSL encryption. The product offers flat-fee pricing for any number of meetings of any length, for up to 15 attendees per meeting and is available in in French, German, Italian, Spanish and English. GoToMeeting also comes with application programming interfaces, or APIs allowing users to integrate GoToMeeting into management systems and Web sites. We also offer GoToMeeting® Corporate which supports multiple organizer accounts, unlimited meetings with up to 25 attendees, robust reporting, additional customization options and advanced administrative capabilities. GoToMeeting Corporate also provides optional integrated toll-free audio.
- GoToWebinar® is an easy-to-use, do-it-yourself webinar product, allowing organizations to increase market reach and effectively present online to geographically dispersed audiences. GoToWebinar allows users with a PC or Mac and an Internet browser to easily host, attend or participate in a webinar session without significant training or IT support. Mobile devices are supported on GoToWebinar, allowing a participant to join a GoToWebinar from an Apple iOS supported device (iPhone or iPad) or an Android smart phone or tablet. GoToWebinar includes such features as full-service registration with real-time reports, customized branding, automated email templates, polling and survey capabilities, webinar dashboard to monitor attendance and participation, easy presenter controls for changing presenters and VoIP and toll-based phone options. GoToWebinar also offers registration and reporting APIs via the Go To Developer Center. The product offers flat-fee pricing for unlimited webinars of any length for up to 1,000 attendees per webinar. GoToWebinar Premier includes such features as full scale video content, mobile accessibility, no download required and is priced on monthly or per event options.
- GoToTraining® is an easy online training tool that allows trainers to deliver content to multiple trainees quickly and effortlessly, allowing organizations to expand their training program while saving time and reducing travel costs. GoToTraining allows users to host and participate in interactive online training sessions from either their PC or Mac. GoToTraining includes such features as full-service registration with integrated payment processing, real-time reporting and management, online course catalog, automated reminder and follow-up emails, content library to organize and store reusable content, materials, tests, polls, integrated payment system, toll-free audio and VoIP options. GoToTraining provides free APIs allowing full learning management system, or LMS, integrations through the Go To Developer Center. The product offers flat-fee pricing for unlimited training sessions of any length, for up to 200 attendees per session.
- Integrated Toll Free Audio is provided with the GoToMeeting, GoToWebinar and GoToTraining products, providing a seamless audio and Web experience and the ability to record audio and Web sessions, mute/unmute callers and recognize speakers from an easy-to-use interface.
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HiDef Corporate provides standalone audio options with reservationless audio conferencing for small and medium-sized businesses, or SMBs, and large organizations. HiDef Corporate® provides real-time reporting to manage users and costs effectively, with Web controls to allow moderators to manage conferences without the costs of an operator.

IT Support

- GoToAssist® is a leading, online, remote technical-support product that enables individual professionals and organizations of all sizes to provide secure, on-demand support over the Internet. GoToAssist enables support staff to instantly view and control the user's PC and Mac without the need to pre-install client software. GoToAssist comes in

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the following versions: GoToAssist® Express, GoToAssist® Corporate, and GoToAssist® FastChat. The solutions work automatically and securely through virtually every firewall, even over dial-up connections, and easily integrate into existing infrastructure.

- GoToManage® is an online IT management product that enables IT professionals to monitor and control their IT infrastructure and remotely support people and unattended computers. Our industry-leading crawler technology in GoToManage monitoring creates an IT "system of record" providing customers with the ability to discover and identify network devices, monitor critical servers, manage network usage and bandwidth consumption and track configuration changes. GoToManage remote support provides the capability to remotely support users and also to view and control unattended network devices. Limited GoToManage capabilities are available at no cost on the iPad with full capabilities made available with a paid subscription. GoToManage is simple to deploy, can be accessed from virtually any Internet connection and requires no costly server infrastructure.

Remote Access

- GoToMyPC® is an online product that provides secure, remote access to PC and Mac from virtually any Internet-connected computer. Access to a PC and Mac are available from an iOS supported smartphone or tablet (iPhone and iPad) and from any Android based tablet. GoToMyPC, which sets up easily with a secure encrypted connection, enables individuals to remotely use any resources hosted on their desktop just as though they were sitting in front of it. GoToMyPC® Pro, tailored for the needs of professionals and small offices, supports up to 50 PCs, rolls out secure, remote access for multiple users in minutes, and features an administration website in which managers can add, suspend and delete users and run usage reports. GoToMyPC® Corporate is built for businesses that require detailed reporting, advanced security features and the ability to assign and manage remote-access privileges for employees.

Data Sharing

- ShareFile is a market leading data sharing and collaboration product. Acquired by Citrix in October 2011, the ShareFile product line makes it easier for businesses of all sizes to securely store, sync and share business documents and files, both inside and outside their companies. ShareFile's centralized cloud storage capability also allows users to share files across multiple devices and access them from virtually any location. ShareFile's technology enables Citrix to make common data services, like search, share, sync, secure, authenticate, open and preview, available to a wide range of applications, services and use cases through a set of open APIs; extend secure data sharing to new and existing applications stored in public and private clouds and accessed from different business and consumer devices; and connect data seamlessly into the way people collaborate, ensuring that the right documents and files are always accessible when needed and always up to date.

License Updates

We provide a convenient way for customers to budget for their product version upgrades annually without having to anticipate variable costs throughout the year.

- Subscription Advantage provides a convenient way for customers to budget for their software version upgrades annually without having to anticipate variable costs throughout the year. The original purchase of these products is typically bundled with one year of Subscription Advantage or customers may elect to purchase subscriptions separately. Subscription Advantage allows customers to update software versions as they become available during the period of the subscription for free.

Technical Services

We provide a portfolio of technical services to our business partners and customers to manage the quality of implementation, operation and support of our solutions. These services are available for additional fees paid on an annual or transactional basis.

- Consulting Services help ensure the successful implementation of our solutions. Tested methodologies, certified professionals and best practices developed from real-world experience allow our consulting services organization to provide guidance and support to partners and customers to maximize the effectiveness of their access infrastructure implementations. For pre- and post-sale consulting, Citrix Consulting, a consulting services organization, provides both exploratory and fee-based consulting services. These services include on-site systems design and implementation services targeted primarily at enterprise-level clients with complex IT environments. Citrix Consulting is also responsible for the development of best practice knowledge that is disseminated to businesses with which we have a business relationship and end-users through training and written documentation. Leveraging these best practices enables our integration resellers to provide more complex systems, reach new buyers within existing customer organizations and provide more sophisticated system proposals to prospective customers.

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- Technical Support Services accommodate the unique ongoing support needs of customers. Our technical support services are specifically designed to address the variety of challenges facing access infrastructure environments. We offer several support-level options, global coverage and personalized relationship management. Post-sale technical support is offered through Citrix-operated support centers located in the United States, Ireland, Japan, Hong Kong, Australia, Singapore and India. In most cases, we provide technical advice to channel distributors and entities with which we have a technology relationship, who act as the first line of technical assistance for end-users. We also offer software maintenance for certain of our products, which allows customers to purchase, through a single program, the full benefits of our Subscription Advantage product as well as full access to technical support. In addition, Citrix appliance maintenance provides a convenient way for customers to receive technical support, software upgrades, if and when available, for appliances and return material authorization access in the event of appliance failure. In some cases, end-users can also choose from a Citrix-delivered fee-based support program ranging from one-time incident charges to an enterprise-level support agreement covering multiple sites and servers. In addition, we also provide free technical advice through online support systems, including our Web-based "Knowledge Center."
- Product Training & Certification enables our customers and partners to optimally utilize our products and keep their organizations running smoothly. Authorized Citrix training is available when and how it is needed. Traditional or virtual instructor-led training offerings feature Citrix Certified Instructors conducting scheduled classes in a classroom or remote setting at one of approximately 200 Citrix Authorized Learning Centers™, or CALCs, worldwide. CALCs are staffed with instructors that have been certified by us and teach their students using Citrix-developed courseware. Self-Paced Online offerings, available to students 24 hours a day, seven days a week, provide technically robust course content without an instructor and often include hands-on practice via virtual labs. Certifications validate key skills and are available for administrators, engineers, architects and sales professionals.

Technology

Our products are based on a full range of industry-standard technologies. In addition, certain of our products are also based on our proprietary technologies.

- Citrix HDX Technologies is a family of innovations that optimize the end-to-end user experience in virtual desktop and virtual application environments. These technologies incorporate our ICA protocol, which consists of server- and client-side technology that allows graphical user interfaces to be transmitted securely over any network, and include HDX Broadcast, MediaStream, Realtime, 3D, Plug-n-Play and IntelliCache features which work together to provide a high-definition user experience across a wide array of applications, devices and networks. HDX also provides Adaptive Orchestration which dynamically adjusts HDX capabilities to adapt to specific device, network and application scenarios and to deliver a better user experience. The most advanced editions include our FlexCast™ delivery technologies which allow virtual desktops to be hosted in the datacenter or run locally at the endpoint, wherever costs, security or mobility is optimal.
- Citrix FlexCast technologies combine a range of desktop and application virtualization innovations that work in concert to enable enterprise IT departments the ability to support a wide range of use cases. Whether employees are working online or offline, need deep customizations, or a simple interface, use company owned, or self-owned devices, or require the most stringent security protections, FlexCast enables a common infrastructure to meet these disparate needs by abstracting and redirecting operating systems, applications, user settings, profiles and data into separately and centrally managed elements that may be combined dynamically to deliver desktops and apps to any device.
- Citrix personalization technologies increase desktop virtualization adoption by providing a personalized end-user experience while optimizing resource usage in the data center and overall TCO. Citrix Profile Manager provides a flexible just-in-time population of user profile data that can be shared between virtual desktop and virtual application environments. Citrix Personal vDisk provides a persistent personalization layer that gives administrators the flexibility of a pooled VM environment and gives users the capability to personalize their VM. Citrix App Streaming provides application profiling and packaging capabilities, allowing easy provisioning of isolated applications to XenApp and XenDesktop environments.
- NetScaler® Software Packet Engine, or the Packet Engine, forms the foundation of our NetScaler line of products. The Packet Engine allows high-performance networking and packet processing without the need for special purpose

hardware.

- NetScaler® nCore™ Technology is a new architecture which enables execution of multiple Packet Engines in parallel. nCore technology allows the distribution of packet flows across multiple central processing unit cores to achieve efficient, high-performance parallel processing across multiple Packet Engines. The new architecture incorporates innovations in flow distribution and state sharing and provides for efficient execution across Packet Engines.

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- Branch Repeater SmartAcceleration is a set of features that work together to optimize service delivery for the end user. These features include the assessment of network conditions, classification of applications, correlation of the network traffic to user groups, and visibility into and control over the allocation of network resources.
- Xen® Open Source Technology is the basis for our hypervisor products, including XenServer™ and XenClient. See Part I-Item 1A entitled “Risk Factors,” for more information regarding our open source technology.
- Citrix CloudStack is an open source orchestration product that enables organizations to build public and private clouds.
- Citrix CloudPortal Business Manager enables organizations to provide product catalogs and billing system integration for their public clouds.
- Citrix Internet Overlay Platform is our foundational technology for GoToMeeting, GoToWebinar, GoToTraining, GoToAssist, GoToAssist Express and GoToManage. The platform implements one of the largest multicast overlay data networks in the world using the Internet. It provides proprietary screen-sharing technology that separately optimizes screen transmission for each endpoint device (such as a remote PC during an online meeting or remote access session).
- Citrix PSTN/VoIP Bridge is core technology that allows the seamless integration of PSTN/VoIP audio conferencing. This technology is used extensively in our Web-based collaboration and communication products including GoToMeeting, GoToWebinar, GoToTraining, and Hi-Def Corporate.
- HDFaces in GoToMeeting delivers high-definition video conferencing and one-to-many video streaming over the public Internet. It includes proprietary network transport protocols and transcoding software that optimize video quality for each endpoint device.

Innovation is a core Citrix competency. We have many additional unique inventions that are important enablers of our continued leadership in desktop and application virtualization, Web collaboration, cloud networking and virtual infrastructure.

Customers

We take a unique approach to solving the challenges of globalization, datacenter consolidation, regulatory compliance, disaster preparedness and competitiveness faced by our customers. In addition, we help their IT organizations change the cost, complexity, security and inflexibility of enterprise computing. Our products provide new capabilities for collaboration, communication, user support, desktop management, networking and datacenter management, and we believe they consistently deliver lower business and computing costs. At the same time, our solutions significantly increase business agility, helping our customers to quickly adapt to business, economic and environmental changes. The strategic value that we offer requires us to engage with multiple buyers, each with a different perspective on the problems we solve. We believe that the primary IT buyers involved in decision-making related to virtual computing solutions are the following:

- Strategic IT Executives including chief information officers, chief technology officers and vice presidents of infrastructure, who have responsibility for ensuring that IT services are enablers to business initiatives and are delivered with the best performance, availability, security and cost.
- Desktop Operations Managers who are responsible for managing Windows Desktop environments including corporate help desks.
- IT Infrastructure Managers who are responsible for managing and delivering Windows-based applications.
- Network Architects who are responsible for delivering Web-based applications who have primary responsibility for the WAN infrastructure for all applications.
- Server Operations Managers who are responsible for specifying datacenter systems and managing daily operations.
- Individuals and prosumers, who are responsible for choosing personal solutions and helping small businesses select simple-to-use computing solutions.
- Small Business Owners who are responsible for choosing the systems needed to support their business goals, such as SaaS.

We offer perpetual and term-based software licenses for our products, along with annual subscriptions for software updates, technical support and SaaS. Perpetual licenses allow our customers to use the version of software initially purchased into perpetuity, while term-based licenses are limited to a specified period of time. Software update subscriptions give customers the right to upgrade to new software versions if and when any updates are delivered during the subscription term. Perpetual license software products come primarily in electronic-based forms and, in selected markets, we offer pre-packaged shrink-wrap products to meet local customer needs. Our SaaS products are accessed over the Internet for usage during the subscription period. Our hardware appliances come pre-loaded with software for which customers can purchase perpetual licenses and annual support and maintenance.

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Technology Relationships

We have a number of technology relationships in place to accelerate the development of existing and future products and go-to-market. These relationships include cross-licensing, OEM, and other arrangements that result in better solutions for our customers.

Microsoft

Since our inception, we have had a number of license agreements with Microsoft, including patent cross-licenses and source code licensing agreements that have provided us access to source code for versions of Microsoft Windows Server. These agreements are not required for our software development processes on Windows Server and do not provide for payments to or from Microsoft. The agreements are designed to allow Citrix to provide technical support for our products that run on the Microsoft Windows Server platform, including XenDesktop and XenApp. Additionally, we have collaborated with Microsoft on various technologies, including terminal services, cloud networking and virtualization.

Cisco

We have a technology collaboration with Cisco Systems, Inc., or Cisco, to develop and deliver solutions that help customers simplify and accelerate large-scale desktop virtualization deployments, including high-definition virtual desktops and applications and improved end user experiences, over a highly secure Citrix® HDX™-enabled Cisco network. We licensed the specifications of ICA to Cisco as part of this agreement.

Additional Relationships

Through our Citrix Ready program, more than 21,000 products have been verified to work with Citrix technologies. In addition, numerous partners proactively incorporate Citrix products and technologies such as Receiver, XenServer, XenDesktop, XenClient, XenApp, NetScaler, CloudGateway, VDI-in-a-Box and HDX (ICA) technology into their customer offerings. Our HDX and Receiver technologies are often included with or offered for thin clients, industry-standard servers and mobile devices, such as Apple's iPhone and iPad, Windows Mobile, Blackberry and Google Android devices. Licensees include Dell, Fujitsu, Hewlett Packard and Wyse Technologies, among others. Our XenClient technology was developed in cooperation with Intel and is licensed for shipment by desktop computer manufacturers, including Dell and Hewlett Packard.

Research and Development

We focus our research and development efforts on developing new products and core technologies in the virtual computing infrastructure market and further enhancing the functionality, reliability, performance and flexibility of existing products. We solicit extensive feedback concerning product development from customers, both directly from and indirectly through our channel distributors.

We believe that our software development teams and core technologies represent a significant competitive advantage for us. Included in the software development teams is a group focused on research activities that include prototyping ways to integrate emerging technologies and standards into our product offerings, such as emerging Web services technologies, management standards and Microsoft's newest technologies. Many groups within the software development teams have expertise in Extensible Markup Language, or XML, based software development, integration of acquired technology, multi-tier Web-based application development and deployment, SSL secure access, hypervisor technologies, cloud technologies, networking technologies, VoIP-based audio technology, Web-based video technology and building SaaS. We maintain teams located close to Microsoft in Redmond, Washington, which are focused on enhancing and adding value to the next generation of Microsoft Windows Server, virtualization and management products. We incurred research and development expenses of approximately $343.7 million in 2011, $326.6 million in 2010 and $282.0 million in 2009.

Sales, Marketing and Services

We market and license our products and services through multiple channels worldwide, including VARs, VADs, SIs, independent software vendors, or ISVs, direct over-the-Web and OEMs. These distribution channels are managed by our worldwide sales and services organization. We provide training and certification to integrators, VARs and consultants for a full-range of Citrix-based infrastructure products, solutions and services through our Citrix Partner Network program to members known as Citrix Solution Advisors™. In addition, our Online Services division provides SaaS through direct corporate sales and direct over-the-Web through our websites.

In 2011, we continued to focus on increasing the productivity of our existing partners and building capacity through recruitment of new partners to sell and implement our expanding product portfolio. Our channel incentive program, Citrix Advisor Rewards™, is an innovative influencer program that rewards our partners for registering projects and providing value-added selling even if they do not fulfill the product. This program has helped limit channel conflict and increase partner loyalty to us. We regularly take actions to improve the effectiveness of our partner programs and to strengthen our channel

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relationships, including managing non-performing partners, adding new partners with expertise in selling into new markets and forming additional relationships with global and regional SIs and ISVs. SIs and ISVs have become a more substantial part of our strategy in the large enterprise and government markets. The SI program includes members such as Accenture Ltd., Atos Origin, Computer Sciences Corporation, Hewlett Packard Enterprise Data Services, Fujitsu-Siemens Computers GmbH, Hewlett-Packard Company, IBM Global Services, Infosys Technologies Limited and TATA Consultancy Services Limited, among others. The ISV program has a strong representation from targeted industry verticals such as healthcare, financial services and telecommunications. Members in the ISV program include Cerner Corporation, Epic Systems Corporation, ESRI, McKesson Corporation, Microsoft, Oracle Corporation, Sage Group plc, SAP AG and Siemens Medical Health Solutions, among many others.

Our corporate marketing organization provides sales event support, sales collateral, advertising, direct mail and public relations coverage to our indirect channels to aid in market development and in attracting new customers. Our partner development organization actively supports our VADs and VARs to improve their commitment and capabilities with Citrix solutions. Our customer sales organization consists of field-based systems sales engineers and corporate sales professionals who work directly with our largest customers and coordinate integration services provided by our VARs and SIs. Additional sales personnel, working in central locations and in the field, provide additional support including recruitment of prospective partners and technical training with respect to our products.

Although we work with multiple VADs and VARs, one distributor, Ingram Micro, accounted for 17% of our net revenues in 2011, 17% of our total net revenues in 2010 and 14% of our total net revenues in 2009. Our channel distributor arrangements with Ingram Micro consist of several non-exclusive, independently negotiated agreements with its subsidiaries, each of which covers different countries or regions. Each of these agreements is separately negotiated and is independent of any other contract (such as a master distribution agreement). None of these contracts was individually responsible for over 10% of our total net revenues in each of the last three fiscal years. In addition, there was no individual VAR that accounted for over 10% of our total net revenues in 2011, 2010 and 2009.

The Citrix Partner Network™ includes three categories of partners: Citrix Solution Advisors™, Citrix Ready Technology Partners™, and Citrix Global SIs™. This network represents the knowledge, skills and experience of the entire spectrum of our partners around the world, and makes it easier for end-users to engage their services and benefit from their solutions. Equally important, the Citrix Partner Network is designed to help partners build their business by sharing in opportunities for virtualization and networking optimization solutions that arise from mutual customers and complement the sale of their own products.

We are not obligated to accept product returns from our channel distributors under any conditions, unless the product item is defective in manufacture. See “Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” and Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011 for information regarding our revenue recognition policy.

International revenues (sales outside the United States) accounted for approximately 43% of our net revenues for the year ended December 31, 2011, 43% of our net revenues for the year ended December 31, 2010 and 44% of our net revenues for the year ended December 31, 2009. For detailed information on our 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 Revenue

Our revenues are derived from sales of Enterprise division products, which primarily include our Desktop Solutions, Datacenter and Cloud Solutions, Cloud-based Data Solutions and related technical services and from 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.

Operations

For our Cloud Networking products, including NetScaler, Access Gateway and Branch Repeater, we employ manufacturing capabilities through independent contractors to provide a redundant source of manufacture and assembly. Independent contractors provide us with the flexibility needed to meet our customer product and delivery requirements. We have manufacturing relationships primarily with Flextronics, Super Micro Computer, Inc. and Hewlett Packard, under which we have subcontracted the majority of our manufacturing activity. These third-party contract manufacturers also provide final test, warehousing and shipping services. This subcontracting activity extends from prototypes to full production and includes activities such as material procurement, final assembly, test, control, shipment to our customers and repairs. Together with our contract manufacturers, we design, specify and monitor the tests that are required to meet internal and external quality standards. Our contract manufacturers manufacture our products based on forecasted demand for our products. Each of the contract manufacturers procures components necessary to assemble the products in our forecast and test the products according

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to our specifications. We are dual-sourced on our components, however, in some instances, those sources may be located in the same geographic area. Accordingly, if a natural disaster occurred in one of those areas, we may need to seek additional sources. Products are then shipped to our channel distributors, VARs or end-users. If the products go unsold for specified periods of time, we may incur carrying charges or obsolete material charges for products ordered to meet our forecast or customer orders. In 2011, we did not experience any material difficulties or significant delays in the manufacture and assembly of our products.

We control all purchasing, inventory, scheduling, order processing and accounting functions related to our operations. For our software products, production, warehousing and shipping are performed by our independent contractor HP, Ireland. Master software CD-ROMs, development of user manuals, packaging designs, initial product quality control and testing are primarily performed at our facilities. In some cases, independent contractors also duplicate CD-ROMs, print documentation and package and assemble products to our specifications.

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

We believe that our fourth quarter revenues and expenses are affected by a number of seasonal factors, including the lapse of many corporations' fiscal year budgets and an increase in amounts paid pursuant to our sales compensation plans due to compensation plan accelerators that are often triggered in the fourth quarter. We believe that these seasonal factors are common within our industry. Such factors historically have resulted in first quarter revenues in any year being lower than the immediately preceding fourth quarter. We expect this trend to continue through the first quarter of 2012. In addition, our European operations generally generate lower revenues in the summer months because of the generally reduced economic activity in Europe during the summer. This seasonal factor also typically results in higher fourth quarter revenues.

## Competition

We sell our products in intensely competitive markets. Some of our competitors and potential competitors have significantly greater financial, technical, sales and marketing and other resources than we do. As the markets for our products and services continue to develop, additional companies, including those with significant market presence in the computer appliances, software and networking industries, could enter the markets in which we compete and further intensify competition. In addition, we believe price competition could become a more significant competitive factor in the future. As a result, we may not be able to maintain our historic prices and margins, which could adversely affect our business, results of operations and financial condition. See “-Technology Relationships” and Part I-Item 1A entitled “Risk Factors” included in this Annual Report on Form 10-K for the year ended December 31, 2011.

### Desktop Solutions

We have established a very large installed customer base in the application virtualization market due to our early success applying this solution to remote access challenges. Today, this technology is part of an evolution to a new way of managing desktops, which is establishing a larger, encompassing market defined as desktop virtualization. Our primary competition in this market is the existing IT desktop management practice of manually configuring physical desktops, which is time-consuming, expensive and inconsistent. We also face numerous competitors that provide automation of these processes and alternative approaches including VMWare's View product and Oracle Corporation, or Oracle's, broad virtualization stack which is a feature of its operating system and management software.

We believe XenDesktop gives Citrix a competitive advantage by providing customers multiple ways to manage desktops within one, integrated desktop virtualization system. In addition, during 2011 we added our VDI-in-a-Box product, which is simple to install and gives us a VDI solution targeted toward smaller businesses without skilled IT support organizations. This product also competes with VMWare's View product and we believe the addition of the VDI-in-a-Box product gives us a simple affordable product that compliments and completes our XenDesktop product line.

### Cloud Networking

Our NetScaler Web application delivery products compete against other established competitors, including, Cisco and F5 Networks, Inc., or F5. Both compete with us for traditional enterprise sales opportunities, while F5 is our principal competitor in the Internet-centric market segment. We continue to enhance NetScaler's feature capability and aggressively market NetScaler to our existing customer base.

Our Branch Repeater products compete with Cisco and Riverbed Technology, Inc., or Riverbed. Cisco has the largest market share, benefiting from its leadership in the networking market. Riverbed is a less established company than Citrix, but has the advantage of being focused solely on WAN optimization. We continue to develop enhanced features and functionality for our Branch Repeater products, in addition to optimizing their performance with existing Citrix products, to differentiate them from our competition. We are also able to bundle our Branch Repeater products with existing products and aggressively

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market them to our installed-base, which we believe gives us a competitive advantage.

Competition for Cloud Bridge comes in the form of alternative approaches to making the cloud a secure extension of a company's on-premise enterprise network such as WAN optimization, Internet protocol security, or IPSec, or multi-protocol label switching, or MPLS, network solutions, among others. F5 is a key competitor in this space. We believe Cloud Bridge is a more feature-rich solution than the other alternatives and provides superior flexibility as part of NetScaler.

Cloud Platform

In the server virtualization market, we compete directly with VMware, which was first to market with this technology and is widely regarded as the market leader. We believe XenServer, our server virtualization product, has features that are competitive with VMware's ESX Server in terms of performance, scalability and other enterprise-class capabilities. XenServer is offered as a free download, which significantly increases the reach of server virtualization to customers of all sizes and geographies. We monetize the XenServer product with premium editions that extend the platform to enable organizations of any size to integrate and automate management processes, delivering a virtual datacenter solution.

VMware is also the main competitor for our CloudStack product which is an advanced platform for building highly scalable and reliable cloud computing environments and our CloudPortal products which is a comprehensive portal for provisioning hosted applications, desktops, services and IaaS. Unlike VMware's products, our CloudStack and CloudPortal products draw on the successful models and experience of large, public cloud implementations and apply them to enterprise, private clouds. The differentiation and experience of our products is expanded when coupled with our NetScaler and XenServer products, both of which are used in large, public cloud implementations. Additionally, OpenStack, an open source project, provides an alternative solution to our CloudStack product. We believe CloudStack has a competitive advantage as it is production ready for cloud deployment.

Cloud Gateway also faces competition from VMware and a host of other, smaller solution providers. We believe Citrix offers the only integrated solution that aggregates, controls and delivers Windows, Web, SaaS and mobile applications to virtually any device, bringing all of the various components together. Further, we believe that our end user experience has a competitive edge when compared to the alternative solutions due to the intuitiveness and self-service features of our offering.

Software as a Service

Our SaaS offerings for Web collaboration, remote support and remote access continue to maintain solid leadership positions in extremely competitive markets, particularly among, SMBs. We differentiate our SaaS offerings by designing simple, secure, reliable and cost-efficient products that deliver a superior customer experience. Our competitors range from large, established technology firms to small, Internet-based startups.

We have been a market leader in SaaS-based secure remote access with our GoToMyPC product for many years. Our direct competition includes LogMeIn, Inc., or LogMeIn, free solutions such as Microsoft's Live Mesh and those from many Internet startups. In addition, new remote access features in desktop operating systems like Microsoft Windows and Macintosh OSX provide alternatives to our solution. We endeavor to differentiate our products by continuing our focus on security, ease-of-use and support for multiple desktop operating systems.

In Web collaboration, we compete primarily with Cisco's WebEx product, which currently has the leading market share in this space as well as collaboration solutions from Adobe Systems, Inc., or Adobe. Additionally we compete with freemium products such as Logmein's Join.me and Google's Google + Hangouts. Our GoToMeeting, GoToWebinar and GoToTraining products have proven to be competitive based on ease-of-use and the All You Can Meet® pricing model. In addition, we offer advanced VoIP-based audio technology, which allows us to market audio conference calling services directly to SMBs and enterprises. We further differentiate our collaboration products by integrating PSTN, VoIP and toll-free audio services. We believe these features give us competitive advantage among individual, prosumer and SMB customers. We further expanded our collaboration offerings with GoToTraining™, an online training service purpose-built for the corporate training market.

Our on-demand IT support products, marketed under the GoToAssist and GoToManage brands, have achieved the largest market share worldwide for Web-based clientless remote support. These offerings include versions purpose-built for individual users, consultants and small businesses, positioning Citrix as the only provider of remote support solutions for all segments of the market. In remote support, we compete with Cisco's WebEx and LogMeIn. ShareFile's direct competition includes Dropbox, Inc., Box, Inc. and YouSendIt, Inc., as well as legacy solutions like traditional file transfer protocol, or FTP, in the SMB market. Many of these competitors offer free versions of their products and have strong brand recognition. However, we believe ShareFile offers a superior solution as it is built specifically to service the needs of business users. In the Enterprise market, there are few direct competitors to our ShareFile products but increased competition is anticipated as large enterprises begin to deploy solutions for data synching and sharing. We believe that Citrix's strong reputation in the Enterprise market, along with ShareFile's integration into Citrix products such as Receiver, will prove to be a differentiator.

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Proprietary Technology

Our success is dependent upon certain proprietary technologies and core intellectual property. We have been awarded numerous domestic and foreign patents and have numerous pending patent applications in the United States and foreign countries. Our technology is also protected under copyright laws. Additionally, we rely on trade secret protection and confidentiality and proprietary information agreements to protect our proprietary technology. We have trademarks or registered trademarks in the United States and other countries, including Citrix®, Citrix Access Gateway™, Citrix Cloud Center™, Citrix Essentials™, Citrix Receiver™, Citrix Repeater™, Citrix Subscription Advantage™, Citrix Synergy™, Dazzle®, EdgeSight®, FlexCast™, GoToAssist®, GoToMeeting®, GoToMyPC®, GoToWebinar®, GoToTraining®, GoView®, HiDef Conferencing™, ICA®, nCore™, NetScaler®, Simplicity is Power™, VPX™, Xen®, XenApp®, XenCenter®, XenClient®, XenDesktop® and XenServer®. While our competitive position could be affected by our ability to protect our proprietary information, we believe that because of the rapid pace of technological change in the industry, factors such as the technical expertise, knowledge and innovative skill of our management and technical personnel, our technology relationships, name recognition, the timeliness and quality of support services provided by us and our ability to rapidly develop, enhance and market software products could be more significant in maintaining our competitive position. See Part I-Item 1A entitled "Risk Factors" included in this Annual Report on Form 10-K for the year ended December 31, 2011.

Available Information

Our Internet address is http://www.citrix.com. We make available, free of charge, on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The information on our website is not part of this Annual Report on Form 10-K for the year ended December 31, 2011.

Employees

As of December 31, 2011, we had 6,936 employees. We believe our relations with employees are good. In certain countries outside the United States, our relations with employees are governed by labor regulations that provide for specific terms of employment between our company and our employees.

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ITEM 1A. RISK FACTORS

Our operating results and financial condition have varied in the past and could in the future vary significantly depending on a number of factors. From time to time, information provided by us or statements made by our employees contain "forward-looking" information that involves risks and uncertainties. In particular, statements contained in this Annual Report on Form 10-K for the year ended December 31, 2011, and in the documents incorporated by reference into this Annual Report on Form 10-K for the year ended December 31, 2011, that are not historical facts, including, but not limited to, statements concerning new products, product development and offerings of products and services, market positioning, distribution and sales channels, our partners and other strategic or technology relationships, financial information and results of operations for future periods, product and price competition, strategy and growth initiatives, seasonal factors, natural disasters, stock-based compensation, licensing and subscription renewal programs, international operations and expansion, investment transactions and valuations of investments and derivative instruments, reinvestment or repatriation of foreign earnings, fluctuations in foreign exchange rates, tax matters, the finalization of our tax settlement with the IRS, acquisitions, stock repurchases, changes in accounting rules or guidance, changes in domestic and foreign economic conditions and credit markets, delays or reductions in technology purchases, liquidity, litigation matters, and intellectual property matters constitute forward-looking statements and are made under the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are neither promises nor guarantees. Our actual results of operations and financial condition could vary materially from those stated in any forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K for the year ended December 31, 2011, in the documents incorporated by reference into this Annual Report on Form 10-K or presented elsewhere by our management from time to time. Such factors, among others, could have a material adverse effect upon our business, results of operations and financial condition. We caution readers not to place undue reliance on any forward-looking statements, which only speak as of the date made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Adverse changes in general economic conditions in any of the major countries in which we do business, particularly in the United States and Europe, could adversely affect our operating results.

As a global company, we are subject to the risks arising from adverse changes in global economic and market conditions. The worldwide economy underwent unprecedented turmoil in the past few years and continues to experience stock market volatility, difficulties in the financial services sector, financial instability related to the sovereign debt situation in Europe, reduced corporate profits and capital spending, and economic uncertainties. Although some of these conditions appear to be abating, there are a number of mixed indicators, the severity and length of time these economic and market conditions may persist is unknown, and the rate and pace of recovery in individual economies is also uncertain. The continuing uncertainty about future economic conditions, particularly in European markets, could negatively impact our current and prospective customers and result in delays or reductions in technology purchases. As a result, we could experience fewer orders, longer sales cycles, slower adoption of new technologies and increased price competition, any of which could materially and adversely affect our business, results of operations and financial condition. Adverse economic conditions also may negatively impact our ability to obtain payment for outstanding debts owed to us by our customers or other parties with whom we do business, particularly in Europe.

Our business could be adversely impacted by conditions affecting the information technology market.

The demand for our products and services depends substantially upon the general demand for business-related computer appliances and software, which fluctuates based on numerous factors, including capital spending levels, the spending levels and growth of our current and prospective customers, and general economic conditions. Moreover, the purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. Future economic projections for the information technology sector are uncertain as companies continue to reassess their spending for technology projects. If our current and prospective customers engage in restructuring and other efforts to cut costs they may significantly reduce their information technology expenditures. Fluctuations in the demand for our products and services could have a material adverse effect on our business, results of operations and financial condition.

Our Desktop Solutions are part of a new way of managing desktops, and the growing market for this line of products and services remains uncertain and may result in slower revenue growth than currently expected.

While we have established a very large installed customer base in the application virtualization market due to our early success applying this solution to remote access challenges, applying this technology to desktops is part of a new way of managing desktops, which is establishing a larger, encompassing market defined as desktop virtualization. Our Desktop

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Solutions offerings are based on this emerging technology platform, the success of which will depend on organizations and customers perceiving technological and operational benefits and cost savings associated with adopting desktop virtualization solutions. Although we have experienced early success with this platform, the technology is still emerging and the market for our Desktop Solutions remains uncertain because customers may experience challenges in implementing, and a more complex deployment of, desktop virtualization. In addition, our primary competition in desktop virtualization is the existing IT practice of managing physical desktops as a device and the success of our Desktop Solutions will depend on information technology executives' continuing to rethink how desktops can be delivered as a service rather than viewing desktops as a device. To the extent that there is slower adoption of desktop virtualization solutions, the revenue growth associated with our Desktop Solutions may be slower than currently expected, which could adversely affect our business, results of operations and financial condition.

We anticipate that sales of our Desktop Solutions and related enhancements and upgrades will constitute a majority of our revenue for the foreseeable future. Declines and variability in demand for our Desktop Solutions could occur as a result of:

- new competitive product releases and updates to existing products;
- termination of our product offerings and enhancements;
- potential market saturation;
- technological change;
- general economic conditions; or
- lack of success of entities with which we have a technology relationship.

If our customers do not continue to purchase our Desktop Solutions as a result of these or other factors, our revenue would decrease and our results of operations and financial condition would be adversely affected. In addition, modification or termination of certain of our Desktop Solutions may cause variability in our revenue and make it difficult to predict our revenue growth and trends in our Desktop Solutions as our customers adjust their purchasing decisions in response to such events.

If we lose key personnel or cannot hire enough qualified employees in certain areas of our business, our ability to manage our business could be adversely affected.

Our success depends, in large part, upon the services of a number of key employees in certain areas of our business. Any officer or employee can terminate his or her relationship with us at any time. Our ability to effectively manage our business, including any growth in our business, depends upon our ability to retain our highly-skilled managerial, technical, sales and services, finance and marketing personnel. If any of those employees leave, we will need to attract and retain replacements for them. We also may need to add key personnel in the future, including in certain key areas of our business and to develop new products, product enhancements and technologies. The market for these qualified employees is competitive. We could find it difficult to successfully attract, assimilate or retain sufficiently qualified personnel in adequate numbers. If we cannot add the necessary staff and resources, our ability to develop future enhancements and features to our existing or future products could be delayed. Any delays could have a material adverse effect on our business, results of operations and financial condition.

In addition, the NASDAQ Marketplace Rules, to which we are subject, require stockholder approval for new equity compensation plans and significant amendments to existing equity compensation plans, including increases in shares available for issuance under such plans, and such amendments are often scrutinized by institutional shareholders and shareholder advisory services. If institutional shareholders vote, or shareholder advisory services recommend that our stockholders vote, against plans or amendments, we may not obtain the required stockholder vote, which would limit our ability to grant equity compensation to employees in the future. To the extent we are limited in the amount of equity compensation that we can provide to employees, we may incur increased cash compensation costs or find it difficult to attract, retain and motivate employees, which could materially and adversely affect our business.

We face intense competition, which could result in customer loss, fewer customer orders and reduced revenues and margins.

We sell our products and services in intensely competitive markets. Some of our competitors and potential competitors have significantly greater financial, technical, sales and marketing and other resources than we do. For example, our ability to market our Desktop Solutions, including XenDesktop, XenApp, and other future product offerings and upgrades, could be affected by a competitor's licensing and pricing scheme for client devices, servers and applications. Further, the announcement of the release, and the actual release, of new products incorporating similar features to our products could cause our existing and potential customers to postpone or cancel plans to license certain of our existing and future product and service offerings. In addition, alternative products for our Desktop Solutions and Datacenter and Cloud Solutions directly and indirectly compete with our current product lines and services. Existing or new products and services that provide alternatives to our products and services could materially impact our ability to compete in these markets. As the markets for our products and services continue

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to develop, additional companies, including companies with significant market presence in the computer hardware, software, cloud and related industries, could enter the markets in which we compete and further intensify competition. In addition, we believe price competition could become a more significant competitive factor in the future. As a result, we may not be able to maintain our historic prices and margins, which could adversely affect our business, results of operations and financial condition.

Industry consolidation may result in increased competition.

Some of our competitors have made acquisitions or entered into partnerships or other strategic relationships to offer a more comprehensive solution than they had previously offered. Additionally, as IT companies attempt to strengthen or maintain their market positions in the evolving desktop and application virtualization, Web collaboration, cloud networking and virtual infrastructure markets, these companies continue to seek to deliver comprehensive IT solutions to end users and combine enterprise-level hardware and software solutions that may compete with our virtualization and Web collaboration solutions. These consolidators or potential consolidators may have significantly greater financial, technical and other resources than we do and may be better positioned to acquire and offer complementary products and services. The companies resulting from these possible combinations may create more compelling product and service offerings and be able to offer greater pricing flexibility or sales and marketing support for such offerings than we can. These heightened competitive pressures could result in a loss of customers or a reduction in our revenues or revenue growth rates, all of which could adversely affect our business, results of operations and financial condition.

Our Datacenter and Cloud Solutions initiatives present execution and competitive risks.

We have announced new products and technology initiatives which aim to leverage our desktop management software products into the emerging area of cloud computing. For example, our Datacenter and Cloud Solutions initiatives offer solutions to help our customers easily and quickly move or extend key datacenter workloads to the cloud for increased availability and flexibility. These initiatives present new and difficult technology challenges. Our customers may choose not to adopt our new products or services, and we may be subject to claims if customers of these offerings experience service disruptions or failures, security breaches or other quality issues. Further, the success of these new offerings depends upon the cooperation of third party hardware, software and cloud hosting vendors to provide interoperability with our products and services and to offer compatible products and services to end users.

Since the cloud computing market is in the early stages of development, we expect other companies to enter this market and to introduce their own initiatives that may compete with, or not be compatible with, our cloud initiatives. These competitive initiatives could limit the degree to which other vendors develop products and services around our offerings. Additionally, our operating margins in our new initiatives may be lower than those we have achieved in our more mature products and services markets, and our new initiatives may not generate sufficient revenue to recoup our investments in them. If any of these events were to occur, it could adversely affect our business, results of operations and financial condition.

Actual or perceived security vulnerabilities in our products and services could have a material adverse impact on our business and results of operations.

Use of our SaaS offerings, including GoToMyPC, GoToMeeting, GoToAssist, GoToWebinar and ShareFile, involves the storage and transmission of customers' business and personally identifiable information. Thus, maintaining the security of computers, computer networks and data storage resources is a critical issue for us and our customers, as security breaches could result in the loss of and/or unauthorized access to this information. We devote significant resources to address security vulnerabilities in our products and services through engineering more secure products and services, enhancing security and reliability features in our products and services, deploying security updates to address security vulnerabilities and seeking to respond to known security incidents in sufficient time to minimize any potential adverse impact. However, because techniques used to obtain unauthorized access to or sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. A breach of our security measures as a result of third-party action, computer viruses, employee error, malfeasance or otherwise could result in:

- harm to our reputation or brand, which could lead some customers to seek to cancel subscriptions, stop using certain of our products or services, reduce or delay future purchases of our products or services, or use competing products or services;

- individual and/or class action lawsuits, which could result in financial judgments against us and which would cause us to incur legal fees and costs;
- state or federal enforcement action, which could result in fines and/or penalties and which would cause us to incur legal fees and costs; and/or
- additional costs associated with responding to the breach, such as the costs of providing individuals and/or data

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owners with notice of the breach, legal fees, the costs of any additional fraud detection activities required by credit card associations, and costs incurred by credit card issuers associated with the compromise and additional monitoring of systems for further fraudulent activity.

Any of these actions could materially adversely impact our business and results of operations.

Regulation of the Web, privacy and data security may adversely affect sales of our SaaS offerings and result in increased compliance costs.

As Web commerce continues to evolve, increasing regulation by federal, state or foreign agencies and industry groups becomes more likely. For example, we believe increased regulation is likely with respect to the solicitation, collection, processing or use of personal, financial and consumer information as regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection, privacy and data security. In addition, the interpretation and application of consumer and data protection laws and industry standards in the United States, Europe and elsewhere are often uncertain and in flux. The application of existing laws to cloud-based solutions is particularly uncertain and cloud-based solutions may be subject to further regulation, the impact of which cannot be fully understood at this time. Moreover, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data and privacy practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data and privacy practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Also, any new regulation, or interpretation of existing regulation, imposing greater fees or taxes on Web-based services, such as Web collaboration services and audio services, or restricting information exchange over the Web, could result in a decline in the use and adversely affect sales of our SaaS offerings and our results of operations.

As we enter into a new market with our ShareFile products and integrate this business into our operations, we will be exposed to a new category of risks associated with data sharing services. In particular, ShareFile products may involve the storage and transmission of protected health information, or PHI, that is subject to the Health Insurance Portability and Accountability Act, or HIPAA. HIPAA was recently amended by the Health Information Technology for Economic and Clinical Health Act, or the HITECH ACT, which has significantly increased the civil money penalties for violations of patient privacy rights protected under HIPAA. As a result of the HITECH ACT, business associates who have access to PHI provided by hospitals, healthcare providers, health insurance companies and other covered entities are now directly subject to HIPAA, including the new enforcement scheme and inspection requirements. If we receive PHI from covered entities that are subject to HIPAA, we will be required to comply with HIPAA's stringent data security requirement and we may be liable for sanctions and penalties for any failure to so comply. Furthermore, we may be required to incur additional expenses in order to comply with the HITECH Act and any further amendments to and/or modifications of these requirements.

Our products could contain errors that could delay the release of new products or that may not be detected until after our products are shipped.

Despite significant testing by us and by current and potential customers, our products, especially new products or releases or acquired products, could contain errors. In some cases, these errors may not be discovered until after commercial shipments have been made. Errors in our products could delay the development or release of new products and could adversely affect market acceptance of our products. Additionally, our products depend on third-party products, which could contain defects and could reduce the performance of our products or render them useless. Because our products are often used in mission-critical applications, errors in our products or the products of third parties upon which our products rely could give rise to warranty or other claims by our customers, which may have a material adverse effect on our business, financial condition and results of operations.

We may experience outages, data loss and disruptions of our SaaS offerings and Datacenter and Cloud Solutions, which could significantly and adversely affect our financial condition and operating results.

The increasing user traffic and complexity of our SaaS offerings and Datacenter and Cloud Solutions demands more computing power. We have spent and expect to continue to spend substantial amounts to adequately resource our SaaS offerings and Datacenter and Cloud Solutions and to upgrade our technology and network infrastructure to handle the increased traffic of our Web collaboration products, including GoToMeeting, GoToWebinar and GoToTraining, and to introduce new products, including our ShareFile products and related services. Maintaining and expanding the capacity and geographic footprint of our infrastructure is expensive and complex. Inefficiencies or operational failures, including temporary service outages and temporary or permanent loss of customer data, could diminish the perceived quality and reliability of our services, and result in liability claims by customers and other third parties, damage to our reputation and loss of current and potential

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subscribers, any of which could materially and adversely affect our financial condition and results of operations.

If we do not develop new products and services or enhancements to our existing products and services, our business, results of operations and financial condition could be adversely affected.

The markets for our products and services are characterized by:

- rapid technological change;
- evolving industry standards;
- fluctuations in customer demand;
- changes in customer requirements; and
- frequent new product and service introductions and enhancements.

Our future success depends on our ability to continually enhance our current products and services and develop and introduce new products and services that our customers choose to buy. If we are unable to keep pace with technological developments and customer demands by introducing new products and services and enhancements, our business, results of operations and financial condition could be adversely affected. Our future success could be hindered by:

- delays in our introduction of new products and services;
- delays in market acceptance of new products and services or new releases of our current products and services; and
- our, or a competitor's, announcement of new product or service enhancements or technologies that could replace or shorten the life cycle of our existing product and service offerings.

In order for a number of our products to succeed in the future, we believe the demand for technology will need to shift from the types of products and services we and our competitors have sold in the past to a new generation of products we now offer. For example, we cannot guarantee that our Desktop Solutions, SaaS offerings and Datacenter and Cloud Solutions will achieve the broad market acceptance by our channel and strategic partners, customers and prospective customers necessary to generate significant revenue in the future. In addition, we cannot guarantee that we will be able to respond effectively to technological changes or new product announcements by others. If we experience material delays or sales shortfalls with respect to our new products and services or new releases of our current products and services, those delays or shortfalls could have a material adverse effect on our business, results of operations and financial condition.

Our long sales cycle for Desktop Solutions sales could cause significant variability in our revenue and operating results for any particular period.

Generally, a substantial portion of our large and medium-sized customers implement our Desktop Solutions on a departmental or enterprise-wide basis. We have a long sales cycle for these departmental or enterprise-wide sales because:

- our sales force generally needs to explain and demonstrate the benefits of a large-scale deployment of our product to potential and existing customers prior to sale;
- our service personnel typically spend a significant amount of time assisting potential customers in their testing and evaluation of our products and services;
- our customers are typically large and medium size organizations that carefully research their technology needs and the many potential projects prior to making capital expenditures for software infrastructure; and
- before making a purchase, our potential customers usually must get approvals from various levels of decision makers within their organizations, and this process can be lengthy.

Our long sales cycle for these large-scale deployments makes it difficult to predict when these sales will occur, and we may not be able to sustain these sales on a predictable basis. In addition, the long sales cycle for these large-scale deployment sales makes it difficult to predict the quarter in which sales will occur. Delays in sales could cause significant variability in our revenue and operating results for any particular period, and large projects with significant IT components may fail to meet our customers' business requirements or be canceled before delivery, which likewise could adversely affect our revenue and operating results for any particular period.

In addition, our business is subject to seasonal fluctuations and are generally highest in our fourth fiscal quarter which we believe is due to the lapse of customers' fiscal year budgets and an increase in amounts paid pursuant to our sales compensation plans due to compensation plan accelerators that are often triggered in the fourth quarter. We believe that these seasonal factors are common within our industry. In addition, our European operations generally generate lower revenues in the summer months because of the generally reduced economic activity in Europe during the summer.

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Our success depends on our ability to attract and retain and further access large enterprise customers.
We must retain and continue to expand our ability to reach and access large enterprise customers by adding effective value-added distributors, or VADs, system integrators, or SIs and expanding our direct sales teams and consulting services. Our inability to attract and retain large enterprise customers could have a material adverse effect on our business, results of operations and financial condition. Large enterprise customers usually request special pricing and purchase of multiple years of subscription and maintenance up-front and generally have longer sales cycles, which could negatively impact our revenues. By allowing these customers to purchase multiple years of subscription or maintenance up-front and by granting special pricing, such as bundled pricing or discounts, to these large customers, we may have to defer recognition of some or all of the revenue from such sales. This deferral could reduce our revenues and operating profits for a given reporting period. Additionally, as we attempt to attract and penetrate large enterprise customers, we may need to invest in resources to coordinate among channel partners and internal sales, engineering and consulting resources and increase corporate branding and marketing activities, which could increase our operating expenses. These efforts may not proportionally increase our operating revenues and could reduce our profits.
Changes to our licensing or subscription renewal programs, or bundling of our products, could negatively impact the timing of our recognition of revenue.
We continually re-evaluate our licensing programs and subscription renewal programs, including specific license models, delivery methods, and terms and conditions, to market our current and future products and services. We could implement new licensing programs and subscription renewal programs, including promotional trade-up programs or offering specified enhancements to our current and future product and service lines. Such changes could result in deferring revenue recognition until the specified enhancement is delivered or at the end of the contract term as opposed to upon the initial shipment or licensing of our software product. We could implement different licensing models in certain circumstances, for which we would recognize licensing fees over a longer period, including offering additional products in a SaaS model. Changes to our licensing programs and subscription renewal programs, including the timing of the release of enhancements, upgrades, maintenance releases, the term of the contract, discounts, promotions and other factors, could impact the timing of the recognition of revenue for our products, related enhancements and services and could adversely affect our operating results and financial condition.
Further, we may be required to defer the recognition of revenue that we receive from the sale of certain bundled products, if we have not established vendor specific objective evidence, or VSOE, for the undelivered elements in the arrangement in accordance with generally accepted accounting principles in the United States, or GAAP. A delay in the recognition of revenue from sales of these bundled products may cause fluctuations in our quarterly financial results and may adversely affect our operating margins. Similarly, companies that we acquire may operate with different cost and margin structures, which could further cause fluctuations in our operating results and adversely affect our operating margins. Moreover, if our quarterly financial results or our predictions of future financial results fail to meet the expectations of securities analysts and investors, our stock price could be negatively affected.
Sales of our Subscription Advantage product constitute substantially all of our License Updates revenue and a large portion of our deferred revenue.
We anticipate that sales of our Subscription Advantage product will continue to constitute a substantial portion of our License Updates revenue. Our ability to continue to generate both recognized and deferred revenue from our Subscription Advantage product will depend on our customers continuing to perceive value in automatic delivery of our software upgrades and enhancements. A decrease in demand for our Subscription Advantage product could occur as a result of a decrease in demand for our Desktop Solutions and our Datacenter and Cloud Solutions. If our customers do not continue to purchase our Subscription Advantage product, our License Updates revenue and deferred revenue would decrease significantly and our results of operations and financial condition would be adversely affected.
As we expand our international footprint, we could become subject to additional risks that could harm our business.
We conduct significant sales and customer support, development and engineering operations in countries outside of the United States. During the year ended December 31, 2011, we derived approximately 43% of our revenues from sales outside the United States. Our continued growth and profitability could require us to further expand our

international operations. To successfully maintain and expand international sales, we may need to establish additional foreign operations, hire additional personnel and recruit additional international resellers. In addition, there is significant competition for entry into high growth markets where we may seek to expand, such as China. Our international operations are subject to a variety of risks, which could cause fluctuations in the results of our international operations. These risks include:

- compliance with foreign regulatory and market requirements;
- variability of foreign economic, political and labor conditions;

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- changing restrictions imposed by regulatory requirements, tariffs or other trade barriers or by U.S. export laws;
- longer accounts receivable payment cycles;
- potentially adverse tax consequences;
- difficulties in protecting intellectual property;
- burdens of complying with a wide variety of foreign laws; and
- as we generate cash flow in non-U.S. jurisdictions, if required, we may experience difficulty transferring such funds to the U.S. in a tax efficient manner.

Our success depends, in part, on our ability to anticipate and address these risks. We cannot guarantee that these or other factors will not adversely affect our business or results of operations.

Our business could be harmed if we do not effectively manage our direct sales force alone and in combination with our distribution channels.

We utilize a direct sales force, as well as a network of distribution channels, to sell our products and services. We may experience difficulty in hiring, retaining and motivating our direct sales force team, and sales representatives will require substantial amounts of training, including regular updates to cover new and upgraded products and services, particularly in connection with our acquisitions. Moreover, our recent hires and sales personnel added through our recent acquisition activity may not become as productive as we would like, as in most cases it takes a significant period of time before they achieve full productivity.

Successfully managing the interaction of our direct sales force and channel partners to reach various potential customers for our products and services is a complex process. If we are unsuccessful in balancing the growth and expansion of our various sales channels, growth in one area might harm our relationships or efforts in another channel. In addition, each sales channel has distinct risks and costs, and therefore, our failure to implement the most advantageous balance in the sales model for our products and services could materially and adversely affect our revenue and profitability.

We rely on indirect distribution channels and major distributors that we do not control.

We rely significantly on independent distributors and resellers to market and distribute our products and appliances. For instance, one distributor, Ingram Micro, accounted for 17% of our net revenues in 2011. Our distributor arrangements with Ingram Micro consist of several non-exclusive, independently negotiated agreements with our subsidiaries, each of which cover different countries or regions. In addition, our reseller base is relatively concentrated. We maintain and periodically revise our sales incentive programs for our independent distributors and resellers, and such program revisions may adversely impact our results of operations. Our competitors may in some cases be effective in providing incentives to current or potential distributors and resellers to favor their products or to prevent or reduce sales of our products. The loss of or reduction in sales to our distributors or resellers could materially reduce our revenues. Further, we could maintain individually significant accounts receivable balances with certain distributors. The financial condition of our distributors could deteriorate and distributors could significantly delay or default on their payment obligations. Any significant delays, defaults or terminations could have a material adverse effect on our business, results of operations and financial condition.

We plan to diversify our base of channel relationships by adding and training more channel members with abilities to reach larger enterprise customers and to sell our newer products. We also plan to create relationships with new channel partners, such as systems integrators and OEMs. In addition to this diversification of our base, we will need to maintain a healthy mix of channel members who service smaller customers. We may need to add and remove distribution members to maintain customer satisfaction and a steady adoption rate of our products, which could increase our operating expenses. Through our Citrix Partner Network and other programs, we are currently investing, and intend to continue to invest, significant resources to develop these channels, which could reduce our profits.

For certain of our products we rely on third-party suppliers and contract manufacturers, making us vulnerable to supply problems and price fluctuations.

We rely on a concentrated number of third-party suppliers, who provide hardware or hardware components for our products, and contract manufacturers. For example, the production, final test, warehousing and shipping for our Datacenter and Cloud Solutions products that contain a hardware component, are primarily performed by a third-party contract manufacturer. We do not typically have long-term supply agreements with our suppliers; and, in most cases, we purchase the products and components on an as-needed purchase order basis. While we have not, to date, experienced any material difficulties or delays in the manufacture and assembly of our products, our suppliers may encounter problems during manufacturing due to a variety of reasons, including failure to follow specific protocols and procedures, failure to comply with applicable regulations, equipment malfunction, natural disasters and environmental factors, any of which could delay or impede their ability to meet our demand.

Although we are seeking to diversity our relationships in the area, our reliance on these third-party suppliers and contract manufacturers subjects us to risks that could harm our business, especially if these third-party suppliers and contract manufacturers remain concentrated in number, including:

- our suppliers, especially new suppliers, may make errors in manufacturing components that could negatively affect the efficacy of our products or cause delays in shipment;
- our suppliers manufacture products for a range of customers, and fluctuations in demand for the products these suppliers manufacture for others may affect their ability to deliver components and products to us in a timely manner;
- our suppliers may encounter financial hardships unrelated to our demand for components, which could inhibit their ability to fulfill our orders and meet our requirements; and
- our suppliers may experience significant delays in the manufacture and assembly of our products caused by natural disasters and other environmental factors.

There may be delays associated with establishing additional or replacement suppliers, particularly for components that are available only from limited sources. Any interruption or delay in the supply of products or components, or our inability to obtain products or components from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and adversely affect our business, financial condition or results of operations.

We are exposed to fluctuations in foreign currency exchange rates, which could adversely affect our future operating results.

Our results of operations are subject to fluctuations in exchange rates, which could adversely affect our future revenue and overall operating results. In order to minimize volatility in earnings associated with fluctuations in the value of foreign currency relative to the U.S. dollar, we use financial instruments to hedge our exposure to foreign currencies as we deem appropriate for a portion of our expenses, which are denominated in the local currency of our foreign subsidiaries. We generally initiate our hedging of currency exchange risks one year in advance of anticipated foreign currency expenses for those currencies to which we have the greatest exposure. When the dollar is weak, foreign currency denominated expenses will be higher, and these higher expenses will be partially offset by the gains realized from our hedging contracts. If the dollar is strong, foreign currency denominated expenses will be lower. These lower expenses will in turn be partially offset by the losses incurred from our hedging contracts. There is a risk that there will be fluctuations in foreign currency exchange rates beyond the one year timeframe for which we hedge our risk and there is no guarantee that we will accurately forecast the expenses we are hedging. Changes in the value of foreign currencies relative to the value of the U.S. dollar could adversely affect future revenue and operating results. In addition, as a result of entering into these contracts with counterparties who are unrelated to us, the risk of a counterparty default exists in fulfilling the hedge contract. Should there be a counterparty default, we could be unable to recover anticipated net gains from the transactions.

If we fail to effectively manage our growth, our future operating results could be adversely affected.

Historically, the scope of our operations, the number of our employees and the geographic area of our operations and our revenue have grown rapidly. In addition, we have acquired both domestic and international companies. This growth and the assimilation of acquired operations and their employees could continue to place a significant strain on our managerial, operational and financial resources as our future acquisition activities accelerate our business expansion. We need to continue to implement and improve additional management and financial systems and controls. We may not be able to manage the current scope of our operations or future growth effectively and still exploit market opportunities for our products and services in a timely and cost-effective way and we may not meet our scalability expectations. Our future operating results could be adversely affected if we are unable to manage our expanding product lines, our marketing and sales organizations and our client support organization to the extent required for any increase in installations of our products.

If we do not generate sufficient cash flow from operations in the future, we may not be able to fund our product development efforts and acquisitions or fulfill our future obligations.

Our ability to generate sufficient cash flow from operations to fund our operations and product development efforts, including the payment of cash consideration in acquisitions and the payment of our other obligations, depends on a range of economic, competitive and business factors, many of which are outside of our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that we will be able to liquidate our investments, repatriate cash and investments held in our overseas subsidiaries, sell assets or raise equity or debt financings when needed or desirable. An inability to fund our operations or fulfill outstanding obligations could have a material adverse effect on our business, financial condition and results of operations. For further information, please refer to “Management's Discussion and Analysis of

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Financial Condition and Results of Operations-Liquidity and Capital Resources."

RISKS RELATED TO ACQUISITIONS AND STRATEGIC RELATIONSHIPS

Acquisitions present many risks, and we may not realize the financial and strategic goals we anticipate at the time of an acquisition.

Our growth is dependent upon market growth, our ability to enhance existing products and services, and our ability to introduce new products and services on a timely basis. In recent years, we have addressed and intend to continue to address the need to develop new products and services and enhance existing products and services through acquisitions of other companies, product lines and/or technologies. However, acquisitions, including those of high-technology companies, are inherently risky. We cannot provide any assurance that any of our acquisitions or future acquisitions will be successful in helping us reach our financial and strategic goals. The risks we commonly encounter in undertaking, managing and integrating acquisitions are:

- difficulties and delays integrating the personnel, operations, technologies, products and systems of the acquired companies;
- undetected errors or unauthorized use of a third-party's code in products of the acquired companies;
- our ongoing business may be disrupted and our management's attention may be diverted by acquisition, transition or integration activities;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- difficulties managing or integrating an acquired company's technologies or lines of business;
- potential difficulties in completing projects associated with purchased in-process research and development;
- entry into markets in which we have no or limited direct prior experience and where competitors have stronger market positions and which are highly competitive;
- the potential loss of key employees of the acquired company;
- an uncertain revenue and earnings stream from the acquired company, which could dilute our earnings;
- potential difficulties integrating the acquired products and services into our sales channel;
- assuming pre-existing contractual relationships of an acquired company that we would not have otherwise entered into, the termination or modification of which may be costly or disruptive to our business;
- being subject to unfavorable revenue recognition or other accounting treatment as a result of an acquired company's practices; and
- intellectual property claims or disputes.

Our failure to manage growth effectively and successfully integrate acquired companies due to these or other factors could have a material adverse effect on our business, results of operations and financial condition. Further, our 2012 operating plan assumes a certain level of financial performance from our acquisitions that were completed during 2011 and if these acquired companies or technologies do not perform as we expect, our operating results could be materially and adversely affected.

In addition, we may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could negatively impact the growth of our business. We expect that other companies in our industry will compete with us to acquire compatible businesses. This competition could increase prices for businesses and technologies that we would likely pursue, and our competitors may have greater resources than we do to complete these acquisitions.

If we determine that any of our goodwill or intangible assets, including technology purchased in acquisitions, are impaired, we would be required to take a charge to earnings, which could have a material adverse effect on our results of operations.

We have a significant amount of goodwill and other intangible assets, such as product related intangible assets, from our acquisitions. We do not amortize goodwill and intangible assets that are deemed to have indefinite lives. However, we do amortize certain product related technologies, trademarks, patents and other intangibles and we periodically evaluate them for impairment. We review goodwill for impairment annually, or sooner if events or changes in circumstances indicate that the carrying amount could exceed fair value, at the reporting unit level, which for us, also represents our operating segments. Due to uncertain market conditions and potential changes in our strategy and product portfolio, it is possible that the forecasts we use to support our goodwill and other intangible assets could change in the future, which could result in non-cash charges that would adversely affect our results of operations and financial condition. If we determine that any of the goodwill or other intangible assets associated with our acquisitions is impaired, then we would be required to reduce the value of those assets or

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to write them off completely by taking a charge to current earnings. If we are required to write down or write off all or a portion of those assets, or if financial analysts or investors believe we may need to take such action in the future, our stock price and operating results could be materially and adversely affected.

Furthermore, impairment testing requires significant judgment, including the identification of reporting units based on our internal reporting structure that reflects the way we manage our business and operations and to which our goodwill and intangible assets would be assigned. In 2011, we early adopted authoritative guidance, which provides entities with an option to perform a qualitative assessment to determine whether further quantitative impairment testing for goodwill is necessary where we estimate future revenue, consider market factors and estimate our future cash flows. Significant judgments are required to estimate the fair value of our goodwill and intangible assets, including estimating future cash flows, determining appropriate discount rates, estimating the applicable tax rates, foreign exchange rates and interest rates, projecting the future industry trends and market conditions, and making other assumptions. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates, particularly when implementing new assessment methodology such as we did in 2011, could materially affect our results of operations. Changes in these estimates and assumptions, including changes in our reporting structure, could materially affect our determinations of fair value.

Our earnings could be adversely affected if the private companies we invest in for strategic reasons fail or lose value.

We invest in private companies to further our strategic objectives and support our key business initiatives. Such investments include equity or debt instruments and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors. The companies in which we invest may fail or lose value because they may not be able to secure additional funding, obtain favorable investment terms for future financings, or participate in liquidity events such as public offerings, mergers, and private sales. If any of these private companies fail or lose value, we could be required to impair or write off all or part of our investment in that company. Additionally, for cases in which we are required under equity method accounting to recognize our proportionate share of the investee's income or loss, if loss greater than anticipated such income or loss may impact our earnings.

Our inability to maintain or develop our strategic and technology relationships could adversely affect our business.

Our business depends on strategic and technology relationships. We cannot assure you that those relationships will continue in the future. We rely on strategic or technology relationships with companies such as Microsoft, Intel, Cisco, Dell, Hewlett-Packard Company, Fujitsu Limited and others. We depend on the entities with which we have strategic or technology relationships to successfully test our products, to incorporate our technology into their products and to market and sell those products. We cannot assure you that we will be able to maintain our current strategic and technology relationships or to develop additional strategic and technology relationships. In addition, one of our strategic partners may decide to team with another company or develop its own integrated solution that could compete with our products. If the companies with which we have strategic or technology relationships are unable to incorporate our technology into their products or to market or sell those products, our business, results of operations and financial condition could be materially adversely affected.

RISKS RELATED TO INTELLECTUAL PROPERTY AND BRAND RECOGNITION

Our efforts to protect our intellectual property may not be successful, which could materially and adversely affect our business.

We rely primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect our source code and other intellectual property. The loss of any material trade secret, trademark, tradename, patent or copyright could have a material adverse effect on our business. Despite our precautions, it could be possible for unauthorized third parties to copy, disclose or reverse engineer certain portions of our products or to otherwise obtain and use our proprietary source code, in which case we could potentially lose future trade secret protection for that source code. If we cannot protect our proprietary source code against unauthorized copying, disclosure or use, unauthorized third parties could develop products similar to or better than ours.

Any patents owned by us could be invalidated, circumvented or challenged. Any of our pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of protection we seek, if at all; and if issued, may not provide any meaningful protection or competitive advantage.

In addition, our ability to protect our proprietary rights could be affected by differences in international law and the enforceability of licenses. The laws of some foreign countries do not protect our intellectual property to the same extent as do the laws of the United States and Canada. For example, we derive a significant portion of our sales from licensing our products

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under “click-to-accept” license agreements that are not signed by licensees and electronic enterprise customer licensing arrangements that are delivered electronically, all of which could be unenforceable under the laws of many foreign jurisdictions in which we license our products.

Our products and services, including products obtained through acquisitions, could infringe third-party intellectual property rights, which could result in material litigation costs.

We are increasingly subject to patent infringement claims and may in the future be subject to claims alleging the unauthorized use of a third-party's code in our products. This may occur for a variety of reasons, including:

- the expansion of our product lines, such as our Datacenter and Cloud Solutions and related technical services and expansion of our Online Services division's Web collaboration, remote access and support services, through product development and acquisitions;
- an increase in patent infringement litigation commenced by non-practicing entities;
- an increase in the number of competitors in our industry segments and the resulting increase in the number of related products and services and the overlap in the functionality of those products and services;
- an increase in the number of competitors in our industry segments and the resulting increase in the number of related products and services and the overlap in the functionality of those products and services;
- an increase in the risk that our competitors and third parties could use their own intellectual property rights to limit our freedom to operate and exploit our products, or to otherwise block us from taking full advantage of our markets;
- our products and services may rely on the technology of others and, therefore, require us to obtain intellectual property licenses from third parties in order for us to commercialize our products or services and we may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms; and
- the unauthorized use of third-party code in our product development process.

Companies and inventors are more frequently seeking to patent software. As a result, we could receive more patent infringement claims. Responding to any infringement claim, regardless of its validity or merit, could result in costly litigation. Further, intellectual property litigation could compel us to do one or more of the following:

- pay damages (including the potential for treble damages), license fees or royalties (including royalties for past periods) to the party claiming infringement;
- stop licensing products or providing services that use the challenged intellectual property;
- obtain a license from the owner of the infringed intellectual property to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; or
- redesign the challenged technology, which could be time consuming and costly, or not be accomplished.

If we were compelled to take any of these actions, our business, results of operations or financial condition may suffer.

Our use of “open source” software could negatively impact our ability to sell our products and subject us to possible litigation.

The products or technologies acquired, licensed or developed by us may incorporate so-called “open source” software, and we may incorporate open source software into other products in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, “Apache-style” licenses, “Berkeley Software Distribution,” “BSD-style” licenses, and other open source licenses. We monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use such that we have not triggered any of these conditions, there is little or no legal precedent governing the interpretation of many of the terms of these types of licenses. As a result, the potential impact of these terms on our business may result in unanticipated obligations regarding our products and technologies, such as requirements that we offer our products that use the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license.

If an author or other third party that distributes open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations. If our defenses were not successful, we could be subject to significant damages, enjoined from the distribution of our products that contained open source software, and required to comply with the terms of the applicable license, which could disrupt the distribution and sale of some of our products. In addition, if we combine our proprietary software with open source software in an unintended manner, under some open source licenses we could be required to publicly release the source code of our proprietary software.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on the origin of the software.

If open source software programmers, many of whom we do not employ, do not continue to develop and enhance the open source technologies we utilize, we may be unable to develop Cloud Platform products, adequately enhance our existing cloud products or meet customer requirements for innovation, quality and price of cloud products.

We rely to a significant degree on an informal community of independent open source software programmers to develop and enhance the Xen hypervisor. A relatively small group of software engineers, many of whom are not employed by us, are primarily responsible for the development and evolution of the Xen hypervisor, which is the heart of the XenServer virtualization product. Similarly, a small community of software developers are primarily responsible for the development and enhancement of the open source CloudStack platform. If these programmers fail to adequately further develop and enhance our open source technologies, we would need to further develop and enhance these technologies with our own resources. Additionally, the CloudStack IaaS software platform is still an emerging technology, making it difficult for us to predict the level of its adoption in the market. In any event, our development expenses could be increased and our product release and upgrade schedules could be delayed. Delays in developing, completing or shipping new or enhanced products could result in delayed or reduced revenue for those products and could also adversely affect customer acceptance of those offerings.

Our business depends on maintaining and protecting our strong collection of brands.

The Citrix product and service brands that we have developed has significantly contributed to the success of our business. Maintaining and enhancing the Citrix product and service brands is critical to expanding our base of customers and partners. We may be subject to reputational risks if others adopt similar marks in an effort to misappropriate and profit on our brand name and do not provide the same level of quality as is delivered by our products and services. In order to maintain, enhance and protect our brands, we may be required to make substantial investments that may not be successful. If we fail to maintain, enhance and protect the Citrix brands, if we incur excessive expenses in this effort or if customers or potential customers are confused by others' trademarks, our business, operating results, and financial condition may be materially and adversely affected.

If we lose access to third-party licenses, releases of our products could be delayed.

We believe that we will continue to rely, in part, on third-party licenses to enhance and differentiate our products. Third-party licensing arrangements are subject to a number of risks and uncertainties, including:

- undetected errors or unauthorized use of another person's code in the third party's software;
- disagreement over the scope of the license and other key terms, such as royalties payable;
- infringement actions brought by third-party licensees;
- that third parties will create solutions that directly compete with our products; and
- termination or expiration of the license.

If we lose or are unable to maintain any of these third-party licenses or are required to modify software obtained under third-party licenses, it could delay the release of our products. Any delays could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATED TO OUR COMMON STOCK AND EXTERNAL FACTORS

Natural disasters or other unanticipated catastrophes that result in a disruption of our operations could negatively impact our results of operations.

Our worldwide operations are dependent on our network infrastructure, internal technology systems and website. Significant portions of our computer equipment, intellectual property resources and personnel, including critical resources dedicated to research and development and administrative support functions are presently located at our corporate headquarters in Fort Lauderdale, Florida, an area of the country that is particularly prone to hurricanes, and at our various locations in California, an area of the country that is particularly prone to earthquakes. We also have operations in various domestic and international locations that expose us to additional diverse risks. The occurrence of natural disasters, such as hurricanes, floods or earthquakes, or other unanticipated catastrophes, such as telecommunications failures, cyber-attacks, fires or terrorist attacks, at any of the locations in which we or our key partners, suppliers and customers do business, could cause interruptions in our operations. For example, hurricanes have passed through southern Florida causing extensive damage to the region. In addition, even in the absence of direct damage to our operations, large disasters, terrorist attacks or other casualty events could have a

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significant impact on our partners', suppliers' and customers' businesses, which in turn could result in a negative impact on our results of operations. Extensive or multiple disruptions in our operations, or our partners', suppliers' or customers' businesses, due to natural disasters or other unanticipated catastrophes could have a material adverse effect on our results of operations.

Our investment portfolio has been subject to impairment charges due to the recent financial crisis in the capital markets and may be adversely impacted by volatility in the capital markets.

Our investment portfolio as of December 31, 2011 primarily consisted of agency securities, corporate securities, government securities, commercial paper and municipal securities. As a result of adverse financial market conditions in recent years, investments in some financial instruments posed risks arising from liquidity and credit concerns. Future adverse market conditions and volatility could create similar risks for investments in financial instruments. Although we follow an established investment policy and seek to minimize the credit risk associated with investments by investing primarily in investment grade, highly liquid securities and by limiting exposure to any one issuer depending on credit quality, we cannot give any assurances that the assets in our investment portfolio will not lose value, become impaired, or suffer from illiquidity.

Future market conditions and volatility could require us to record impairment charges for other-than-temporary declines in fair market value in our available-for-sale investments, which could adversely affect our results of operations. Moreover, fluctuations in economic and market conditions could adversely affect the market value of our investments, and we could lose some of the principal value of our investment portfolio. A total loss of an investment, dependent on an individual security's par value, or a significant decline in the value of our investment portfolio could adversely affect our financial condition.

Unanticipated changes in our tax rates or our exposure to additional income tax liabilities could affect our operating results and financial condition.

Our future effective tax rates could be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, the geographic mix of our revenue, or by changes in tax laws or their interpretation. Significant judgment is required in determining our worldwide provision for income taxes. In addition, we are subject to the continuous examination of our income tax returns by tax authorities, including the Internal Revenue Service, or the IRS. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance, however, that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition. Additionally, 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 previously disclosed income tax deficiencies asserted in a Revenue Agent's Report issued by the IRS. 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, and 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.

Our stock price could be volatile, particularly during times of economic uncertainty and volatility in domestic and international stock markets, and you could lose the value of your investment.

Our stock price has been volatile and has fluctuated significantly in the past. The trading price of our stock is likely to continue to be volatile and subject to fluctuations in the future. Your investment in our stock could lose some or all of its value. Some of the factors that could significantly affect the market price of our stock include:

- actual or anticipated variations in operating and financial results;
- analyst reports or recommendations;
- changes in interest rates; and
- other events or factors, many of which are beyond our control.

The stock market in general, The NASDAQ Global Select Market, and the market for software companies and technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to operating performance. These forces reached unprecedented levels in the second half of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions and a material decline in economic conditions. In particular, the U.S. equity markets experienced significant price and volume fluctuations that have affected the market prices of equity securities of many technology

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companies, continuing through 2011. During 2011, our stock price has experienced volatility, with the closing price of our common stock on The NASDAQ Global Select Market having ranged from $50.31 on August 19, 2011 to $87.62 on May 31, 2011. These broad market and industry factors could materially and adversely affect the market price of our stock, regardless of our actual operating performance.

Changes or modifications in financial accounting standards may have a material adverse impact on our reported results of operations or financial condition.

From time to time, the Financial Accounting Standards Board, or FASB, either alone or jointly with the International Accounting Standards Board, or IASB, promulgates new accounting principles that could have a material adverse impact on our reported results of operations or financial condition. For example, FASB is currently working together with the IASB to converge certain accounting principles and facilitate more comparable financial reporting between companies who are required to follow GAAP and those who are required to follow International Financial Reporting Standards, or IFRS. These efforts may result in different accounting principles under GAAP, which may have a material impact on the way in which we report financial results in areas including, among others, revenue recognition, lease accounting, and financial statement presentation. We expect the SEC to make a determination in the future regarding the incorporation of IFRS into the financial reporting system for U.S. companies. A change in accounting principles from GAAP to IFRS would be costly to implement and may have a material impact on our financial statements and may retroactively adversely affect previously reported transactions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our 2011 fiscal year that remain unresolved.

ITEM 2. PROPERTIES

We lease and sublease office space in the Americas, which is comprised of the United States, Canada and Latin America, EMEA, which is comprised of Europe, the Middle East and Africa, and Asia-Pacific. The following table presents the location and square footage of our leased office space by reporting segment as of December 31, 2011:

| | Enterprise division | Online Services division |
|---|---|---|
| | (square footage) | |
| Americas | 764,425 | 207,194 |
| EMEA | 278,872 | 54,319 |
| Asia-Pacific | 531,797 | 4,094 |
| Total | 1,575,094 | 265,607 |

In addition, we own land and buildings in Fort Lauderdale, Florida with approximately 281,189 square feet of office space used for our corporate headquarters and 42,000 square feet of office space in EMEA related to our Enterprise division.

We believe that our existing facilities are adequate for our current needs. As additional space is needed in the future, we believe that suitable space will be available in the required locations on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

Due to the nature of our business, we are subject to patent infringement claims, including current suits against us or one or more of our wholly-owned subsidiaries alleging infringement by various Citrix products and services. We believe that we have meritorious defenses to the allegations made in these pending suits and intend to vigorously defend these lawsuits; however, we are unable currently to determine the ultimate outcome of these or similar matters or the potential exposure to loss, if any.

In addition, we are a defendant in various litigation matters generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcomes of these cases, we believe that the ultimate outcomes will not materially affect our business, financial position, results of operations or cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock and Dividend Policy

Our common stock is currently traded on The NASDAQ Global Select Market under the symbol “CTXS.” The following table sets forth the high and low sales prices for our common stock as reported on The NASDAQ Global Select Market for the periods indicated, as adjusted to the nearest cent.

| | High | Low |
|---|---|---|
| Year Ended December 31, 2011: | | |
| Fourth quarter | $78.00 | $51.60 |
| Third quarter | $84.00 | $50.21 |
| Second quarter | $88.49 | $71.43 |
| First quarter | $73.99 | $61.24 |
| Year Ended December 31, 2010: | | |
| Fourth quarter | $71.57 | $55.12 |
| Third quarter | $71.93 | $41.62 |
| Second quarter | $49.98 | $40.33 |
| First quarter | $49.14 | $40.48 |

On February 17, 2012, the last reported sale price of our common stock on The NASDAQ Global Select Market was $74.77 per share. As of February 17, 2012, there were approximately 818 holders of record of our common stock.

We currently intend to retain any earnings for use in our business, for investment in acquisitions and to repurchase shares of our common stock. We have not paid any cash dividends on our capital stock in the last two years and do not currently anticipate paying any cash dividends on our capital stock in the foreseeable future.

Issuer Purchases of Equity Securities

Our Board of Directors has authorized an ongoing stock repurchase program with a total repurchase authority granted to us of $3.0 billion. The objective of the 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. The following table shows the monthly activity related to our stock repurchase program for the quarter ended December 31, 2011.

| | Total Number of Shares Purchased [1,2] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands) |
|---|---|---|---|---|
| October 1, 2011 through October 31, 2011 | 8,924 | $62.86 | 8,924 | $286,570 |
| November 1, 2011 through November 30, 2011 | 928,179 | $71.19 | 928,179 | $220,621 |
| December 1, 2011 through December 31, 2011 | 489,062 | $70.32 | 489,062 | $186,618 |
| Total | 1,426,165 | $70.84 | 1,426,165 | $186,618 |

(1) Represents shares acquired in open market purchases. We expended approximately $100.0 million during the quarter ended December 31, 2011 for repurchases of our common stock. For more information see Note 8 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

(2) Includes 16,465 shares withheld from stock units that vested in the fourth quarter of 2011 to satisfy minimum tax withholding obligations that arose on the vesting of stock units.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | (In thousands, except per share data) | | | | |
| Consolidated Statements of Income Data: | | | | | |
| Net revenues | $2,206,392 | $1,874,662 | $1,614,088 | $1,583,354 | $1,391,942 |
| Cost of net revenues[(a)] | 282,197 | 223,420 | 187,310 | 175,132 | 137,607 |
| Gross margin | 1,924,195 | 1,651,242 | 1,426,778 | 1,408,222 | 1,254,335 |
| Operating expenses: | | | | | |
| Research and development | 343,727 | 326,647 | 281,980 | 288,109 | 205,103 |
| Sales, marketing and services | 839,818 | 729,754 | 679,053 | 669,569 | 590,409 |
| General and administrative | 307,270 | 258,875 | 239,623 | 256,679 | 229,229 |
| Amortization of other intangible assets | 16,390 | 14,279 | 20,972 | 22,724 | 17,387 |
| Restructuring | 24 | 971 | 26,473 | — | — |
| In-process research and development | — | — | — | 1,140 | 9,800 |
| Total operating expenses | 1,507,229 | 1,330,526 | 1,248,101 | 1,238,221 | 1,051,928 |
| Income from operations | 416,966 | 320,716 | 178,677 | 170,001 | 202,407 |
| Interest income | 13,819 | 14,577 | 14,683 | 31,506 | 49,704 |
| Other (expense) income, net | (288) | (1,473) | 532 | (4,584) | (1,203) |
| Income before income taxes | 430,497 | 333,820 | 193,892 | 196,923 | 250,908 |
| Income taxes | 74,867 | 57,379 | 2,875 | 18,647 | 36,425 |
| Consolidated net income | 355,630 | 276,441 | 191,017 | 178,276 | 214,483 |
| Less: Net loss attributable to non-controlling interest | 692 | 624 | — | — | — |
| Net income attributable to Citrix Systems, Inc. | $356,322 | $277,065 | $191,017 | $178,276 | $214,483 |
| Net income per share attributable to Citrix Systems, Inc. stockholders — diluted[(b)] | $1.87 | $1.46 | $1.03 | $0.96 | $1.14 |

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | (In thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Total assets | $4,099,541 | $3,703,600 | $3,091,147 | $2,694,306 | $2,534,693 |
| Total equity | 2,730,490 | 2,560,588 | 2,188,507 | 1,917,865 | 1,838,325 |

(a) Cost of net revenues includes amortization of product related intangible assets of $54.7 million, $50.5 million, $47.9 million, $48.0 million and $29.6 million in 2011, 2010, 2009, 2008 and 2007, respectively.

(b) Our diluted weighted–average shares outstanding primarily fluctuates based on the level of shares issued under our stock-based compensation programs, stock repurchases made under our stock repurchase program and shares issued in connection with our acquisitions. See Notes 3, 7 and 8 to our consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2011.

## 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 AppTitude™ 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

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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.”

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

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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

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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.

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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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | | |
| Revenues: | | | | | |
| 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 |
| Cost of net revenues: | | | | | |
| 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 |
| Operating expenses: | | | | | |
| 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 $141.5 million and increased sales of our Datacenter and Cloud Solutions, led by NetScaler, of $86.9 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 Growth | Revenue Growth |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2011 to 2010 | 2010 to 2009 |
| | (In thousands) | | | | |
| 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.

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Cost of Net Revenues

| | Year Ended December 31, | | | 2011 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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 Compared to 2010 | 2010 Compared to 2009 |
|---|---|---|---|---|---|
| | 2011 | 2010 | 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

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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

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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 |
|---|---|---|---|
| | 2011 | 2010 | 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.

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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 [1] | $(50,000) |
| Decrease in previously recognized unrealized losses included in accumulated other comprehensive (loss) income | 660 |
| Balance at December 31, 2011 | $3,696 |

[1] 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.

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Accounts Receivable, Net

| | December 31, | | 2011 Compared to 2010 |
|---|---|---|---|
| | 2011 | 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[1] | 21,200 | 21,200 | — | — | — |
| Total contractual obligations[2] | $282,523 | $81,125 | $103,738 | $68,087 | $ 29,573 |

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

(2) 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 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.

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Office Leases

We have operating lease obligations through 2018 related to two properties that are not utilized. At December 31, 2011, the total remaining oblig