UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______.

Commission File Number 0-27084

CITRIX SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**75-2275152**
(State or other jurisdiction of	*(IRS Employer*
incorporation or organization)	*Identification No.)*
851 West Cypress Creek Road	
Fort Lauderdale, Florida	**33309**
(Address of principal executive offices)	*(Zip Code)*

Registrant s Telephone Number, Including Area Code:

(954) 267-3000

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or 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	¨ Accelerated filer
¨ Non-accelerated filer	¨ Smaller reporting company

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

As of May 4, 2009 there were 180,967,502 shares of the registrant s Common Stock, $.001 par value per share, outstanding.

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CITRIX SYSTEMS, INC.

Form 10-Q

For the Quarterly Period Ended March 31, 2009

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PART I: FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CITRIX SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2009	December 31, 2008
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 269,823**	$ 326,121
Short-term investments available-for-sale	**286,736**	249,175
Accounts receivable, net of allowances of $7,212 and $8,702 at March 31, 2009 and December 31, 2008, respectively	**198,173**	231,296
Inventories, net	**10,038**	11,226
Prepaid expenses and other current assets	**87,562**	84,530
Current portion of deferred tax assets, net	**38,723**	37,792
Total current assets	**891,055**	940,140
Long-term investments trading	**39,436**	37,919
Long-term investments available-for-sale	**307,979**	237,666
Property and equipment, net	**257,352**	254,334
Goodwill	**905,109**	904,504
Other intangible assets, net	**254,740**	270,222
Long-term portion of deferred tax assets, net	**16,604**	12,936
Other assets	**39,749**	36,585
	$ 2,712,024	$ 2,694,306
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	**$ 40,640**	$ 46,672
Accrued expenses and other current liabilities	**185,958**	195,550
Current portion of deferred revenues	**491,909**	488,695
Total current liabilities	**718,507**	730,917
Long-term portion of deferred revenues	**43,293**	44,780
Other liabilities	**697**	744
Commitments and contingencies		
Stockholders equity:		
Preferred stock at $.01 par value: 5,000 shares authorized, none issued and outstanding		
Common stock at $.001 par value: 1,000,000 shares authorized; 257,526 and 255,755 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	**258**	256
Additional paid-in capital	**2,363,065**	2,305,187
Retained earnings	**1,393,994**	1,387,067
Accumulated other comprehensive loss	**(23,999)**	(15,852)
	3,733,318	3,676,658
	(1,783,791)	(1,758,793)

Less common stock in treasury, at cost (76,802 and 75,699 shares at March 31, 2009 and December 31, 2008, respectively)		
Total stockholders equity	**1,949,527**	1,917,865
	$ 2,712,024	$ 2,694,306

See accompanying notes.

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CITRIX SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31, 2009	2008
	(In thousands, except per share information)	
Revenues:		
Product licenses	**$ 111,900**	$ 146,960
License updates	**148,198**	133,934
Online services	**71,980**	61,985
Technical services	**36,980**	34,155
Total net revenues	**369,058**	377,034
Cost of net revenues:		
Cost of product licenses revenues	**11,494**	11,141
Cost of services revenues	**21,623**	18,697
Amortization of product related intangible assets	**12,099**	10,593
Total cost of net revenues	**45,216**	40,431
Gross margin	**323,842**	336,603
Operating expenses:		
Research and development	**71,037**	71,530
Sales, marketing and services	**163,589**	166,445
General and administrative	**58,489**	62,637
Restructuring	**20,730**	
Amortization of other intangible assets	**4,994**	5,700
Total operating expenses	**318,839**	306,312
Income from operations	**5,003**	30,291
Interest income	**2,715**	10,317
Interest expense	**(124)**	(55)
Other expense, net	**(1,422)**	(1,791)
Income before income taxes	**6,172**	38,762
Income tax (benefit) provision	**(755)**	4,384
Net income	**$ 6,927**	$ 34,378
Earnings per share:		
Basic	**$ 0.04**	$ 0.19
Diluted	**$ 0.04**	$ 0.18
Weighted average shares outstanding:		
Basic	**180,347**	185,486

Diluted	**182,373**	189,987

See accompanying notes.

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CITRIX SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2009	2008
	(In thousands)	
Operating Activities		
Net income	**$ 6,927**	$ 34,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	**17,093**	16,293
Depreciation and amortization of property and equipment	**17,001**	11,399
Stock-based compensation expense	**28,148**	27,406
(Gain) loss on investments	**(28)**	2,220
Provision for doubtful accounts	**437**	206
Provision for product returns	**641**	29
Provision for inventory reserves	**1,527**	667
Tax effect of stock-based compensation	**(1,886)**	1,927
Excess tax benefit from exercise of stock options	**(505)**	(2,045)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	**1,639**	2,081
Other non-cash items	**4**	819
Total adjustments to reconcile net income to net cash provided by operating activities	**64,071**	61,002
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	**31,474**	40,165
Inventories	**(338)**	(4,842)
Prepaid expenses and other current assets	**(18,671)**	(16,802)
Other assets	**(1,446)**	(513)
Deferred tax assets, net	**(4,349)**	48
Accounts payable	**(6,368)**	(11,067)
Accrued expenses and other current liabilities	**8,771**	(7,415)
Deferred revenues	**1,727**	16,063
Other liabilities	**(52)**	(4,290)
Total changes in operating assets and liabilities, net of the effects of acquisitions	**10,748**	11,347
Net cash provided by operating activities	**81,746**	106,727
Investing Activities		
Purchases of available-for-sale investments	**(188,977)**	(198,528)
Proceeds from sales of available-for-sale investments	**23,412**	66,987
Proceeds from maturities of available-for-sale investments	**52,629**	113,353
Purchases of property and equipment	**(22,897)**	(30,405)
Cash paid for acquisitions, net of cash acquired	**(1,200)**	(2,139)
Cash paid for licensing agreements	**(225)**	(27,731)
Net cash used in investing activities	**(137,258)**	(78,463)
Financing Activities		
Proceeds from issuance of common stock under stock-based compensation plans	**24,100**	11,813
Excess tax benefit from exercise of stock options	**505**	2,045
Stock repurchases, net	**(24,998)**	(75,176)
Payments on debt		(407)

Net cash used in financing activities	**(393)**	(61,725)
Effect of exchange rate changes on cash and cash equivalents	**(393)**	1,845
Change in cash and cash equivalents	**(56,298)**	(31,616)
Cash and cash equivalents at beginning of period	**326,121**	223,749
Cash and cash equivalents at end of period	**$ 269,823**	$ 192,133

See accompanying notes.

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CITRIX SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Citrix Systems, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full year or for any future period partially because of the seasonality of the Company s business. Historically, the Company s revenue for the fourth quarter of any year is typically higher than the revenue for the first quarter of the subsequent year. The information included in these condensed consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the condensed consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. While the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial statements and accompanying notes, the actual amount of such estimates, when known, will vary from these estimates.

Investments

Short-term and long-term investments at March 31, 2009 and December 31, 2008 primarily consist of agency securities, corporate securities, municipal securities, government securities and commercial paper. Investments classified as available-for-sale are stated at fair value with unrealized gains and losses, net of taxes, reported in accumulated other comprehensive loss. Investments classified as trading securities are stated at fair value with unrealized gains and losses reported in earnings. The Company classifies its available-for-sale investments as current and non-current based on their actual remaining time to maturity. The Company does not recognize changes in the fair value of its available-for-sale investments in income unless a decline in value is considered other-than-temporary in accordance with the Financial Accounting Standards Board (the FASB) Staff Position 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*.

The Company s investment policy is designed to limit exposure to any one issuer depending on credit quality. The Company uses information provided by third parties to adjust the carrying value of certain of its investments to fair value at the end of each period. Fair values are based on valuation models that use market quotes and, for certain investments, assumptions as to the creditworthiness of the entities issuing those underlying instruments.

Unrealized Losses on Available-for-Sale Investments

The following table shows the gross unrealized losses and fair value of the Company s available-for-sale investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of March 31, 2009 (in thousands):

	Less than 12 Months		12 Months or Greater		Total
Description of the Securities	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**

	Fair Value									
Corporate bonds	$ 67,423	$	16,643	$ 7,763	$	811	$ 75,186	$	17,454
Agency securities	79,895		399	5,005		87	84,900		486
Total	$ 147,318	$	17,042	$ 12,768	$	898	$ 160,086	$	17,940

CITRIX SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company s unrealized loss in corporate bonds is primarily comprised of an investment issued by AIG Matched Funding Corporation (the AIG Capped Floater) with a face value of $50.0 million, which matures in September 2011. American International Group, Inc. (AIG), as the issuer s parent, provided a guarantee of the security at the time of purchase in September 2006. As of March 31, 2009, the unrealized loss of $16.3 million, which is included in accumulated other comprehensive loss, was primarily caused by AIG experiencing liquidity challenges which were reportedly precipitated by problems in the capital markets. AIG s lack of liquidity triggered a downgrade in the credit ratings for its long-term issues to A- and A3 by two rating agencies on October 3, 2008. As a result of AIG s liquidity challenges, in November 2008, the Federal Reserve Bank of New York (FRBNY) intervened with a five-year credit facility to help stabilize AIG and its effect on the overall market. In addition, on March 2, 2009, AIG announced further actions were taken in cooperation with the U.S. Department of Treasury and the FRBNY to provide it with additional financial stability. As of the date of this report, AIG has not been reported to have defaulted on capital repayments to holders of its recently matured debt and it continues to pay interest on the Company s AIG Capped Floater. Because the Company has the ability and intent to hold this security until a recovery of fair value, which it believes will occur, however, may not occur until maturity, it does not consider the security to be other-than-temporarily impaired.

If AIG s financial position continues to deteriorate, the Company may be required to further adjust the carrying value of the AIG Capped Floater and potentially recognize an impairment charge for an other-than-temporary decline in the fair value of the investment. Based on the Company s available cash and other investments, it does not currently anticipate that the lack of liquidity caused by holding the AIG Capped Floater to recovery will have a material adverse effect on its financial position.

Trading Investments

As of March 31, 2009, the Company held municipal auction rate securities, the majority of which are triple-A rated, with an aggregate par value of approximately $45.5 million, whose underlying assets are generally student loans which are substantially backed by the federal government under the Federal Family Education Loan Program through investment accounts managed by UBS Financial Services, Inc. (UBS). The market for municipal auction rate securities in the Company s portfolio began experiencing auction failures on February 13, 2008 and there have been no successful auctions for the securities held in its portfolio since the failures began. In November 2008, the Company formally accepted the terms of a settlement (the Settlement) from UBS. Upon accepting the terms of the Settlement, the Company received an enforceable, non-transferrable right (the Put Option) that would enable it to sell its auction rate securities back to UBS during the period between June 30, 2010 and July 2, 2012 at par value. Accordingly, the Company recorded the fair value of the Put Option in other assets in the accompanying condensed consolidated balance sheet and contemporaneously made the fair value election as permitted by Statement of Financial Accounting Standard (SFAS) No. 159, as amended, *The Fair Value Option for Financial Assets and Financial Liabilities.* Therefore, the Company records changes in the fair value of the Put Option in earnings. During the three months ended March 31, 2009, the Company recorded a gain of $1.5 million related to its investments in auction rate securities and a corresponding loss of $1.5 million related to the Put Option, both of which are included in other expense, net, in the accompanying condensed consolidated statements of income.

Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is 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, SFAS No. 157 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.

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CITRIX SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	As of March 31, 2009	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Short-term investments available -for-sale	$ 286,736	$ 286,736	$	$
Prepaid expenses and other current assets	9,289		9,289	
Other assets	5,923			5,923
Long-term investments trading	39,436			39,436
Long-term investments available -for-sale	307,979	274,275		33,704
Accrued expenses and other current liabilities	19,511		19,511	

The Company measures its 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 and generally measures its investments in available-for-sale securities at fair value based on quoted prices in active markets for identical securities.

Due to the illiquidity in the municipal auction rate securities market caused by failed auctions, the Company s valuation technique for certain of its municipal auction rate securities was to measure such securities at fair value using a discounted cash flow model. In its discounted cash flow model, the Company used several assumptions to derive a fair value for its investments in municipal auction rate securities, including a discount rate based on the credit quality of the underlying investments and a factor to further discount the investments for the illiquidity currently present in the market for these securities. Accordingly, these trading investments are included in Level 3. Also included in Level 3 is the Put Option. In order to determine the fair value of the Put Option, the Company measured the differential between the aggregate par value of its auction rate securities and their fair value as of the reporting date and applied a discount rate that considers both the time period between the reporting date and the first date the Company is able to exercise its right to put the auction rate securities to UBS per the terms of the Settlement and the credit worthiness of UBS.

During 2008, the Company measured its AIG Capped Floater using indicative pricing for another AIG security with similar terms (the Referenced Security) which had regular trading activity, a Level 2 observation. The last trade observed during the three month period ending March 31, 2009 on the Referenced Security occurred on February 24, 2009. In order to capture the continued volatility in market conditions specific to AIG through March 31, 2009, the Company adjusted the last quoted price on the Referenced Security downward based on the direction of the trading activity observed on several other floating rate AIG debt securities with varying maturity dates. Since this adjustment required the Company to make assumptions that were not directly or indirectly observable regarding the AIG Capped Floater s fair value as of March 31, 2009, it was transferred to Level 3 during the first quarter of 2009 and is included in the table below as a transfer to Level 3.

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

	Put Option	Long-term Investments	Total
		(In thousands)	
Balance at December 31, 2008	$ 7,378	$ 37,919	$ 45,297
Transfers to Level 3		33,704	33,704
Total realized (losses) gains included in earnings	(1,455)	1,517	62

Balance at March 31, 2009	$ 5,923	$ 73,140	$ 79,063

Realized (losses) gains included in earnings for the period are reported in other expense, net.

Inventory

Inventories are stated at the lower of cost or market on an average cost method and primarily consist of finished goods as of March 31, 2009 and December 31, 2008.

CITRIX SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Revenue Recognition

The Company markets and licenses products primarily through multiple channels such as value-added resellers, channel distributors, system integrators, independent software vendors, its Websites and original equipment manufacturers. The Company s product licenses are generally perpetual. The Company also separately sells license updates and services, which may include product training, technical support and consulting services, as well as online services.

The Company s software revenue recognition policies are in compliance with SOP 97-2 and related amendments and interpretations. Because the Company s Online Services provide applications as an online service, the Company follows the provisions of Securities and Exchange Commission Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*.

The Company recognizes revenue when all of the following criteria are met: persuasive evidence of the arrangement exists; delivery has occurred and the Company has no remaining obligations; the fee is fixed or determinable; and collectability is probable. Net revenues include the following categories: Product Licenses, License Updates, Online Services and Technical Services. Product Licenses revenues primarily represent fees related to the licensing of the Company s software and appliance products. These revenues are reflected net of sales allowances, cooperative advertising agreements and provisions for stock balancing return rights. License Updates revenues consist of fees related to the Subscription Advantage program that are recognized ratably over the term of the contract, which is typically 12-24 months. Subscription Advantage is a renewable program that provides subscribers with immediate access to software upgrades, enhancements and maintenance releases when and if they become available during the term of the contract. Online Services revenues consist primarily of fees related to online service agreements which are recognized ratably over the contract term. In addition, Online Services revenues also include set-up fees which are recognized ratably over the expected customer life. Technical Services revenues are comprised of fees from technical support services which are recognized ratably over the contract term as well as revenues from product training and certification, and consulting services revenue related to implementation of the Company s products, which is recognized as the services are provided.

The Company licenses most of its software products bundled with a one year contract for license updates that provide the end-user with unspecified enhancements and upgrades to the licensed product on a when and if available basis. Customers may also elect to purchase subscriptions for license updates, when not bundled with the initial product purchase. Technical support, product training or consulting services may be purchased separately by the customer. Online services are sold separately. The Company allocates revenue to license updates 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, are recognized at the outset of the arrangement using the residual method as the product licenses are delivered.

In the normal course of business, the Company is not obligated to accept product returns from its distributors under any conditions, unless the product item is defective in manufacture, but it does provide most of its distributors with stock balancing and price protection rights. Stock balancing rights permit distributors to return products to the Company up to the forty-fifth day of the fiscal quarter, subject to ordering an equal dollar amount of its other products prior to the last day of the same fiscal quarter. Price protection rights require that the Company grants retroactive price adjustments for inventories of its products held by distributors or resellers if it lowers its prices for such products. Product items returned to the Company under the stock balancing program must be in new, unused and unopened condition. The Company establishes provisions for estimated returns for stock balancing and price protection rights, as well as other sales allowances, concurrently with the recognition of revenue. Allowances for estimated product returns amounted to approximately $1.4 million and $1.6 million at March 31, 2009 and December 31, 2008, respectively.

Accounting for Stock-Based Compensation Plans

The Company s stock-based compensation program is a broad based, long-term retention program that is intended to attract and reward talented employees and align stockholder and employee interests. As of March 31, 2009, the Company had two stock-based compensation plans under which it was granting stock options and non-vested stock units. The Company is currently granting stock-based awards from its 2005 Equity Incentive Plan (as amended, the 2005 Plan) and its 2005 Employee Stock Purchase Plan (the 2005 ESPP). In connection with certain of the

Company s acquisitions, the Company has assumed several plans from the acquired companies. The Company s Board of Directors has provided that no new awards will be granted under the Company s acquired stock plans. The Company s superseded and expired stock plans include the Amended and Restated 1995 Stock Plan, Second Amended and Restated 2000 Director and Officer Stock Option and Incentive Plan, Second Amended and Restated 1995 Non-Employee Director Stock Option Plan and Third Amended and Restated 1995 Employee Stock Purchase Plan. Awards previously granted under these plans and still outstanding typically expire ten years from the date of grant and will continue to be subject to all the terms and conditions of such plans, as applicable.

CITRIX SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Under the terms of the 2005 Plan, the Company is authorized to grant incentive stock options (ISOs), non-qualified stock options (NSOs), non-vested stock, non-vested stock units, stock appreciation rights (SARs), and performance units and to make stock-based awards to full and part-time employees of the Company and its subsidiaries or affiliates, where legally eligible to participate, as well as consultants and non-employee directors of the Company. Currently, the 2005 Plan provides for the issuance of a maximum of 26,500,000 shares of common stock. On April 14, 2009, subject to shareholder approval at the 2009 Annual Meeting of Stockholders, the Board of Directors approved a fourth amendment to the 2005 Plan (the Plan Amendment) to (i) increase the aggregate number of shares of Common Stock authorized for issuance under the 2005 Plan by an additional 5,600,000 shares and (ii) increase the aggregate number of shares of Common Stock issuable pursuant to unvested stock, unvested stock units, performance units or stock grants by an additional 1,000,000 shares of Common Stock. Under the 2005 Plan, ISOs must be granted at exercise prices no less than fair market value on the date of grant, except for ISOs granted to employees who own more than 10% of the Company s combined voting power, for which the exercise prices must be no less than 110% of the fair market value at the date of grant. NSOs and SARs must be granted at no less than fair market value on the date of grant, or in the case of SARs in tandem with options, at the exercise price of the related option. Non-vested stock awards may be granted for such consideration in cash, other property or services, or a combination thereof, as determined by the Company s Compensation Committee of its Board of Directors. All stock-based awards are exercisable upon vesting. The Company s policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight line basis over the requisite service period for the entire award. As of March 31, 2009, there were 38,137,813 shares of common stock reserved for issuance pursuant to the Company s stock-based compensation plans and the Company had authorization under its 2005 Plan to grant 7,409,829 additional stock-based awards.

Under the 2005 ESPP, all full-time and certain part-time employees of the Company are eligible to purchase common stock of the Company twice per year at the end of a six-month payment period (a Payment Period). During each Payment Period, eligible employees who so elect may authorize payroll deductions in an amount no less than 1% nor greater than 10% of his or her base pay for each payroll period in the Payment Period. At the end of each Payment Period, the accumulated deductions are used to purchase shares of common stock from the Company up to a maximum of 12,000 shares for any one employee during a Payment Period. Shares are purchased at a price equal to 85% of the fair market value of the Company s common stock on the last business day of a Payment Period. Employees who, after exercising their rights to purchase shares of common stock in the 2005 ESPP, would own shares representing 5% or more of the voting power of the Company s common stock, are ineligible to participate under the 2005 ESPP. The 2005 ESPP provides for the issuance of a maximum of 10,000,000 shares of common stock. As of March 31, 2009, 1,342,148 shares had been issued under the 2005 ESPP. The Company recorded stock-based compensation costs related to the 2005 ESPP of $0.5 million and $0.4 million for the three months ended March 31, 2009 and 2008, respectively.

Stock-Based Compensation

The detail of the total stock-based compensation recognized by income statement classification is as follows (in thousands):

	Three Months Ended March 31,	
Income Statement Classifications	**2009**	**2008**
Cost of services revenues	**$ 424**	$ 488
Research and development	**14,214**	14,418
Sales, marketing and services	**7,584**	7,563
General and administrative	**5,926**	4,937
Total	**$ 28,148**	$ 27,406

Stock Options

Options granted from the 2005 Plan typically have a five-year life and vest over three years at a rate of 33.3% of the shares underlying the option one year from date of grant and at a rate of 2.78% monthly thereafter. The Company currently uses the Black-Scholes option pricing model to determine the fair value of its 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 the Company s stock price, as well as assumptions regarding a number of complex and subjective variables. These variables include the Company s expected stock price, volatility over the term of the awards, actual employee exercise behaviors, risk-free interest rate and expected dividends. For purposes of valuing stock options, the Company determined the expected volatility factor by considering the implied volatility in two-year market-traded options of the Company s common stock based on third party volatility quotes in accordance with the provisions of SAB No. 107. The Company s decision to use implied volatility was based upon the availability of actively traded options on the Company s common stock and its assessment that implied volatility is more representative of future stock price trends than historical volatility. The approximate risk free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms

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equivalent to the Company s expected term on its options. The expected term of the Company s stock options was based on the historical employee exercise patterns. The Company also periodically analyzes its historical pattern of option exercises based on certain demographic characteristics and determined that there were no meaningful differences in option exercise activity based on the demographic characteristics. The Company does not intend to pay dividends on its common stock in the foreseeable future. Accordingly, the Company used a dividend yield of zero in its option pricing model.

The weighted average fair value of stock options granted during the three months ended March 31, 2009 was $6.55. The total intrinsic value of options exercised during the three months ended March 31, 2009 was $6.7 million. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. As of March 31, 2009, there was $118.7 million of total unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 2.10 years.

The assumptions used to value option grants are as follows:

	Three Months Ended March 31,	
	2009	**2008**
Expected volatility factor	**0.44**	0.39
Approximate risk free interest rate	**1.31%**	2.84%
Expected term (in years)	**3.37**	3.56
Expected dividend yield	**0%**	0%

Non-vested Stock

The Company assumed shares of non-vested stock in conjunction with its acquisition of XenSource, Inc. Upon assumption these shares were reset to vest over three years at a rate of 33.3% of the shares one year from date of grant and at a rate of 2.78% monthly thereafter based on service. As of March 31, 2009, the number of non-vested shares granted was 660,614 and there was $23.5 million of total unrecognized compensation cost related to non-vested stock. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 1.55 years.

Non-vested Stock Units

Annually, the Company awards all vice presidents and senior executives non-vested performance stock units from the 2005 Plan. The number of non-vested stock units underlying each award is determined one year after the date of the award based on achievement of a specific corporate operating income/margin goal. If the performance goal is less than 90% attained, then no non-vested stock units will be issued pursuant to the authorized award. For performance at and above 90%, the number of non-vested stock units issued is based on a graduated slope, with the maximum number of non-vested stock units issuable pursuant to the award capped at 125% of the base number of non-vested stock units set forth in the executive s award agreement. The Company is required to estimate the attainment that will be achieved related to the defined performance goals and the number of non-vested stock units that will ultimately be awarded in order to recognize compensation expense over the vesting period. If the performance goal is met, the non-vested stock units vest 33.33% on each anniversary subsequent to the date of the award. Each non-vested stock unit, upon vesting, represents the right to receive one share of the Company s common stock. If the performance goals are not met, no compensation cost will ultimately be recognized in that period and any previously recognized compensation cost will be reversed. During 2008, the performance goal was achieved within the range of the graduated slope and there was no material adjustment to compensation cost related to non-vested stock units granted to executives. Annually, the Company also awards all vice presidents and senior executives non-vested stock units from the 2005 Plan that vest based on service. These non-vested stock units vest 33.33% on each anniversary subsequent to the date of the award. Each non-vested stock unit, upon vesting, will represent the right to receive one share of the Company s common stock. In addition, the Company awards non-vested stock units to all of its non-employee directors. These units vest monthly in equal installments based on service and, upon vesting, each stock unit represents the right to receive one share of the Company s common stock. As of

March 31, 2009, the number of non-vested stock units was 1,072,048 and there was $17.1 million of total unrecognized compensation cost related to non-vested stock units. The unrecognized cost is expected to be recognized over a weighted-average period of 1.93 years.

3. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock awards (calculated using the treasury stock method) during the period they were outstanding.

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The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share information):

	Three Months ended March 31, 2009	Three Months ended March 31, 2008
Numerator:		
Net income	**$ 6,927**	$ 34,378
Denominator:		
Denominator for basic earnings per share weighted-average shares outstanding	**180,347**	185,486
Effect of dilutive employee stock awards	**2,026**	4,501
Denominator for diluted earnings per share weighted-average shares outstanding	**182,373**	189,987
Basic earnings per share	**$ 0.04**	$ 0.19
Diluted earnings per share	**$ 0.04**	$ 0.18
Anti-dilutive weighted-average shares	**26,056**	23,901

4. ACQUISITIONS

2008 Acquisition

In October 2008, the Company acquired all of the issued and outstanding securities of Vapps, Inc. (Vapps), a privately held Delaware corporation headquartered in Hoboken, New Jersey. Vapps offers high quality audio conferencing solutions to small and medium sized businesses and enterprise and service provider markets that complement the Company s online services products. The total consideration for this transaction was approximately $26.4 million in cash, including $1.0 million in transaction costs. In addition, if certain financial and operational milestones are achieved by the Vapps business, contingent consideration of up to approximately $4.4 million may be earned. The sources of funds for this transaction consisted of available cash and investments. In addition, the Company assumed approximately 0.1 million unvested stock options upon the closing of the transaction. Revenues from Vapps are included in the Company s Online Services revenue. The Vapps results of operations have been included in the Company s consolidated results of operations beginning after the date of its acquisition. In connection with the acquisition of Vapps, the Company allocated $19.6 million to goodwill, $8.2 million to product related technologies and $2.6 million to other intangible assets. The goodwill related to the acquisition of Vapps was assigned to the Company s Online Services segment and is not deductible for tax purposes. See Note 6 for segment information.

Purchase Accounting for Acquisitions

The fair values used in determining the purchase price allocation for certain intangible assets for the Company s acquisition was based on estimated discounted future cash flows, royalty rates and historical data, among other information. Purchased in-process research and development (IPR&D) of $1.1 million was expensed immediately upon the closing of the acquisition of Vapps in accordance with FASB Interpretation No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method,* because it pertained to technology that was not currently technologically feasible, meaning it had not reached the working model stage, did not contain all of the major functions planned for the product, was not ready for initial customer testing and had no alternative future use. The fair value assigned to IPR&D was determined using the income approach, which includes estimating the revenue and expenses associated with a project s sales cycle and by estimating the amount of after-tax cash flows attributable to the projects. The future cash flows were discounted to present value utilizing an appropriate risk-adjusted rate of return, which ranged from 21% to 25%. The rate of return determination included a factor that takes into account the uncertainty surrounding the successful development of the IPR&D.

5. LONG-TERM DEBT

Effective on August 9, 2005, the Company entered into a revolving credit facility (the Credit Facility) with a group of financial institutions (the Lenders). Effective September 27, 2006, the Company entered into an amendment and restatement of its Credit Facility (the Amendment). The Amendment decreased the overall range of interest rates the Company must pay on amounts outstanding on the Credit Facility and lowered the facility fee. In addition, the Amendment extended the term of the Credit Facility. The Credit Facility, as amended, allows the Company to increase the revolving credit commitment up to a maximum aggregate revolving credit commitment of $175.0 million. The Credit Facility, as amended, currently provides for a revolving line of credit that will expire on September 27, 2011 in the aggregate amount of $100.0 million, subject to continued covenant compliance. A portion of the revolving line of credit (i) in the aggregate amount of $25.0 million may be available for issuances of letters of credit and (ii) in the

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aggregate amount of $15.0 million may be available for swing line loans. The Credit Facility, as amended, currently bears interest at LIBOR plus 0.32% and adjusts in the range of 0.32% to 0.80% above LIBOR based on the level of the Company s total debt and its adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as defined in the agreement. In addition, the Company is 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 the Company s total debt and its adjusted EBITDA. Borrowings under the Credit Facility, as amended, are guaranteed by the Company and certain of the Company s U.S. and foreign subsidiaries, which guarantees are secured by a pledge of shares of certain foreign subsidiaries. As of March 31, 2009, there were no amounts outstanding under the Credit Facility, as amended.

The Credit Facility, as amended, contains customary default provisions, and the Company must comply with various financial and non-financial covenants. The financial covenants consist of a minimum interest coverage ratio and a maximum consolidated leverage ratio. The primary non-financial covenants contain certain limits on the Company s ability to pay dividends, conduct certain mergers or acquisitions, make certain investments and loans, incur future indebtedness or liens, alter the Company s capital structure or sell stock or assets. As of March 31, 2009, the Company was in compliance with all covenants of the Credit Facility.

6. SEGMENT INFORMATION

The Company operates in a single industry segment consisting of the design, development and marketing of technology solutions that allow applications to be delivered, supported and shared on-demand. The Company s revenues are derived from sales of its Citrix Delivery Center products and related technical services in the Americas, EMEA and Asia-Pacific regions and from its online services sold by its Online Services division. These three geographic regions and the Online Services division constitute the Company s four reportable segments.

The Company does not engage in intercompany revenue transfers between segments. The Company s chief operating decision maker (CODM) evaluates the Company s performance based primarily on profitability in the geographic locations in which the Company operates and separately evaluates the performance of its Online Services division. Segment profit for each segment includes certain sales, marketing, general and administrative expenses directly attributable to the segment, including research and development costs in the Online Services division and excludes certain expenses that are managed outside the reportable segments. Costs excluded from segment profit primarily consist of certain research and development costs associated with the Company s delivery center products, restructuring charges, stock-based compensation costs, amortization of product related technology, amortization of other intangible assets, interest, corporate expenses and income taxes. Corporate expenses are comprised primarily of corporate marketing costs, stock-based compensation costs, operations and certain general and administrative expenses, which are separately managed. Accounting policies of the Company s segments are the same as its consolidated accounting policies.

Net revenues and segment profit, classified by the Company s four reportable segments are as follows (in thousands):

	Three Months Ended March 31,	
	2009	**2008**
Net revenues:		
Americas (1)	**$ 155,790**	$ 156,823
EMEA (2)	**112,718**	126,922
Asia-Pacific	**28,570**	31,304
Online Services division	**71,980**	61,985
Consolidated	**$ 369,058**	$ 377,034

Segment profit:		
Americas (1)	**$ 78,214**	$ 73,288
EMEA (2)	**70,979**	83,870
Asia-Pacific	**4,655**	5,875
Online Services division	**20,251**	18,183
Unallocated expenses (3):		
Amortization of intangible assets	**(17,093)**	(16,293)
Research and development	**(63,719)**	(65,002)
Restructuring	**(20,730)**	
Net interest and other income	**1,169**	8,471
Other corporate expenses	**(67,554)**	(69,630)
Consolidated income before income taxes	**$ 6,172**	$ 38,762

(1) The Americas segment is comprised of the United States, Canada and Latin America.
(2) Defined as Europe, the Middle East and Africa.
(3) Represents expenses presented to management on a consolidated basis only and not allocated to the operating segments.

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In addition to evaluating the Company s profitability by geography, including the Company s Online Services division, its CODM also evaluates revenues by product groupings. Accordingly, the following table presents revenues for Product Licenses, License Updates and product related Technical Services by product grouping for the Company s Application Virtualization products, Application Networking products and other products and Online services revenues for the Online Services division s products, for the following periods:

	Three Months Ended March 31,	
	2009	**2008**
Net revenues:		
Application Virtualization revenues	**$ 239,794**	$ 267,651
Online Services division revenues	**71,980**	61,985
Application Networking revenues	**45,389**	37,591
Other revenues	**11,895**	9,807
Total net revenues	**$ 369,058**	$ 377,034

7. RESTRUCTURING

During the three months ended March 31, 2009, the Company reduced its headcount by approximately 450 full-time positions and incurred a pre-tax charge of approximately $20.7 million related to employee severance and related costs of which $4.4 million was accrued as of March 31, 2009.

Restructuring charges related to the reduction of the Company s headcount by segment consists of the following (in thousands):

	Three Months Ended March 31, 2009
Americas	**$ 11,408**
EMEA	**7,321**
Asia-Pacific	**1,540**
Online Services division	**461**
Total restructuring charges	**$ 20,730**

Also, the Company is in the process of assessing the consolidation of facilities. The Company currently anticipates completing its assessment by the end of 2009. As of March 31, 2009, the Company had not vacated any space, accordingly no accruals related to the consolidation of facilities have been recorded.

8. DERIVATIVE FINANCIAL INSTRUMENTS

Cash Flow Hedges

As of March 31, 2009, the Company s derivative assets and liabilities resulted from cash flow hedges related to its forecasted operating expenses transacted in local currencies. A substantial portion of the Company s overseas expenses are and will continue to be transacted in local currencies. To protect against fluctuations in operating expenses and the volatility of future cash flows caused by changes in currency exchange rates, the Company has established a program that uses foreign exchange forward contracts to hedge its exposure to these potential changes. The terms of these instruments, and the hedged transactions to which they relate, generally do not exceed 12 months and the maximum term is 18 months.

Generally, 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 the Company s hedging contracts. Conversely, 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 the Company s hedging contracts. The change in the derivative component in accumulated other comprehensive loss includes unrealized gains or losses that arose from changes in market value of the effective portion of derivatives that were held during the period, and gains or losses that were previously unrealized but have been recognized in the same line item as the forecasted transaction in current period net income due to termination or maturities of derivative contracts. This reclassification has no effect on total comprehensive income or stockholders equity.

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The total cumulative unrealized loss on cash flow derivative instruments was $8.6 million and $3.0 million at March 31, 2009 and December 31, 2008, respectively, and is included in accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets. The net unrealized gain as of March 31, 2009 is expected to be recognized in income over the next twelve months at the same time the hedged items are recognized in income.

As of March 31, 2009, the Company had the following net notional foreign currency forward contracts outstanding (in thousands):

Foreign Currency	Currency Denomination
Euro	EUR 42,876
British pounds sterling	GBP 22,124
Australian dollars	AUD 33,077
Swiss francs	CHF 20,101
Japanese yen	JPY 1,282,840
Indian rupees	INR 501,917
Hong Kong dollars	HKD 71,644
Singapore dollars	SGD 10,964
Canadian dollars	CAD 4,982
Danish krone	DKK 21,059

Derivatives not Designated as Hedges

The Company utilizes certain derivative instruments that either do not qualify or are not designated for hedge accounting treatment under SFAS No. 133. Accordingly, changes in the fair value of these contracts are recorded in other expense, net.

A substantial portion of the Company s overseas assets and liabilities are and will continue to be denominated in local currencies. To protect against fluctuations in earnings caused by changes in currency exchange rates when remeasuring the Company s balance sheet, it utilizes foreign exchange forward contracts to hedge its exposure to this potential volatility. There were no assets or liabilities related to derivatives not designated as hedges as of March 31, 2009 and December 31, 2008.

Fair Values of Derivative Instruments

	Asset Derivatives	Liability Derivatives