Nielsen Holdings N.V.
Form 3
August 02, 2012

FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â RANADIVE VIVEK
(Last) (First) (Middle)

C/O TIBCO SOFTWARE INC.,Â 3307 HILLVIEW AVENUE
(Street)

PALO ALTO,Â CAÂ 94304
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
07/26/2012

3. Issuer Name **and** Ticker or Trading Symbol
Nielsen Holdings N.V. [NLSN]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

	Shares	or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
RANADIVE VIVEK C/O TIBCO SOFTWARE INC. 3307 HILLVIEW AVENUE PALO ALTO,Â CAÂ 94304	Â X	Â	Â	Â

Signatures

/s/ Harris Black	08/02/2012
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Â

Remarks:

NoÂ securitiesÂ areÂ beneficiallyÂ owned.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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(a)

1. Consolidated Financial Statements.

For a list of the consolidated financial information included herein, see page F-1.

2. Financial Statement Schedules.

The following consolidated financial statement schedule is included in Item 8:

Valuation and Qualifying Accounts

3. List of Exhibits.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
3.2	Amended and Restated By-laws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 29, 2013)
4.1	Specimen certificate representing Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-98542), as amended)
4.2	Indenture, dated as of April 30, 2014, between Citrix Systems, Inc. and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
4.3	Form of 0.500% Convertible Senior Notes due 2019 (included in Exhibit 4.2)
10.1*	Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)
10.2*	

First Amendment to Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 28, 2010)

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10.3*	Second Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.4*	Third Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.5*	Fourth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 31, 2012)
10.6*	Fifth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013)
10.7*	Sixth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
10.8*	Form of Global Stock Option Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.9*	Form of Restricted Stock Unit Agreement For Non-Employee Directors under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.10*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Performance Based Awards) (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.11*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.12*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Long Term Incentive) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)
10.13*†	Form of Long Term Incentive Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan
10.14*	Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)
10.15*	Amendment to Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.16*	Citrix Systems, Inc. Executive Bonus Plan (incorporated by reference herein to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.17*	Change in Control Agreement dated as of August 4, 2005 by and between the Company and Mark B. Templeton (incorporated by reference herein to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.18*	Form of Change in Control Agreement by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.19*	Form of First Amendment to Change of Control Agreement (Chief Executive Officer) between the Company and Mark Templeton (incorporated by reference herein to Exhibit 10.23 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.20*	Form of First Amendment to Change of Control Agreement between the Company and each of David J. Henshall, David R. Friedman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.24

	to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.21*	Form of Amendment to Change in Control Agreements by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
10.22*	Form of Indemnification Agreement by and between the Company and each of its Directors and executive officers (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)

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Exhibit No.	Description
10.23*	Form of Change in Control Agreement by and between the Company and each of Catherine Courage, Sudhakar Ramakrishna, Christopher Hylen, Geir Ramleth, Robson Grieve and Carlos Sartorius (incorporated by reference herein to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.24*	Citrix Systems, Inc. 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2014)
10.25	Form of Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on April 30, 2014)
10.26	Form of Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.27	Form of Additional Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.28	Form of Additional Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.29	Master Confirmation between Citibank, N.A. and Citrix Systems, Inc., dated April 25, 2014 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2014)
21.1†	List of Subsidiaries
23.1†	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in signature page)
31.1†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
31.2†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer
32.1††	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates a management contract or a compensatory plan, contract or arrangement.

† Filed herewith.

†† Furnished herewith.

(b) Exhibits.

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2014, the exhibits listed in Item 15(a)(3) above. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C., 20549 and at the Commission’s regional offices at 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604 and 3 World Financial Center, Suite 400, New York, NY 10281-1022.

(c) Financial Statement Schedule.

The Company hereby files as part of this Annual Report on Form 10-K for the year ended December 31, 2014 the consolidated financial statement schedule listed in Item 15(a)(2) above, which is attached hereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Fort Lauderdale, Florida on the 19th day of February, 2015.

	CITRIX SYSTEMS, INC.
By:	/s/ MARK B. TEMPLETON
	Mark B. Templeton
	President and Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Citrix Systems, Inc., hereby severally constitute and appoint Mark B. Templeton and David J. Henshall, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all amendments to this report, and generally to do all things in our names and on our behalf in such capacities to enable Citrix Systems, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 19th day of February, 2015.

Signature	Title(s)
/S/ MARK B. TEMPLETON Mark B. Templeton	President, Chief Executive Officer and Director (Principal Executive Officer)
/S/ DAVID J. HENSHALL David J. Henshall	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)
/S/ DAVID ZALEWSKI David Zalewski	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)
/S/ THOMAS F. BOGAN Thomas F. Bogan	Chairman of the Board of Directors
/S/ NANCI CALDWELL Nanci Caldwell	Director
/S/ ROBERT D. DALEO Robert D. Daleo	Director
/S/ MURRAY J. DEMO Murray J. Demo	Director
/S/ STEPHEN M. DOW Stephen M. Dow	Director
/S/ ASIFF S. HIRJI Asiff S. Hirji	Director
/S/ GARY E. MORIN Gary E. Morin	Director
/S/ GODFREY R. SULLIVAN Godfrey R. Sullivan	Director
/S/ FRANCIS A. DESOUZA Francis A. deSouza	Director
/S/ ROBERT M. CALDERONI Robert M. Calderoni	Director

CITRIX SYSTEMS, INC.
List of Financial Statements and Financial Statement Schedule

The following consolidated financial statements of Citrix Systems, Inc. are included in Item 8:

The following consolidated financial statement schedule of Citrix Systems, Inc. is included in Item 15(a):

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders of Citrix Systems, Inc.

We have audited the accompanying consolidated balance sheets of Citrix Systems, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Citrix Systems, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Citrix Systems Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Certified Public Accountants

Boca Raton, Florida
February 19, 2015

CITRIX SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	$260,149	$280,740
Short-term investments, available-for-sale	529,260	453,976
Accounts receivable, net of allowances of $5,976 and $5,354 at December 31, 2014 and 2013, respectively	674,401	654,821
Inventories, net	12,617	14,107
Prepaid expenses and other current assets	166,005	110,981
Current portion of deferred tax assets, net	45,892	48,470
Total current assets	1,688,324	1,563,095
Long-term investments, available-for-sale	1,073,110	855,700
Property and equipment, net	367,779	338,996
Goodwill	1,796,851	1,768,949
Other intangible assets, net	390,717	509,595
Long-term portion of deferred tax assets, net	128,198	115,418
Other assets	67,028	60,496
Total assets	$5,512,007	$5,212,249
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$79,884	$78,452
Accrued expenses and other current liabilities	298,079	257,606
Income taxes payable	12,053	29,322
Current portion of deferred revenues	1,200,093	1,098,681
Total current liabilities	1,590,109	1,464,061
Long-term portion of deferred revenues	357,771	313,059
Convertible notes	1,292,953	—
Other liabilities	97,529	115,322
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; 294,674 and 291,078 shares issued and outstanding at December 31, 2014 and 2013, respectively	295	291
Additional paid-in capital	4,292,706	3,974,297
Retained earnings	3,155,264	2,903,541
Accumulated other comprehensive (loss) income	(36,790)	4,951
	7,411,475	6,883,080
Less - common stock in treasury, at cost (133,898 and 107,789 shares at December 31, 2014 and 2013, respectively)	(5,237,830)	(3,563,273)
Total stockholders' equity	2,173,645	3,319,807
Total liabilities and stockholders' equity	$5,512,007	$5,212,249

See accompanying notes.

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CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except per share information)		
Revenues:			
Product and licenses	$899,736	$891,630	$830,645
Software as a service	651,562	582,872	511,323
License updates and maintenance	1,416,017	1,305,053	1,125,094
Professional services	175,541	138,879	119,061
Total net revenues	3,142,856	2,918,434	2,586,123
Cost of net revenues:			
Cost of product and license revenues	124,110	114,932	96,962
Cost of services and maintenance revenues	349,683	289,990	227,150
Amortization of product related intangible assets	146,426	97,873	80,025
Total cost of net revenues	620,219	502,795	404,137
Gross margin	2,522,637	2,415,639	2,181,986
Operating expenses:			
Research and development	553,817	516,338	450,571
Sales, marketing and services	1,280,265	1,216,680	1,060,829
General and administrative	319,922	260,236	245,259
Amortization of other intangible assets	45,898	41,668	34,549
Restructuring	20,424	—	—
Total operating expenses	2,220,326	2,034,922	1,791,208
Income from operations	302,311	380,717	390,778
Interest income	9,421	8,194	10,152
Interest expense	28,332	128	312
Other (expense) income, net	(7,694)	(893)	9,611
Income before income taxes	275,706	387,890	410,229
Income taxes	23,983	48,367	57,682
Net income	$251,723	$339,523	$352,547
Earnings per share:			
Basic	$1.48	$1.82	$1.89
Diluted	$1.47	$1.80	$1.86
Weighted average shares outstanding:			
Basic	169,879	186,672	186,722
Diluted	171,270	188,245	189,129

See accompanying notes.

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CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Net income	$251,723	$339,523	$352,547
Other comprehensive (loss) income:			
Change in foreign currency translation adjustment	(21,804)	8,482	2,457
Available for sale securities:			
Change in net unrealized gains	(911)	(985)	3,603
Less: reclassification adjustment for net gains included in net income	(1,317)	(203)	(3,443)
Net change (net of tax effect)	(2,228)	(1,188)	160
(Loss) gain on pension liability	(6,512)	2,500	(3,925)
Cash flow hedges:			
Change in unrealized gains	(9,074)	(67)	(653)
Less: reclassification adjustment for net (gains) losses included in net income	(2,123)	2,929	5,817
Net change (net of tax effect)	(11,197)	2,862	5,164
Other comprehensive (loss) income	(41,741)	12,656	3,856
Comprehensive income	$209,982	$352,179	$356,403

See accompanying notes.

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CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (loss) income	Common Stock in Treasury		Total Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2011	282,774	$283	$3,385,053	$2,211,471	$(11,561)	(96,960)	$(2,854,756)	$2,730,490
Shares issued under stock-based compensation plans	3,983	3	108,406	—	—	—	—	108,409
Stock-based compensation expense	—	—	145,967	—	—	—	—	145,967
Common stock issued under employee stock purchase plan	366	1	24,884	—	—	—	—	24,885
Tax benefit from employer stock plans	—	—	24,839	—	—	—	—	24,839
Stock repurchases, net	—	—	—	—	—	(3,551)	(251,008)	(251,008)
Restricted shares turned in for tax withholding	—	—	—	—	—	(270)	(20,170)	(20,170)
Other	—	—	1,962	—	—	—	—	1,962
Other comprehensive income, net of tax	—	—	—	—	3,856	—	—	3,856
Net income	—	—	—	352,547	—	—	—	352,547
Balance at December 31, 2012	287,123	287	3,691,111	2,564,018	(7,705)	(100,781)	(3,125,934)	3,121,777
Shares issued under stock-based compensation plans	3,545	3	73,655	—	—	—	—	73,658
Stock-based compensation expense	—	—	179,098	—	—	—	—	179,098
Common stock issued under employee stock purchase plan	410	1	30,141	—	—	—	—	30,142
Tax deficiency from employer stock plans, net	—	—	(620)	—	—	—	—	(620)

Stock repurchases, net	—	—	—	—	—	(6,564)	(406,326)	(406,326)
Restricted shares turned in for tax withholding	—	—	—	—	—	(444)	(31,013)	(31,013)
Other	—	—	912	—	—	—	—	912
Other comprehensive income, net of tax	—	—	—	—	12,656	—	—	12,656
Net income	—	—	—	339,523	—	—	—	339,523
Balance at December 31, 2013	291,078	291	3,974,297	2,903,541	4,951	(107,789)	(3,563,273)	3,319,807
Shares issued under stock-based compensation plans	3,031	3	46,618	—	—	—	—	46,621
Stock-based compensation expense	—	—	164,040	—	—	—	—	164,040
Common stock issued under employee stock purchase plan	565	1	33,908	—	—	—	—	33,909
Tax deficiency from employer stock plans, net	—	—	(14,679)	—	—	—	—	(14,679)
Stock repurchases, net	—	—	—	—	—	(25,549)	(1,640,885)	(1,640,885)
Restricted shares turned in for tax withholding	—	—	—	—	—	(560)	(33,672)	(33,672)
Other comprehensive loss, net of tax	—	—	—	—	(41,741)	—	—	(41,741)
Convertible note tax impact	—	—	8,166	—	—	—	—	8,166
Equity component of convertible note issuance	—	—	162,869	—	—	—	—	162,869
Purchase of convertible note hedges	—	—	(184,288)	—	—	—	—	(184,288)
Issuance of warrants	—	—	101,775	—	—	—	—	101,775
Net income	—	—	—	251,723	—	—	—	251,723
Balance at December 31, 2014	294,674	$295	$4,292,706	$3,155,264	$(36,790)	(133,898)	$(5,237,830)	$2,173,645

See accompanying notes.

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Explanation of Responses:

CITRIX SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Operating Activities			
Net income	$251,723	$339,523	$352,547
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	192,325	139,541	114,574
Depreciation and amortization of property and equipment	137,945	127,959	100,299
Amortization of debt discount and transaction costs	23,293	—	—
Stock-based compensation expense	169,287	183,941	149,940
Loss (gain) on investments	1,124	(2,441)	(14,477)
Provision for doubtful accounts	2,861	1,046	1,784
Provision for product returns	5,049	4,473	10,743
Provision for inventory reserves	2,656	1,905	1,022
Deferred income tax benefit	(36,982)	(51,848)	(70,791)
Excess tax benefit from stock-based compensation, net	(6,132)	(12,552)	(35,374)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	5,233	5,888	1,706
Other non-cash items	729	434	1,178
Total adjustments to reconcile net income to net cash provided by operating activities	497,388	398,346	260,604
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(30,962)	(22,951)	(107,628)
Inventories	(1,167)	(5,591)	(2,024)
Prepaid expenses and other current assets	(8,133)	(7,928)	(16,606)
Other assets	1,498	5,076	(1,497)
Income taxes, net	(79,119)	(7,374)	71,255
Accounts payable	40	3,092	(426)
Accrued expenses and other current liabilities	62,195	23,028	45,135
Deferred revenues	146,123	201,455	216,798
Other liabilities	6,395	1,667	369
Total changes in operating assets and liabilities, net of the effects of acquisitions	96,870	190,474	205,376
Net cash provided by operating activities	845,981	928,343	818,527
Investing Activities			
Purchases of available-for-sale investments	(2,390,950)	(1,703,976)	(1,435,367)
Proceeds from sales of available-for-sale investments	1,694,886	766,192	1,256,295
Proceeds from maturities of available-for-sale investments	406,334	504,314	437,991
Proceeds related to cost method investments	4,049	12,067	24,252
Purchases of property and equipment	(165,417)	(162,889)	(122,958)
Purchases of cost method investments	(3,624)	(6,824)	(6,622)
Cash paid for acquisitions, net of cash acquired	(101,059)	(334,881)	(487,221)
Cash paid for licensing agreements and product related intangible assets	(13,676)	(12,153)	(27,760)
Other	—	—	3,450
Net cash used in investing activities	(569,457)	(938,150)	(357,940)
Financing Activities			

Proceeds from issuance of common stock under stock-based compensation plans	46,618	73,655	108,406
Proceeds from issuance of convertible notes, net of issuance costs	1,415,717	—	—
Purchase of convertible note hedges	(184,288)	—	—
Proceeds from issuance of warrants	101,775	—	—
Repayment of acquired debt	(4,065)	(2,061)	(24,346)
Excess tax benefit from stock-based compensation	6,132	12,552	35,374
Stock repurchases, net	(1,640,885)	(406,326)	(251,008)
Cash paid for tax withholding on vested stock awards	(33,672)	(31,013)	(20,170)
Other	—	912	1,962
Net cash used in financing activities	(292,668)	(352,281)	(149,782)
Effect of exchange rate changes on cash and cash equivalents	(4,447)	(781)	(492)
Change in cash and cash equivalents	(20,591)	(362,869)	310,313
Cash and cash equivalents at beginning of period	280,740	643,609	333,296
Cash and cash equivalents at end of period	$260,149	$280,740	$643,609
Supplemental Cash Flow Information			
Cash paid for income taxes	$130,502	$92,672	$32,355
Cash paid for interest	$5,027	$127	$305

See accompanying notes.

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Citrix Systems, Inc. ("Citrix" or the "Company"), is a Delaware corporation founded on April 17, 1989. Citrix is leading the transition to software-defining the workplace, uniting virtualization, mobility management, networking and SaaS solutions to enable new ways for businesses and people to work better. Citrix solutions power business mobility through secure, mobile workspaces that provide people with instant access to apps, desktops, data and communications on any device, over any network or cloud.

Citrix markets and licenses its products directly to customers, over the Web, and through systems integrators ("SIs"), in addition to indirectly through value-added resellers ("VARs"), value-added distributors ("VADs"), original equipment manufacturers ("OEMs"), and service providers.

The Company’s revenues are derived from its Enterprise and Service Provider products, which primarily include its Workspace Services (formerly Mobile and Desktop) products, Delivery Networking (formerly Networking and Cloud) products and related license updates and maintenance and professional services and from its Mobility Apps (formerly Software as a Service ("SaaS")) products, which primarily include Communications Cloud, Documents Cloud and Workflow Cloud products. Enterprise and Service Provider and Mobility Apps constitute the Company's two reportable segments. See Note 11 for more information on the Company's segments.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries in the Americas, Europe, the Middle East and Africa (“EMEA”) and Asia-Pacific. All significant transactions and balances between the Company and its subsidiaries have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2014 and 2013 include marketable securities, which are primarily money market funds, commercial paper, agency, and government securities, municipal securities and corporate securities with initial or remaining contractual maturities when purchased of three months or less.

Investments

Short-term and long-term investments at December 31, 2014 and 2013 primarily consist of agency securities, corporate securities, municipal securities and government securities. 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) income. 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 authoritative guidance.

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 a variety of inputs and may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes. See Note 4 for investment information.

Accounts Receivable

The Company’s accounts receivable are attributable primarily to VARs, VADs and end customers. Collateral is generally not required. The Company also maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company’s customers to make payments which includes both general and specific reserves. The Company periodically reviews these estimated allowances by conducting an analysis of the customer's payment history and creditworthiness, the age of the trade receivable balances and current economic conditions that may affect a customer’s ability to make payments. Based on this review, the Company specifically reserves for those accounts deemed uncollectible. When receivables are determined to be uncollectible, principal amounts of such receivables outstanding are deducted from the allowance. The allowance for doubtful accounts was $3.8 million and $3.3 million as of December 31, 2014 and 2013, respectively. If the financial condition of a significant distributor or customer were to deteriorate, the Company’s operating results could be adversely affected. As of December 31, 2014, two distributors, the Arrow Group and Ingram Micro, accounted for 11% and 10% of gross accounts

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receivable, respectively. As of December 31, 2013, one distributor, Ingram Micro, accounted for 10% of gross accounts receivable.

Inventory

Inventories are stated at the lower of cost or market on a standard cost basis, which approximates actual cost. The Company's inventories primarily consist of finished goods as of December 31, 2014 and 2013.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three years for computer equipment and software, the lesser of the lease term or ten years for leasehold improvements, which is the estimated useful life, seven years for office equipment and furniture and the Company's enterprise resource planning system and 40 years for buildings.

During 2014 and 2013, the Company retired $11.4 million and $10.3 million, respectively, in property and equipment that were no longer in use. At the time of retirement, the remaining net book value of these assets was not material and no material asset retirement obligations were associated with them.

Property and equipment consist of the following:

	December 31, 2014	2013
	(In thousands)	
Buildings	$85,092	$85,092
Computer equipment	237,709	204,110
Software	392,009	316,902
Equipment and furniture	117,555	105,145
Leasehold improvements	211,625	168,990
	1,043,990	880,239
Less accumulated depreciation and amortization	(722,691)	(597,268)
Assets under construction	18,893	28,438
Land	27,587	27,587
Total	$367,779	$338,996

Long-Lived Assets

The Company reviews for impairment of long-lived assets and certain identifiable intangible assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss is based on the fair value of the asset compared to its carrying value. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

For the year ended December 31, 2014, the Company identified certain intangible assets that were impaired within our Enterprise and Service Provider division and recorded non-cash impairment charges of $59.3 million. This non-recurring fair value measurement was categorized as Level 3, as significant unobservable inputs were used in the valuation analysis. The impairment charge is included in Amortization of product related intangible assets and Amortization of other intangible assets in the accompanying consolidated statements of income. During 2013, the Company did not recognize any impairment charges associated with its intangible assets. See Note 3 for more information regarding the Company's acquisitions and Note 5 for more information regarding fair value measurements.

Goodwill

The Company accounts for goodwill in accordance with the authoritative guidance, which requires that goodwill and certain intangible assets are not amortized, but are subject to an annual impairment test. There was no impairment of goodwill or indefinite lived intangible assets as a result of the annual impairment tests analyses completed during the fourth quarters of 2014 and 2013, respectively. The authoritative guidance provides entities with an option to perform a qualitative assessment to determine whether further quantitative impairment testing is necessary. The Company performed the qualitative assessment when it performed its goodwill impairment test in the fourth quarter of 2014. As a result of the qualitative analysis, no further

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CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

quantitative impairment test was deemed necessary. See Note 3 for acquisition information and Note 11 for segment information.

The following table presents the change in goodwill allocated to the Company's reportable segments during 2014 and 2013 (in thousands):

	Balance at January 1, 2014	Additions	Other	Balance at December 31, 2014	Balance at January 1, 2013	Additions	Other	Balance at December 31, 2013
Enterprise and Service Provider division	$1,402,156	$30,317	$1,896 (2)	$1,434,369	$1,158,580	$248,800	$(5,224) (4)	$1,402,156
Mobility Apps division	366,793	10,694	(15,005) (3)	362,482	359,639	2,668	4,486 (3)	366,793
Consolidated	$1,768,949	$41,011 (1)	$(13,109)	$1,796,851	$1,518,219	$251,468 (1)	$(738)	$1,768,949

(1) Amount primarily relates to 2014 acquisitions. See Note 3 for more information regarding the Company's acquisitions.
(2) Amount primarily relates to adjustments to purchase price allocations for certain 2013 Acquisitions.
(3) Amount primarily relates to foreign currency translation.
(4) Amount primarily relates to adjustments to purchase price allocations for certain 2012 Acquisitions.

Intangible Assets

The Company has intangible assets which were primarily acquired in conjunction with business combinations and technology purchases. Intangible assets with finite lives are recorded at cost, less accumulated amortization. Amortization is recognized on a straight-line basis over the estimated useful lives of the respective assets, generally three to seven years, except for patents, which are amortized over the lesser of their remaining life or ten years. In accordance with the authoritative guidance, the Company records acquired product related intangible assets at net realizable value and reviews this technology for impairment on a periodic basis by comparing the estimated net realizable value to the unamortized cost of the technology. In-process R&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When in-process R&D projects are completed, the corresponding amount is reclassified as an amortizable intangible asset and is amortized over the asset's estimated useful life.

Intangible assets consist of the following (in thousands):

	December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	$618,336	$454,830	5.58
Other	492,960	265,749	7.58
Total	$1,111,296	$720,579	6.47

	December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Life (Years)
Product related intangible assets	$677,509	$428,418	5.60
Other	482,918	222,414	7.52
Total	$1,160,427	$650,832	6.38

Other intangible assets consist primarily of customer relationships, trade names, covenants not to compete and patents. Amortization of product related intangible assets includes amortization of product related technologies and patents and is reported as a Cost of net revenues in the accompanying consolidated statements of income. Amortization of other intangible assets includes amortization of customer relationships, trade names and covenants not to compete and is reported as an Operating expense in the accompanying consolidated statements of income.

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Estimated future amortization expense of intangible assets with finite lives is as follows (in thousands):

Year ending December 31,	
2015	$100,286
2016	85,000
2017	64,220
2018	53,854
2019	34,305
Thereafter	53,052
Total	$390,717

Software Development Costs

The authoritative guidance requires certain internal software development costs related to software to be sold to be capitalized upon the establishment of technological feasibility. The Company's software development costs incurred subsequent to achieving technological feasibility have not been significant and substantially all software development costs have been expensed as incurred.

Internal Use Software

In accordance with the authoritative guidance, the Company capitalizes external direct costs of materials and services and internal costs such as payroll and benefits of those employees directly associated with the development of new functionality in internal use software and software developed related to its Mobility Apps products. The amount of costs capitalized in 2014 and 2013 relating to internal use software was $79.1 million and $62.7 million, respectively. These costs are being amortized over the estimated useful life of the software, which is generally three to seven years, and are included in property and equipment in the accompanying consolidated balance sheets. The total amounts charged to expense relating to internal use software was approximately $66.8 million, $58.6 million and $44.5 million, during the years ended December 31, 2014, 2013 and 2012, respectively.

Revenue Recognition

Net revenues include the following categories: Product and licenses, SaaS from the Mobility Apps division, License updates and maintenance and Professional services. Product and licenses revenues primarily represent fees related to the licensing of the Company’s software and hardware appliance products. These revenues are reflected net of sales allowances, cooperative advertising agreements, partner incentive programs and provisions for returns. Shipping charges billed to customers are included in Product and license revenue and the related shipping costs are included in Cost of product and license revenue. SaaS revenues consist primarily of fees related to online service agreements, which are recognized ratably over the contract term, which is typically 12 months. 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. License updates and maintenance revenues consist of fees related to the Subscription Advantage program and maintenance fees, which include technical support and hardware and software maintenance. The Company licenses many of its virtualization products bundled with a one-year contract for its Subscription Advantage program. 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. Subscription Advantage and maintenance fees are recognized ratably over the term of the contract, which is typically 12 to 24 months. The Company capitalizes certain third-party commissions related to Subscription Advantage, maintenance and support renewals. The capitalized commissions are amortized to Sales, marketing and services expense at the time the related deferred revenue is recognized as revenue. Hardware and software maintenance and support contracts are typically sold separately. Hardware maintenance includes technical support, the latest software upgrades and replacement of malfunctioning appliances. Dedicated account management is available as an add-on to the program for a higher level of service. Software maintenance includes unlimited support with product version upgrades. Professional services revenues are comprised of fees from consulting services related to the implementation of the Company’s products and fees from product training and certification, which are recognized as the services are provided.

The Company recognizes 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 the Company has no remaining obligations; the fee is fixed or determinable; and collectability is probable. The Company defines these four criteria as follows:

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Persuasive evidence of the arrangement exists. Evidence of an arrangement generally consists of a purchase order issued pursuant to the terms and conditions of a distributor, reseller or end user agreement. For SaaS, the Company generally requires the customer or the reseller to electronically accept the terms of an online services agreement or execute a contract.
- Delivery has occurred and the Company has no remaining obligations. The Company considers 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, the Company's standard delivery method is free-on-board shipping point. Consequently, it considers delivery of appliances to have occurred when they 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, the Company fulfills its obligation when the services are performed. For license updates and maintenance, the Company assumes that its obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 to 24 months. For SaaS, the Company assumes that its obligation is satisfied ratably over the respective terms of the agreements, which are typically 12 months.
- The fee is fixed or determinable. In the normal course of business, the Company does not provide customers the right to a refund of any portion of their license fees or extended payment terms. The fees are considered fixed or 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. The Company assesses collectability based primarily on the creditworthiness of the customer. 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. If the Company determines 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.

The majority of the Company's product and license revenue consists of revenue from the sale of software products. Software sales generally include a perpetual license to the Company's software and is subject to the industry specific software revenue recognition guidance. In accordance with this guidance, the Company allocates revenue to license updates related to its stand-alone software and any other undelivered elements of the arrangement based on vendor specific objective evidence ("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.

For hardware appliance and software transactions, the arrangement consideration is allocated to stand-alone software deliverables as a group and the non-software deliverables based on the relative selling prices using the selling price hierarchy in the revenue recognition guidance. The selling price hierarchy for a deliverable is based on its VSOE if available, third-party evidence of selling price ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE is available. The Company then recognizes revenue on each deliverable in accordance with its 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, the Company requires 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 the Company's products contain a significant element of proprietary technology and its solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained. Additionally, as the Company is unable to reliably determine what competitors products' selling prices are on a stand-alone basis, the Company is 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 the Company's non-software transactions, it allocates the arrangement consideration based on the relative selling price of the deliverables. For the Company's hardware appliances, it uses ESP as its selling price. For the Company's support and services, it generally uses VSOE as its selling price. When the Company is unable to establish selling price using VSOE for its support and services, the Company uses ESP in its allocation of arrangement consideration.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's Mobility Apps products are considered hosted service arrangements per the authoritative guidance; accordingly, the Company follows the provisions of Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 104, Revenue Recognition, when accounting for these service arrangements. Generally, the Company's Mobility Apps products are sold separately and not bundled with the Enterprise and Service Provider division's products and services.

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. The Company establishes provisions for estimated returns, as well as other sales allowances, concurrently with the recognition of revenue. The provisions are established based upon consideration of a variety of factors, including, among other things, recent and historical return rates for both specific products and distributors and the impact of any new product releases and projected economic conditions. Product returns are provided for in the consolidated financial statements and have historically been within management's expectations. Allowances for estimated product returns amounted to approximately $2.2 million and $2.1 million at December 31, 2014 and December 31, 2013, respectively. The Company also records estimated reductions to revenue for customer programs and incentive offerings including volume-based incentives. The Company could take actions to increase its customer incentive offerings, which could result in an incremental reduction to revenue at the time the incentive is offered.

Product Concentration

The Company derives a substantial portion of its revenues from its Workspace Services solutions, which include its XenDesktop and XenApp products and related services, and anticipates that these products and future derivative products and product lines based upon this technology will continue to constitute a majority of its revenue. The Company could experience declines in demand for its Workspace Services solutions and other products, whether as a result of general economic conditions, the delay or reduction in technology purchases, new competitive product releases, price competition, lack of success of its strategic partners, technological change or other factors.

Cost of Net Revenues

Cost of product and license revenues consists primarily of hardware, product media and duplication, manuals, packaging materials, shipping expense and server capacity costs. In addition, the Company is a party to licensing agreements with various entities, which give the Company the right to use certain software code in its products or in the development of future products in exchange for the payment of fixed fees or amounts based upon the sales of the related product. The licensing agreements generally have terms ranging from one to five years, and generally include renewal options. However, some agreements are perpetual unless expressly terminated. Royalties and other costs related to these agreements are included in cost of net revenues. Cost of services and maintenance revenue consists primarily of compensation and other personnel-related costs of providing technical support and consulting, as well as the Company's Mobility Apps products. Also included in cost of net revenues is amortization of product related intangible assets which includes acquired core and product technology and associated patents.

Foreign Currency

The functional currency for all of the Company's wholly-owned foreign subsidiaries in its Enterprise and Service Provider division is the U.S. dollar. Monetary assets and liabilities of such subsidiaries are remeasured into U.S. dollars at exchange rates in effect at the balance sheet date, and revenues and expenses are remeasured at average rates prevailing during the year. The functional currency of the Company's wholly-owned foreign subsidiaries of its Mobility Apps division is the currency of the country in which each subsidiary is located. The Company translates assets and liabilities of these foreign subsidiaries at exchange rates in effect at the balance sheet date. The Company includes accumulated net translation adjustments in equity as a component of Accumulated other comprehensive (loss) income. Foreign currency transaction gains and losses are the result of exchange rate changes on transactions denominated in currencies other than the functional currency, including U.S. dollars. The remeasurement of those foreign currency transactions is included in determining net income or loss for the period of exchange. Remeasurement and foreign currency transaction losses of approximately $7.7 million, $4.9 million and $3.3 million for the years ended December 31, 2014, 2013, and 2012, respectively, are included in Other (expense) income, net, in the accompanying consolidated statements of income. Effective in January 2015, the functional currency of the

Company’s wholly-owned foreign subsidiaries of its Mobility Apps division became the U.S. dollar as a result of a reorganization in the foreign subsidiaries' operations.

Derivatives and Hedging Activities

In accordance with the authoritative guidance, the Company records derivatives at fair value as either assets or liabilities on the balance sheet. For derivatives that are designated as and qualify as effective cash flow hedges, the portion of gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of Accumulated other

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comprehensive (loss) income and reclassified into earnings as operating expense, net, when the hedged transaction affects earnings. Derivatives not designated as hedging instruments are adjusted to fair value through earnings as Other (expense) income, net, in the period during which changes in fair value occur. The application of the authoritative guidance could impact the volatility of earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes attributing all derivatives that are designated as cash flow hedges to floating rate assets or liabilities or forecasted transactions. The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

The Company is exposed to risk of default by its hedging counterparties. Although this risk is concentrated among a limited number of counterparties, the Company’s foreign exchange hedging policy attempts to minimize this risk by placing limits on the amount of exposure that may exist with any single financial institution at a time.

Pension Liability

The Company provides retirement benefits to certain employees who are not U.S. based. Generally, benefits under these programs are based on an employee’s length of service and level of compensation. The majority of these programs are commonly referred to as termination indemnities, which provide retirement benefits in accordance with programs mandated by the governments of the countries in which such employees work.

The Company had accrued $15.6 million and $9.2 million for these pension liabilities at December 31, 2014 and 2013, respectively. Expenses for the programs for 2014, 2013 and 2012 amounted to $3.2 million, $3.5 million and $1.5 million, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. The Company has advertising agreements with, and purchases advertising from, online media providers to advertise its products. The Company also has cooperative advertising agreements with certain distributors and resellers whereby the Company will reimburse distributors and resellers for qualified advertising of Company products. Reimbursement is made once the distributor, reseller or provider provides substantiation of qualified expenses. The Company estimates the impact of these expenses and recognizes them at the time of product sales as a reduction of net revenue in the accompanying consolidated statements of income. The total costs the Company recognized related to advertising were approximately $150.1 million, $146.5 million and $137.5 million, during the years ended December 31, 2014, 2013 and 2012, respectively.

Income Taxes

The Company and one or more of its subsidiaries is subject to United States federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2011.

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. The Company provides for income taxes on transactions based on its estimate of the probable liability. The Company adjusts its provision as appropriate for changes that impact its 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 the Company operates, estimates of its tax liability and the realizability of its deferred tax assets could change in the future, which may result in additional tax liabilities and adversely affect the Company’s results of operations, financial condition and cash flows.

The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of the process of preparing its consolidated financial statements. 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. The Company reviews deferred tax assets periodically for recoverability and makes 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.

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 consolidated financial statements and accompanying notes. Significant estimates made by management include the provision for doubtful accounts receivable, the provision to reduce obsolete or excess inventory to market, the provision for estimated returns, as well as sales allowances, the assumptions used in the valuation of stock-based awards, the assumptions used in the discounted cash flows to mark certain of its investments to market, the valuation of the Company's goodwill, net realizable value of product related and other intangible assets, the fair value of convertible senior notes, the provision for vacant facility costs, the provision for income taxes and the amortization and depreciation periods for intangible and long-lived assets. While the Company believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole, the actual amounts of such items, when known, will vary from these estimates.

Accounting for Stock-Based Compensation Plans

The Company has various stock-based compensation plans for its employees and outside directors and accounts for stock-based compensation arrangements in accordance with the authoritative guidance, which requires the Company to measure and record compensation expense in its consolidated financial statements using a fair value method. See Note 7 for further information regarding the Company's stock-based compensation plans.

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 vesting or exercise of stock awards (calculated using the treasury stock method) during the period they were outstanding. Certain shares under the Company's stock-based compensation programs were excluded from the computation of diluted earnings per share due to their anti-dilutive effect for the respective periods in which they were outstanding. The reconciliation of the numerator and denominator of the earnings per share calculation is presented in Note 15.

Reclassifications

Certain reclassifications of the prior years' amounts have been made to conform to the current year's presentation.

3. ACQUISITIONS

2014 Acquisitions

Framehawk

In January 2014, the Company acquired all of the issued and outstanding securities of Framehawk, Inc. ("Framehawk"). The Framehawk solution, which optimizes the delivery of virtual desktops and applications to mobile devices, was combined with Citrix HDX technology in the Citrix XenApp and XenDesktop products to deliver an improved user experience under adverse network conditions. Framehawk became part of the Company's Enterprise and Service Provider division. The total consideration for this transaction was approximately $24.2 million, net of $0.2 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.1 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

RightSignature

In October 2014, the Company acquired all of the membership interests of RightSignature, LLC. ("RightSignature"). The RightSignature technology will expand the Documents Cloud beyond storage and file transfer to supporting e-signature and approval workflows. RightSignature became a part of the Company's Mobility Apps division. The total consideration for this transaction was approximately $37.8 million, net of $1.1 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.2 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 67,500 of the

Company's common stock, for which the vesting period began on the closing of the transaction.

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2014 Other Acquisitions

During the second quarter of 2014, the Company acquired all of the issued and outstanding securities of a privately-held company. This business became part of the Company's Enterprise and Service Provider division. The total cash consideration for this transaction was approximately $17.2 million, net of $0.8 million of cash acquired. Transaction costs associated with the acquisition were approximately $0.1 million, all of which the Company expensed during the year ended December 31, 2014 and are included in General and administrative expense in the accompanying consolidated statements of income.

In the fourth quarter of 2014 the Company acquired all of the issued and outstanding securities of two privately-held companies for total cash consideration of approximately $19.9 million, net of $0.2 million of cash acquired. The businesses became part of the Company's Enterprise and Service Provider division. In addition, in connection with one of the acquisitions, the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 23,430 shares of the Company's common stock, for which the vesting period began on the closing of the transaction. Transaction costs associated with the acquisitions were not significant.

Purchase Accounting for the Acquisitions in 2014

The purchase prices for the companies acquired during the year ended December 31, 2014, which include Framehawk, RightSignature and the 2014 Other Acquisitions (collectively, the "2014 Acquisitions"), were allocated to the respective acquired company's net tangible and intangible assets based on their estimated fair values as of the date of the acquisition. The allocations of the total purchase prices are summarized below (in thousands):

	Framehawk		RightSignature		2014 Other Acquisitions	
	Purchase Price Allocation	Asset Life	Purchase Price Allocation	Asset Life	Purchase Price Allocation	Asset Life
Current assets	$569		$1,305		$1,423	
Other assets	—		—		21	
Property and equipment	36	Various	—		48	Various
Deferred tax assets, non-current	2,963		—		3,128	
Intangible assets	14,000	7.0 years	27,765	3-10 years	19,200	Various
Goodwill	11,917	Indefinite	10,694	Indefinite	18,344	Indefinite
Assets acquired	29,485		39,764		42,164	
Current liabilities assumed	(748)		(826)		(2,351)	
Long-term liabilities assumed	(3,766)		(5)		—	
Deferred tax liabilities, non-current	(564)		—		(1,667)	
Net assets acquired	$24,407		$38,933		$38,146	

Current assets acquired in connection with the 2014 Acquisitions consisted primarily of cash, accounts receivable and other short-term assets. Current liabilities assumed in connection with the 2014 Acquisitions consisted primarily of short-term payables and other accrued expenses. Long-term liabilities assumed in connection with the 2014 Acquisitions consisted of long-term debt, which was paid in full subsequent to the respective acquisition date. Goodwill from the 2014 Acquisitions was assigned to the Enterprise and Service Provider and Mobility Apps division segments. The goodwill related to the 2014 Acquisitions is not deductible for tax purposes. See Note 11 for segment information. The goodwill amounts are comprised primarily of expected synergies from combining operations and other intangible assets that do not qualify for separate recognition.

Revenues from the 2014 Acquisitions are included in the revenues of each business's respective segment. The Company has included the effect of the 2014 Acquisitions in its results of operations prospectively from the date of acquisition. The effect of the 2014 Acquisitions was not material to the Company's consolidated results for the periods presented, accordingly, proforma financial disclosures have not been presented.

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Identifiable intangible assets acquired in connection with the 2014 Acquisitions (in thousands) and the weighted-average lives are as follows:

	Framehawk	Asset Life	Right Signature	Asset Life	2014 Other Acquisitions	Asset Life
Core and product technologies	$14,000	7.0 years	$16,900	5.0 years	$14,200	5.0 years
Trade names and trademarks	—		2,465	10.0 years	—	
Customer relationships	—		6,200	5.0 years	—	
Non-compete agreements	—		2,200	3.0 years	—	
In-process R&D	—		—		5,000	Indefinite
Total	$14,000		$27,765		$19,200	

2013 Acquisitions

Zenprise

In January 2013, the Company acquired all of the issued and outstanding securities of Zenprise, Inc. ("Zenprise"), a privately-held leader in mobile device management. Zenprise became part of the Company's Enterprise and Service Provider division. Citrix has integrated the Zenprise offering for mobile device management into its XenMobile Enterprise edition. The total consideration for this transaction was approximately $324.0 million, net of $2.9 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.6 million, of which the Company expensed approximately $0.1 million during the year ended December 31, 2013 and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed certain stock options, which are exercisable for up to 285,817 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.

2013 Other Acquisitions

During the third quarter of 2013, the Company acquired all of the issued and outstanding securities of a privately-held company. The total consideration for this transaction was approximately $5.3 million, net of $2.8 million of cash acquired, and was paid in cash. In addition, the Company agreed to pay contingent consideration of up to $3.0 million in cash upon the satisfaction of certain milestone achievements, as defined pursuant to the share purchase agreement. This business became part of the Company's Mobility Apps division. Transaction costs associated with the acquisition were approximately $0.2 million, all of which the Company expensed during the year ended December 31, 2013 and are included in General and administrative expense in the accompanying consolidated statements of income. In September 2014, the Company paid $2.0 million of the contingent consideration balance based on milestones achieved. The Company is expected to pay the remaining balance of up to $1.0 million if the final milestone is achieved pursuant to the share purchase agreement.

During the fourth quarter of 2013, the Company acquired all of the issued and outstanding securities of a privately-held company. The total cash consideration for this transaction was approximately $5.5 million. This business became part of the Company's Enterprise and Service Provider division. Transaction costs associated with the acquisition were approximately $0.3 million, of which the Company expensed $0.1 million during the year ended December 31, 2014, and are included in General and administrative expense in the accompanying consolidated statements of income.

Subsequent Event

On January 8, 2015, the Company acquired all of the issued and outstanding securities of Sanbolic, Inc. (“Sanbolic”). Sanbolic is an innovator and leader in workload-oriented storage virtualization technologies. The Sanbolic technology, combined with XenDesktop, XenApp, and XenMobile products will enable the Company to develop a range of differentiated solutions that will reduce the complexity of Microsoft Windows application delivery and desktop virtualization deployments. Sanbolic will become part of the Company's Enterprise and Service Provider division. The total preliminary consideration for this transaction was approximately $89.4 million, net of $0.2 million cash acquired, and was paid in cash. Transaction costs associated with the acquisition are currently estimated at $0.4 million, of which the Company expensed $0.2 million during the year ended December 31, 2014, and are included in General and administrative expense in the accompanying consolidated statements of income. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive, in the aggregate, up to 37,057 shares of the Company's common stock, for which the vesting period began on the closing of the transaction.

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4. INVESTMENTS
Available-for-sale Investments
Investments in available-for-sale securities at fair value were as follows for the periods ended (in thousands):

	December 31, 2014				December 31, 2013			
Description of the Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	$637,474	$1,296	$(457)	$638,313	$453,922	$1,177	$(349)	$454,750
Corporate securities	795,255	232	(1,372)	794,115	643,360	947	(216)	644,091
Municipal securities	48,744	17	(31)	48,730	53,698	81	(23)	53,756
Government securities	121,431	37	(256)	121,212	156,930	196	(47)	157,079
Total	$1,602,904	$1,582	$(2,116)	$1,602,370	$1,307,910	$2,401	$(635)	$1,309,676

The change in net unrealized gains (losses) on available-for-sale securities recorded in Other comprehensive (loss) income includes unrealized gains (losses) that arose from changes in market value of specifically identified securities that were held during the period, gains (losses) that were previously unrealized, but have been recognized in current period net income due to sales, as well as prepayments of available-for-sale investments purchased at a premium. This reclassification has no effect on total comprehensive income or equity and was not material for all periods presented. See Note 16 for more information related to comprehensive income.
The average remaining maturities of the Company's short-term and long-term available-for-sale investments at December 31, 2014 were approximately six months and three years, respectively.
Realized Gains and Losses on Available-for-sale Investments
For the years ended December 31, 2014 and 2013, the Company had realized gains on the sales of available-for-sale investments of $1.9 million and $3.0 million, respectively. For the years ended December 31, 2014 and 2013, the Company had realized losses on available-for-sale investments of $0.5 million and $2.7 million, respectively, primarily related to prepayments at par of securities purchased at a premium. All realized gains and losses related to the sales of available-for-sale investments are included in Other (expense) income, net, in the accompanying consolidated statements of income.
The Company continues to monitor its overall investment portfolio and if the credit ratings of the issuers of its investments deteriorate or if the issuers experience financial difficulty, including bankruptcy, the Company may be required to make adjustments to the carrying value of the securities in its investment portfolio and recognize impairment charges for declines in fair value that are determined to be other-than-temporary.
Unrealized Losses on Available-for-Sale Investments
The gross unrealized losses on the Company's available-for-sale investments that are not deemed to be other-than-temporarily impaired were $2.1 million and $0.6 million as of December 31, 2014 and 2013, respectively. Because the Company does not intend to sell any of its investments in an unrealized loss position and it is more likely than not that it will not be required to sell the securities before the recovery of its amortized cost basis, which may not occur until maturity, it does not consider the securities to be other-than-temporarily impaired.
Cost Method Investments
The Company held direct investments in privately-held companies of approximately $16.6 million and $24.3 million as of December 31, 2014 and 2013, respectively, which are accounted for based on the cost method and are included in Other assets in the accompanying consolidated balance sheets. The Company periodically reviews these investments for impairment. If the Company determines that an other-than-temporary impairment has occurred, it will write-down the investment to its fair value. During 2014 and 2013, certain companies in which the Company held direct investments were acquired by third parties and as a result of these sales transactions the Company recorded

gains of $2.9 million and $6.0 million, respectively, which was included in Other (expense) income, net in the accompanying consolidated statements of income. The Company determined that certain cost method investments were impaired during 2014, 2013 and 2012 and recorded a total charge of $8.3 million, $3.7 million, and $3.5 million, respectively, which is included in Other (expense) income, net in the accompanying consolidated statements of income. See Note 5 for more information.

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5. 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 (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 the Company’s 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 the Company’s available-for-sale investments are valued utilizing inputs obtained from the Service and accordingly are categorized as Level 2 in the table below. The Company periodically independently assesses the pricing obtained from the Service and historically has 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.

The Company’s 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

	As of December 31, 2014	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash and cash equivalents:				
Cash	$230,370	$ 230,370	$ —	$ —
Money market funds	29,512	29,512	—	—
Corporate securities	267	—	267	—
Available-for-sale securities:				
Agency securities	638,313	—	638,313	—
Corporate securities	794,115	—	788,042	6,073
Municipal securities	48,730	—	48,730	—
Government securities	121,212	—	121,212	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	1,206	—	1,206	—
Total assets	$1,863,725	$ 259,882	$ 1,597,770	$ 6,073
Accrued expenses and other current liabilities:				
Foreign currency derivatives	9,692	—	9,692	—

Total liabilities	$ 9,692	$ —	$ 9,692	$ —

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	As of December 31, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash and cash equivalents:				
Cash	$227,528	$ 227,528	$—	$—
Money market funds	52,823	52,823	—	—
Corporate securities	389	—	389	—
Available-for-sale securities:				
Agency securities	454,750	—	454,750	—
Corporate securities	644,091	—	633,801	10,291
Municipal securities	53,756	—	53,756	—
Government securities	157,079	—	157,079	—
Prepaid expenses and other current assets:				
Foreign currency derivatives	4,952	—	4,952	—
Total assets	$1,595,368	$ 280,351	$ 1,304,727	$ 10,291
Accrued expenses and other current liabilities:				
Foreign currency derivatives	1,743	—	1,743	—
Total liabilities	$1,743	$—	$ 1,743	$—

The Company's 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-/Aa3. The Company values 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, and accordingly, the Company classifies all of its fixed income available-for-sale securities as Level 2.

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 (Level 2 inputs).

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

The Company has 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, the Company 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 the Company to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible debt securities; accordingly they are a Level 3 valuation and included in the table below.

	Investments (in thousands)
Balance at December 31, 2013	$10,291
Purchases of Level 3 securities	2,050
Proceeds received on Level 3 securities	(10,441)
Total net realized gains included in earnings	3,441
Transfers into Level 3	732

Balance at December 31, 2014	$6,073

Transfers into Level 3 relate to certain of the Company's investments in convertible debt securities of early-stage entities that were reclassified from cost method investments, which were previously included in Other assets in the accompanying consolidated balance sheets. During the year ended December 31, 2014, two of the early-stage entities in which the Company

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held convertible debt securities were acquired and as a result of such sale transactions the Company recorded gains of $3.9 million, which were included in Other (expense) income, net in the accompanying consolidated statements of income.

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

During 2014 and 2013, certain cost method investments with a combined carrying value of $8.3 million and $9.3 million, respectively, were determined to be impaired and have been written down to their fair values of zero and $5.6 million, respectively, resulting in impairment charges of $8.3 million and $3.7 million, respectively. The impairment charges are included in Other (expense) income, net in the accompanying consolidated financial statements for the years ended December 31, 2014 and 2013. In determining the fair value of cost method investments, the Company considers many factors including but not limited to operating performance of the investee, the amount of cash that the investee has on-hand, the ability to obtain additional financing and the overall market conditions in which the investee operates. 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. See Note 4 for more information regarding cost method investments.

For certain intangible assets where the unamortized balances exceeded the undiscounted future net cash flows, the Company measures the amount of the impairment by calculating the amount by which the carrying values exceed the estimated fair values. The estimated fair values of those intangible assets are based on projected discounted future net cash flows using the relief-from-royalty and excess earnings methods. Key assumptions used in the valuations include forecasts of revenue and expenses over an extended period of time, royalty rate percentages, tax rates, and estimated costs of debt and equity capital to discount the projected cash flows. These non-recurring fair value measurements are categorized as Level 3 significant unobservable inputs. See Note 2 to the Company's consolidated financial statements for detailed information related to Goodwill and Other Intangible Assets.

Additional Disclosures Regarding Fair Value Measurements

The carrying value of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair value due to the short maturity of these items.

As of December 31, 2014, the fair value of the Convertible Notes, which was determined based on inputs that are observable in the market (Level 2) based on the closing trading price per $100 as of the last day of trading for the year ended December 31, 2014, and carrying value of debt instruments (carrying value excludes the equity component of the Company’s Convertible Notes classified in equity) was as follows:

	Fair Value	Carrying Value
Convertible Senior Notes	$1,530,938	$1,292,953

See Note 12 for more information on the Convertible Notes.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following:

	December 31,	
	2014	2013
	(In thousands)	
Accrued compensation and employee benefits	$158,142	$141,065
Other accrued expenses	139,937	116,541
Total	$298,079	$257,606

7. EMPLOYEE STOCK-BASED COMPENSATION AND BENEFIT PLANS

Plans

The Company’s stock-based compensation program is a long-term retention program that is intended to attract and reward talented employees and align stockholder and employee interests. As of December 31, 2014, 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 2014 Equity Incentive Plan (the "2014 Plan"). During 2014, the Company granted certain stock-based awards from its Amended and Restated 2005 Employee Stock Purchase Plan (as amended, the “2005 ESPP”). In December 2014, the Company's Board of Directors approved the

2015 Employee Stock Purchase Plan, which is subject to stockholder approval at the Company Annual Meeting of Stockholders on May 28, 2015. In connection with

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certain of the Company's acquisitions, the Company has assumed certain plans from acquired companies. The Company's Board of Directors has provided that no new awards will be granted under the Company's acquired stock plans. Awards previously granted under the Company's superseded and expired stock plans that are still outstanding typically expire between five and ten years from the date of grant and will continue to be subject to all the terms and conditions of such plans, as applicable. The Company's superseded and expired stock plan includes the Amended and Restated 1995 Stock Plan and the Amended and Restated 2005 Equity Incentive Plan.

Under the terms of the 2014 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 to consultants and non-employee directors of the Company. SARs and ISOs are not currently being granted. Currently, the 2014 Plan provides for the issuance of a maximum of 29,000,000 shares of common stock. In addition, shares of common stock underlying any awards granted under the Company's Amended and Restated 2005 Equity Incentive Plan, as amended, that are forfeited, canceled or otherwise terminated (other than by exercise) are added to its shares of common stock available for issuance under the 2014 Plan. Under the 2014 Plan, NSOs must be granted at exercise prices no less than fair market value on the date of grant. 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. Stock-based awards are generally exercisable or issuable 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 December 31, 2014, there were 36,011,864 shares of common stock reserved for issuance pursuant to the Company's stock-based compensation plans, and the Company had authorization under its 2014 Plan to grant stock-based awards covering 27,163,066 shares of common stock.

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 December 31, 2014, 3,556,973 shares had been issued under the 2005 ESPP. The Company recorded stock-based compensation costs related to the 2005 ESPP of $5.2 million, $4.9 million and $4.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Expense Information under the Authoritative Guidance

As required by the authoritative guidance, the Company estimates forfeitures of stock awards and recognizes compensation costs only for those awards expected to vest. Forfeiture rates are determined based on historical experience. The Company also considers whether there have been any significant changes in facts and circumstances that would affect its forfeiture rate quarterly. Estimated forfeitures are adjusted to actual forfeiture experience as needed. The Company recorded stock-based compensation costs, related deferred tax assets and tax benefits of $169.3 million, $46.9 million and $43.9 million, respectively, in 2014, $183.9 million, $57.1 million and $55.7 million, respectively, in 2013 and $149.9 million, $46.7 million and $65.8 million, respectively, in 2012.

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

Income Statement Classifications	2014	2013	2012
Cost of services and maintenance revenues	$2,560	$2,540	$2,111
Research and development	55,560	63,448	54,616

Sales, marketing and services	61,925	65,549	51,519
General and administrative	49,242	52,404	41,694
Total	$169,287	$183,941	$149,940

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Non-vested Stock Units
Market Performance and Service Condition Stock Units
In March 2014, 2013 and 2012, the Company granted senior level employees non-vested stock unit awards representing, in the aggregate, 378,022, 399,029 and 418,809 non-vested stock units, respectively, that vest based on certain target market performance and service conditions. The number of non-vested stock units underlying each award will be determined within sixty days of the calendar year following the end of a three-year performance period ending December 31, 2016 for the March 2014 awards, December 31, 2015 for the March 2013 awards and December 31, 2014 for the March 2012 awards. The attainment level under the award will be based on the Company's total return to stockholders over the performance period compared to the return on the Nasdaq Composite Total Return Index (the "XCMP"). If the Company's return is positive and meets or exceeds the indexed return, the number of non-vested stock units issued will be based on interpolation, with the maximum number of non-vested stock units issuable pursuant to the award capped at 200% of the target number of non-vested stock units set forth in the award agreement if the Company's return exceeds the indexed return by 40% or more. If the Company's return over the performance period is positive but underperforms the index, a number of non-vested stock units will be issued, below the target award, based on interpolation; however, no non-vested stock units will be issued if the Company's return underperforms the index by more than 20% over the performance period. In the event the Company's return to stockholders is negative but still meets or exceeds the indexed return, only 75% of the target award shall be issued. If the awardee is not employed by the Company at the end of the performance period; the extent to which the awardee will vest in the award, if at all, is dependent upon the timing and character of the termination as provided in the award agreement. Each non-vested stock unit, upon vesting, represents the right to receive one share of the Company's common stock.
The market condition requirements are reflected in the grant date fair value of the award, and the compensation expense for the award will be recognized assuming that the requisite service is rendered regardless of whether the market conditions are achieved. The grant date fair value of the non-vested performance stock unit awards was determined through the use of a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements applicable to each award as follows:

	March 2014 Grant		March 2013 Grant		March 2012 Grant	
Expected volatility factor	0.19 - 0.38		0.16 - 0.42		0.21 - 0.39	
Risk free interest rate	0.81	%	0.33	%	0.47	%
Expected dividend yield	0	%	0	%	0	%

The range of expected volatilities utilized was based on the historical volatilities of the Company's common stock and the XCMP. The Company chose to use historical volatility to value these awards because historical stock prices were used to develop the correlation coefficients between the Company and the XCMP in order to model the stock price movements. The volatilities used were calculated over the most recent 2.76 year period, which was the remaining term of the performance period at the date of grant. The risk free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms equivalent to the remaining performance period. 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 model. The estimated fair value of each award as of the date of grant was $56.94 for the March 2014 grant, $89.93 for the March 2013 grant and $89.95 for the March 2012 grant. The performance metrics under the March 2012 grant were not met and therefore no stock units will be issued under this grant.
Service Based Stock Units
The Company also awards senior level and certain other employees non-vested stock units granted under the 2014 Plan that vest based on service. The majority of these non-vested stock unit awards vest 33.33% on each anniversary subsequent to the date of the award. The remaining awards vest 100% on the third anniversary of the grant date. The Company also assumes non-vested stock units in connection with certain of its acquisitions. The assumed awards have the same three year vesting schedule. Each non-vested stock unit, upon vesting, represents 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 awards vest monthly in 12 equal installments based on service and, upon vesting, each stock unit represents the right to receive one share of the Company's common stock.

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The following table summarizes the Company's service based and market performance non-vested stock unit activity for the year ended December 31, 2014:

	Number of Shares	Weighted-Average Fair Value at Grant Date
Non-vested stock units at December 31, 2013	4,631,979	$74.47
Granted	2,935,952	60.08
Assumed from acquisitions	90,930	65.12
Vested	(1,639,573)	72.15
Forfeited	(981,993)	76.69
Non-vested stock units at December 31, 2014	5,037,295	66.20

For the years ended December 31, 2014, 2013 and 2012, the Company recognized stock-based compensation expense of $143.1 million, $130.2 million and $89.5 million, respectively, related to non-vested stock units. The fair value of the non-vested stock units released in 2014, 2013, and 2012 was $118.3 million, $95.4 million and $50.3 million, respectively. As of December 31, 2014, there was $226.7 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 1.99 years.

Stock Options

Stock options granted under the 2014 Plan typically have a five-year life and vest over three years, with 33.3% of the shares underlying the option vesting on the first anniversary of the date of grant and the remainder of the underlying shares vesting in equal installments at a rate of 2.78% thereafter (the "Standard Vesting Rate"). The Company also assumes stock options in connection with certain of its acquisitions for which the vesting period is typically reset to vest over three years at the Standard Vesting Rate. See Note 3 for more information related to acquisitions.

A summary of the status and activity of the Company’s fixed option awards is as follows:

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2013	5,406,977	$59.64	2.15	
Exercised	(1,308,653)	35.62		
Forfeited or expired	(520,775)	65.20		
Outstanding at December 31, 2014	3,577,549	67.60	1.29	$17,061
Vested or expected to vest	3,574,580	67.62	1.29	$16,980
Exercisable at December 31, 2014	3,483,456	68.06	1.25	$15,368

The Company recognized stock-based compensation expense of $20.9 million, $48.9 million and $56.4 million related to options for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, there was $2.9 million of total unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 0.89 years. The total intrinsic value of stock options exercised during 2014, 2013 and 2012 was $37.1 million, $77.7 million and $131.4 million, respectively.

Stock Option Valuation Information

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. There were no stock options granted and/or assumed during the year ended December 31, 2014. The weighted-average fair value of stock options granted and/or assumed during 2013 and 2012 was $56.97 and $23.95, respectively.

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The assumptions used to value options granted and/or assumed are as follows:

	Stock options granted or assumed during	
	2013	2012
Expected volatility factor	0.39	0.38 - 0.43
Approximate risk free interest rate	0.4%	0.5% - 0.7%
Expected term (in years)	3.35	3.91
Expected dividend yield	0%	0%

Benefit Plan

The Company maintains a 401(k) benefit plan allowing eligible U.S.-based employees to contribute up to 60% of their annual compensation, limited to an annual maximum amount as set periodically by the IRS. The Company, at its discretion, may contribute up to $0.50 for each dollar of employee contribution. The Company’s total matching contribution to an employee is typically made at 3% of the employee’s annual compensation. The Company’s matching contributions were $14.4 million, $12.7 million and $10.5 million in 2014, 2013 and 2012, respectively. The Company’s contributions vest over a four-year period at 25% per year.

8. CAPITAL STOCK

Stock Repurchase Programs

The Company’s Board of Directors authorized an ongoing stock repurchase program with a total repurchase authority granted to the Company of $5.4 billion, of which $1.5 billion was approved in April 2014. The Company may use the approved dollar authority to repurchase stock at any time until the approved amount is exhausted. The objective of the Company’s stock repurchase program is to improve stockholders’ returns. At December 31, 2014, approximately $288.4 million was available to repurchase common stock pursuant to the stock repurchase program. All shares repurchased are recorded as treasury stock. A portion of the funds used to repurchase stock over the course of the program was provided by net proceeds from the Convertible Notes offering, as well as proceeds from employee stock option exercises and the related tax benefit. The Company is authorized to make open market purchases of its common stock using general corporate funds through open market purchases, pursuant to a Rule 10b5-1 plan or in privately negotiated transactions.

During the second quarter of 2014, the Company used a portion of the net proceeds from the Convertible Notes offering and existing cash and investments to repurchase an aggregate of approximately $1.5 billion of its common stock as authorized under the stock repurchase program. Of this $1.5 billion, the Company used approximately $101.0 million to purchase 1.7 million shares from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the offering, and the remaining $1.4 billion to purchase additional shares of common stock under an Accelerated Share Repurchase ("ASR") which the Company entered into with Citibank, N.A. ("Citibank") on April 25, 2014 (the "ASR Agreement"). Under the ASR agreement, the Company paid $1.4 billion to Citibank upon consummation of the ASR and received, in the aggregate, approximately 21.8 million shares of its common stock from Citibank, including approximately 2.6 million shares delivered in October 2014 in final settlement in connection with Citibank's election to accelerate the ASR. The total number of shares of common stock that the Company repurchased under the ASR Agreement was based on the average of the daily volume-weighted average prices of the common stock during the term of the ASR Agreement, less a discount.

In addition to the repurchases described above, during the year ended December 31, 2014, the Company expended approximately $139.9 million on open market purchases under the stock repurchase program, repurchasing 2,046,400 shares of outstanding common stock at an average price of $68.36.

During the year ended December 31, 2013, the Company expended approximately $406.3 million on open market purchases, repurchasing 6,563,986 shares of outstanding common stock at an average price of $61.90.

During the year ended December 31, 2012, the Company expended approximately $251.0 million on open market purchases, repurchasing 3,550,817 shares of outstanding common stock at an average price of $70.69.

Shares for Tax Withholding

During the years ended December 31, 2014, 2013 and 2012, the Company withheld 560,239 shares, 444,657 shares and 269,745 shares, respectively, from stock units that vested. Amounts withheld to satisfy minimum tax withholding obligations

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that arose on the vesting of stock units was $33.7 million, $31.0 million and $20.2 million, for 2014, 2013 and 2012, respectively. These shares are reflected as treasury stock in the Company's consolidated balance sheets and statements of equity and the related cash outlays reduce the Company's total stock repurchase authority.

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, $0.01 par value per share. No shares of such preferred stock were issued and outstanding at December 31, 2014 or 2013.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office space and equipment under various operating leases. In addition to rent, the leases require the Company to pay for taxes, insurance, maintenance and other operating expenses. Certain of these leases contain stated escalation clauses while others contain renewal options. The Company recognizes rent expense on a straight-line basis over the term of the lease, excluding renewal periods, unless renewal of the lease is reasonably assured.

Rental expense for the years ended December 31, 2014, 2013 and 2012 totaled approximately $77.1 million, $70.9 million and $65.1 million, respectively. Sublease income for the years ended December 31, 2014, 2013 and 2012 was approximately $0.3 million, $0.3 million and $0.2 million, respectively. Lease commitments under non-cancelable operating leases with initial or remaining terms in excess of one year and sublease income associated with non-cancelable subleases, are as follows:

	Operating Leases	Sublease Income
	(In thousands)	
Years ending December 31,		
2015	$55,678	$260
2016	52,420	227
2017	41,361	218
2018	36,262	204
2019	33,664	—
Thereafter	181,795	—
Total	$401,180	$909

Legal Matters

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. For the Other Matters referenced below, the amount of liability is not probable or the amount cannot be reasonably estimated; and, therefore, accruals have not been made. In addition, in accordance with the relevant authoritative guidance, for matters in which the likelihood of material loss is at least reasonably possible, the Company provides disclosure of the possible loss or range of loss. If a reasonable estimate cannot be made, however, the Company will provide disclosure to that effect.

In April 2014, John Calma, ostensibly on behalf of the Company, filed a shareholder derivative complaint against certain of the directors of the Company (and the Company as a nominal defendant) in the Court of Chancery of the State of Delaware. The complaint alleges breach of fiduciary duty, waste of corporate assets and unjust enrichment related to stock awards that they received under the Company's director compensation program. The complaint seeks the recovery of monetary damages and other relief for damages allegedly caused to the Company. The Company believes that its directors and the Company have meritorious defenses to these allegations and that it is not reasonably possible that the ultimate outcome of this suit will materially and adversely affect the Company's business, financial condition, results of operations or cash flows.

On April 11, 2008, SSL Services, LLC (“SSL Services”) filed a suit for patent infringement against the Company in the United States District Court for the Eastern District of Texas (the “SSL Matter”). SSL Services alleged that the Company infringed U.S. Patent Nos. 6,061,796 (the “'796 patent”) and 6,158,011 (the “'011 patent”). The Company denied infringement

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and asserted that the patents-in-suit were invalid. A jury trial was held on SSL Services' claims, and on June 18, 2012, the jury found that the Company does not infringe the '796 patent and found that the Company willfully infringes the '011 patent through the sale and use of certain products. The jury awarded SSL Services $10.0 million. On September 17, 2012, the court issued a final judgment confirming the jury award of $10.0 million in damages and added $5.0 million in enhanced damages and approximately $5.0 million in prejudgment interest on the damages award. In October 2014, the Federal Circuit Court of Appeals affirmed the district court’s judgment in all material respects. Accordingly, for the year ended December 31, 2014, the Company recorded an accrual for estimated damages and related interest of approximately $20.7 million, which is included in Accrued expenses and other current liabilities in the accompanying consolidated balance sheets and General and administrative expense in the accompanying consolidated statements of income.

In addition to the SSL Matter and due to the nature of the Company's business, the Company is subject to patent infringement claims, including current suits against it or one or more of its wholly-owned subsidiaries alleging infringement by various Company products and services (the "Other Matters"). The Company believes that it has meritorious defenses to the allegations made in its pending cases and intends to vigorously defend these lawsuits; however, it is unable currently to determine the ultimate outcome of these or similar matters or the potential exposure to loss, if any. In addition, the Company is 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, the Company believes that it is not reasonably possible that the ultimate outcomes will materially and adversely affect its business, financial position, results of operations or cash flows.

Guarantees

The authoritative guidance requires certain guarantees to be recorded at fair value and requires a guarantor to make disclosures, even when the likelihood of making any payments under the guarantee is remote. For those guarantees and indemnifications that do not fall within the initial recognition and measurement requirements of the authoritative guidance, the Company must continue to monitor the conditions that are subject to the guarantees and indemnifications, as required under existing generally accepted accounting principles, to identify if a loss has been incurred. If the Company determines that it is probable that a loss has been incurred, any such estimable loss would be recognized. The initial recognition and measurement requirements do not apply to the provisions contained in the majority of the Company’s software license agreements that indemnify licensees of the Company’s software from damages and costs resulting from claims alleging that the Company’s software infringes the intellectual property rights of a third party. The Company has not made material payments pursuant to these provisions as of December 31, 2014. The Company has not identified any losses that are probable under these provisions and, accordingly, the Company has not recorded a liability related to these indemnification provisions.

Purchase Obligations

The Company has agreements with suppliers to purchase inventory and estimates its non-cancelable obligations under these agreements for the fiscal year ended December 31, 2015 to be approximately $10.7 million. The Company also has contingent obligations to purchase inventory for the fiscal year ended December 31, 2015, which are based on amount of usage, of approximately $16.4 million. The Company does not have any purchase obligations beyond December 31, 2015.

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10. INCOME TAXES

The United States and foreign components of income before income taxes are as follows:

	2014	2013	2012
	(In thousands)		
United States	$82,032	$142,085	$200,802
Foreign	193,674	245,805	209,427
Total	$275,706	$387,890	$410,229

The components of the provision for income taxes are as follows:

	2014	2013	2012
	(In thousands)		
Current:			
Federal	$22,377	$51,389	$81,019
Foreign	30,878	37,221	30,059
State	7,710	11,605	17,395
Total current	60,965	100,215	128,473
Deferred:			
Federal	(26,922)	(34,897)	(64,960)
Foreign	(1,023)	(8,413)	1,409
State	(9,037)	(8,538)	(7,240)
Total deferred	(36,982)	(51,848)	(70,791)
Total provision	$23,983	$48,367	$57,682

The following table presents the breakdown between current and non-current net deferred tax assets:

	December 31, 2014	2013
	(In thousands)	
Deferred tax assets - current	$45,892	$48,470
Deferred tax liabilities - current	(1,053)	(364)
Deferred tax assets- non current	128,198	115,418
Deferred tax liabilities - non current	(8,722)	(13,127)
Total net deferred tax assets	$164,315	$150,397

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The significant components of the Company's deferred tax assets and liabilities consisted of the following:

	December 31, 2014 (In thousands)	2013
Deferred tax assets:		
Accruals and reserves	$27,105	$25,556
Deferred revenue	65,541	55,688
Tax credits	43,211	60,519
Net operating losses	75,318	103,329
Other	12,878	10,537
Stock based compensation	63,993	72,074
Depreciation and amortization	—	1,675
Valuation allowance	(15,167)	(26,465)
Total deferred tax assets	272,879	302,913
Deferred tax liabilities:		
Depreciation and amortization	(16,835)	—
Acquired technology	(82,357)	(136,258)
Prepaid expenses	(9,372)	(16,258)
Total deferred tax liabilities	(108,564)	(152,516)
Total net deferred tax assets	$164,315	$150,397

The authoritative guidance requires a valuation allowance to reduce the deferred tax assets reported if it is not more likely than not that some portion or all of the deferred tax assets will be realized. At December 31, 2014, the Company determined that a $15.2 million valuation allowance relating to deferred tax assets for net operating losses and tax credits was necessary.

The Company does not expect to remit earnings from its foreign subsidiaries. Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $2.09 billion at December 31, 2014. Those earnings are considered to be permanently reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company could be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. The Company maintains certain strategic management and operational activities in overseas subsidiaries and its foreign earnings are taxed at rates that are generally lower than in the United States.

At December 31, 2014, the Company had $162.5 million of remaining net operating loss carry forwards in the United States from acquisitions. The utilization of these net operating loss carry forwards are limited in any one year pursuant to Internal Revenue Code Section 382 and begin to expire in 2019. At December 31, 2014, the Company had $37.7 million of remaining net operating loss carry forwards in foreign jurisdictions that do not expire.

At December 31, 2014, the Company had research and development tax credit carry forwards of $65.3 million that begin to expire in 2018.

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A reconciliation of the Company’s effective tax rate to the statutory federal rate is as follows:

	Year Ended December 31,					
	2014		2013		2012	
Federal statutory taxes	35.0	%	35.0	%	35.0	%
State income taxes, net of federal tax benefit	1.2		1.2		1.9	
Foreign operations	(13.8	)	(14.8	)	(10.2	)
Permanent differences	3.3		(1.1	)	(2.0	)
Change in deferred tax liability related to acquired intangibles	(5.9	)	—		—	
Tax credits	(13.7	)	(10.9	)	(4.7	)
Stock option compensation	1.9		0.4		0.1	
Change in accruals for uncertain tax positions	(0.3	)	3.3		(5.3	)
Other	1.0		(0.6	)	(0.7	)
	8.7	%	12.5	%	14.1	%

The Company’s effective tax rate generally differs from the U.S. federal statutory rate of 35% due primarily to lower tax rates on earnings generated by the Company’s foreign operations that are taxed primarily in Switzerland. The Company has not provided for U.S. taxes for those earnings because it plans to reinvest all of those earnings indefinitely outside the United States. It was not practicable to determine the amount of unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries.

The Company and certain of its subsidiaries are subject to U.S. federal income taxes, as well as income taxes of multiple state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2011.

During the quarter ended June 30, 2014, the Internal Revenue Service (“IRS”) concluded its field examination of the Company's 2009 and 2010 tax years and issued proposed adjustments primarily related to transfer pricing and the research and development tax credit. In June 2014, the Company finalized its tax deficiency calculations and formally closed the audit with the IRS for the 2009 and 2010 tax years. As a result, the Company recognized a net tax benefit related to the settlement of all tax issues with the IRS for the 2009 and 2010 tax years, the impact on subsequent years and the reduction of the Company’s uncertain tax positions for the closed tax years of $9.3 million during the second quarter of 2014.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2014 and 2013 is as follows (in thousands):

Balance at January 1, 2013	$43,904	
Additions based on tax positions related to the current year	13,694	
Additions for tax positions of prior years	10,611	
Reductions related to the expiration of statutes of limitations	(2,116	)
Settlements	(2,301	)
Balance at December 31, 2013	63,792	
Additions based on tax positions related to the current year	5,711	
Additions for tax positions of prior years	12,998	
Reductions related to the expiration of statutes of limitations	(4,118	)
Settlements	(11,465	)
Balance at December 31, 2014	$66,918	

The Company's unrecognized tax benefits may change significantly over the next 12 months due to the possible closing of an ongoing examination.

In July 2013, the FASB issued an accounting standard update that provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit

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carryforward exists. Under the new standard, the Company's unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The Company adopted this standard on January 1, 2014, and as of December 31, 2014 the Company is offsetting unrecognized tax benefits of $6.3 million against short-term deferred tax assets and $21.9 million against long-term deferred tax assets.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in income tax expense. During the year ended December 31, 2014, the Company recognized $0.8 million of expense related to interest and penalties. The Company has no amounts accrued for the payment of interest and penalties at December 31, 2014.

The federal research and development credit expired on December 31, 2013. On December 19, 2014, the Tax Increase Prevention Act of 2014 was signed into law. Under this act, the federal research and development credit was retroactively extended for amounts paid or incurred after December 31, 2013 and before January 1, 2015. The effects of these changes in the tax law result in net tax benefits of approximately $12.3 million, which was recognized in the fourth quarter of 2014, the quarter in which the law was enacted. This credit has not been extended for the 2015 tax year and may increase the effective tax rate in future years if not extended.

11. SEGMENT INFORMATION

The Enterprise and Service Provider division and the Mobility Apps division constitute the Company's two 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 from its Enterprise and Service Provider division products and Mobility Apps division products. Segment profit for each segment includes certain research and development, sales, marketing, general and administrative expenses directly attributable to the segment as well as other corporate costs allocated to the segment and excludes certain expenses that are managed outside of the reportable segments. Costs excluded from segment profit primarily consist of certain restructuring charges, stock-based compensation costs, charges or benefits related to significant litigation that are not anticipated to be ongoing costs, amortization of product related intangible assets, amortization of other intangible assets, net interest and Other (expense) income, net. Accounting policies of the Company's segments are the same as its consolidated accounting policies.

International revenues (sales outside of the United States) accounted for approximately 45.2%, 45.4% and 45.3% of the Company's net revenues for the year ended December 31, 2014, 2013, and 2012, respectively. Net revenues and segment profit for 2014, 2013 and 2012 classified by the Company's reportable segments, are presented below:

	2014	2013	2012
	(In thousands)		
Net revenues:			
Enterprise and Service Provider division	$2,491,294	$2,335,562	$2,074,800
Mobility Apps division	651,562	582,872	511,323
Consolidated	$3,142,856	$2,918,434	$2,586,123
Segment profit:			
Enterprise and Services Provider division	$589,076	$588,138	$562,794
Mobility Apps division	115,998	116,061	92,498
Unallocated expenses [1]:			
Amortization of intangible assets	(192,325)	(139,541)	(114,574)
Patent litigation charge	(20,727)	—	—
Restructuring	(20,424)	—	—
Net interest and other (expense) income	(26,605)	7,173	19,451
Stock-based compensation	(169,287)	(183,941)	(149,940)
Consolidated income before income taxes	$275,706	$387,890	$410,229

(1) Represents expenses presented to management on a consolidated basis only and not allocated to the operating segments.

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Identifiable assets classified by the Company’s reportable segments are shown below. Long-lived assets consist of property and equipment, net, and are shown below.

	December 31, 2014	2013
	(In thousands)	
Identifiable assets:		
Enterprise and Service Provider division	$4,879,513	$4,595,916
Mobility Apps division	632,494	616,333
Total identifiable assets	$5,512,007	$5,212,249

	December 31, 2014	2013
	(In thousands)	
Long-lived assets, net:		
United States	$284,463	$258,114
United Kingdom	29,556	29,382
Other countries	53,760	51,500
Total long-lived assets, net	$367,779	$338,996

The increases in identifiable assets are primarily due to increases in the Company's available for sale investments. See Note 4 for additional information regarding the Company’s investments.

In fiscal years 2014, 2013 and 2012, one distributor, Ingram Micro, accounted for 13%, 14% and 16%, respectively, of the Company’s total net revenues. The Company’s 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), one of which was individually responsible for over 10% of the Company’s total net revenues in each of the last three fiscal years. In fiscal years 2014, 2013 and 2012, there were no resellers that accounted for over 10% of the Company’s total net revenues. Total net revenues associated with Ingram Micro are included in the Company's Enterprise and Service Provider division.

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Revenues by product grouping for the Company's Enterprise and Service Provider division and Mobility Apps division were as follows for the years ended:

	December 31, 2014	2013	2012
	(In thousands)		
Net revenues:			
Enterprise and Service Provider division			
Workspace Services revenues(1)	$1,606,903	$1,549,383	$1,450,850
Delivery Networking revenues(2)	695,734	634,598	496,608
Professional services(3)	175,541	138,879	119,061
Other	13,116	12,702	8,281
Total Enterprise and Service Provider division revenues	2,491,294	2,335,562	2,074,800
Mobility Apps division revenues	651,562	582,872	511,323
Total net revenues	$3,142,856	$2,918,434	$2,586,123

(1) Workspace Services revenues are primarily comprised of sales from the Company's desktop and application virtualization products, XenDesktop and XenApp, and the Company's Mobility products, which include XenMobile and related license updates and maintenance and support.

(2) Delivery Networking revenues are primarily comprised of sales from the Company's cloud networking products, which include NetScaler, CloudBridge and ByteMobile Smart Capacity and related license updates and maintenance and support.

(3) Professional services revenues are primarily comprised of revenues from consulting services and product training and certification services.

Revenues by Geographic Location

The following table presents revenues by segment and geographic location, for the years ended:

	December 31, 2014	2013	2012
	(In thousands)		
Net revenues:			
Enterprise and Service Provider division			
Americas	$1,328,851	$1,263,673	$1,106,801
EMEA	859,404	785,862	691,111
Asia-Pacific	303,039	286,027	276,888
Total Enterprise and Service Provider division revenues	2,491,294	2,335,562	2,074,800
Mobility Apps division			
Americas	541,145	488,307	433,263
EMEA	87,705	73,529	63,484
Asia-Pacific	22,712	21,036	14,576
Total Mobility Apps division revenues	651,562	582,872	511,323
Total net revenues	$3,142,856	$2,918,434	$2,586,123

Export revenue represents shipments of finished goods and services from the United States to international customers, primarily in Latin America and Canada. Shipments from the United States to international customers for 2014, 2013 and 2012 were $193.8 million, $215.3 million and $127.4 million, respectively.

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12. CONVERTIBLE SENIOR NOTES
Convertible Notes Offering
On April 30, 2014, the Company completed a private placement of $1.25 billion principal amount of 0.500% Convertible Senior Notes due 2019 (the "Convertible Notes"). The net proceeds from this offering were approximately $1.23 billion, after deducting the initial purchasers' discounts and commissions and the estimated offering expenses payable by the Company. The Company used approximately $71.8 million of the net proceeds to pay the cost of the Initial Bond Hedges described below (after such cost was partially offset by the proceeds to the Company from the Initial Warrant Transactions described below). The Company used the remainder of the net proceeds from the offering and a portion of its existing cash and investments to purchase an aggregate of approximately $1.5 billion of its common stock, as authorized under its share repurchase program. The Company used approximately $101.0 million to purchase shares of common stock from certain purchasers of the Convertible Notes in privately negotiated transactions concurrently with the closing of the offering, and the remaining $1.4 billion to purchase additional shares of common stock under the ASR Agreement.
On May 6, 2014, the Company issued an additional $187.5 million principal amount of Convertible Notes (such additional Convertible Notes, the "Additional Notes") pursuant to the full exercise of the over-allotment option granted to the initial purchasers in the offering (the "Over-Allotment Option"). The net proceeds from the sale of the Additional Notes were approximately $184.9 million, after deducting the initial purchasers' discounts and commissions payable by us. The Company used approximately $10.8 million of the net proceeds from the exercise of the Over-Allotment Option to pay the cost of Additional Bond Hedges (after such cost was partially offset by the proceeds to the Company from Additional Warrant Transactions), as defined below. The Company intends to use the remainder of the net proceeds for working capital and general corporate purposes.
The Convertible Notes are governed by the terms of an indenture, dated as of April 30, 2014 (the "Indenture"), between the Company and Wilmington Trust, National Association, as trustee (the "Trustee"). The Convertible Notes are the senior unsecured obligations of the Company and bear interest at a rate of 0.500% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing October 15, 2014. The Convertible Notes will mature on April 15, 2019, unless earlier repurchased or converted. At any time prior to the close of business on the business day immediately preceding October 15, 2018, holders may convert their Convertible Notes at their option only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after October 15, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances.
Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. Holders will not receive any additional cash payment or additional shares of the Company's common stock representing accrued and unpaid interest, if any, upon conversion of a Convertible Note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash and shares, if any, of the Company's common stock paid or delivered, as the case may be, to such holder upon conversion of a Convertible Note.
The conversion rate for the Convertible Notes will initially be 11.1111 shares of common stock per $1,000 principal amount of Convertible Notes, which corresponds to an initial conversion price of approximately $90.00 per share of common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events,

including, but not limited to, the issuance of certain stock dividends on common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, the payment of cash dividends and certain issuer tender or exchange offers.

The Company may not redeem the Convertible Notes prior to the maturity date and no “sinking fund” is provided for the Convertible Notes, which means that the Company is not required to periodically redeem or retire the Convertible Notes. Upon the occurrence of certain fundamental changes involving the Company, holders of the Convertible Notes may require the Company to repurchase for cash all or part of their Convertible Notes in principal amounts of $1,000 or an integral multiple

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

thereof at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Indenture does not contain any financial or maintenance covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. The Indenture contains customary terms and covenants and events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganization involving the Company) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Convertible Notes by written notice to the Company and the Trustee, may declare 100% of the principal of and accrued and unpaid interest, if any, on all the Convertible Notes to be due and payable. Upon such a declaration of acceleration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving the Company, 100% of the principal of and accrued and unpaid interest, if any, on all of the Convertible Notes will become due and payable automatically. Notwithstanding the foregoing, the Indenture provides that, to the extent the Company elects and for up to 270 days, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture consists exclusively of the right to receive additional interest on the Convertible Notes. As of December 31, 2014, none of the conditions allowing holders of the Notes to convert had been met.

In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the estimated fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the face value of the Convertible Notes as a whole. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the Convertible Notes using the effective interest method with an effective interest rate of 3.0 percent per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the Convertible Note issuance, the Company allocated the total amount incurred to the liability and equity components based on their relative values. Issuance costs attributable to the $1.3 billion liability component are being amortized to expense over the term of the Convertible Notes, and issuance costs attributable to the $162.9 million equity component are included along with the equity component in stockholders' equity. Additionally, a deferred tax liability of $8.2 million related to a portion of the equity component transaction costs which are deductible for tax purposes is included in Other liabilities in the accompanying consolidated balance sheets.

The Convertible Notes consist of the following (in thousands):

	December 31, 2014
Liability component	
Principal	$1,437,500
Less: note discount	(144,547)
Net carrying amount	1,292,953
Equity component *	$162,869

* Recorded in the consolidated balance sheet within additional paid-in capital.

The following table includes total interest expense recognized related to the Convertible Notes (in thousands):

	Year ended December 31, 2014
Contractual interest expense	$4,792
Amortization of debt issuance costs	2,461
Amortization of debt discount	20,832

$28,085

See Note 5 to the Company's consolidated financial statements for fair value disclosures related to the Company's Convertible Notes.

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Convertible Note Hedge and Warrant Transactions

In connection with the pricing of the Convertible Notes, on April 24, 2014, the Company entered into convertible note hedge transactions relating to approximately 13.9 million shares of common stock (the "Initial Bond Hedges"), with JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (the “Option Counterparties”).

On April 24, 2014, the Company also entered into separate warrant transactions (the "Initial Warrant Transactions") with each of the Option Counterparties relating to approximately 13.9 million shares of common stock.

In connection with the exercise of the Over-Allotment Option, on May 1, 2014, the Company entered into additional convertible note hedge transactions (the “Additional Bond Hedges”, and together with the Initial Bond Hedges, the “Bond Hedges”) with the Option Counterparties relating to approximately 2.1 million shares of common stock. On May 1, 2014, the Company also entered into separate additional warrant transactions (the “Additional Warrant Transactions”, and together with the Initial Warrant Transactions, the “Warrant Transactions”) with each of the Option Counterparties relating to approximately 2.1 million shares of common stock.

The Bond Hedges are generally expected to reduce the potential dilution upon conversion of the Convertible Notes and/or offset any payments in cash, shares of common stock or a combination of cash and shares of common stock, at the Company’s election, that the Company is required to make in excess of the principal amount of the Convertible Notes upon conversion of any Convertible Notes, as the case may be, in the event that the market price per share of common stock, as measured under the terms of the Bond Hedges, is greater than the strike price of the Bond Hedges, which initially corresponds to the conversion price of the Convertible Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Convertible Notes. The Warrant Transactions will separately have a dilutive effect to the extent that the market value per share of common stock, as measured under the terms of the Warrant Transactions, exceeds the applicable strike price of the warrants issued pursuant to the Warrant Transactions (the “Warrants”). The initial strike price of the Warrants is $120.00 per share. The Warrants will expire in ratable portions on a series of expiration dates commencing after the maturity of the Convertible Notes. The Bond Hedges and Warrants are not marked to market. The value of the Bond Hedges and Warrants were initially recorded in stockholders' equity and continue to be classified as stockholders' equity. As of December 31, 2014, no warrants have been exercised.

Aside from the initial payment of a premium to the Option Counterparties under the Bond Hedges, which amount is partially offset by the receipt of a premium under the Warrant Transactions, the Company is not required to make any cash payments to the Option Counterparties under the Bond Hedges and will not receive any proceeds if the Warrants are exercised.

13. CREDIT FACILITY

Subsequent Event

On January 7, 2015, the Company entered into a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as Administrative Agent, and the other lenders party thereto from time to time (collectively, the “Lenders”). The Credit Agreement provides for a $250 million unsecured revolving credit facility for a term of five years, of which the Company has drawn $95 million to date. The Company may elect to increase the revolving credit facility by up to $250 million if existing or new lenders provide additional revolving commitments in accordance with the terms of the Credit Agreement. The proceeds of borrowings under the Credit Agreement may be used for working capital and general corporate purposes, including future acquisitions. Borrowings under the Credit Agreement will bear interest at a rate equal to either (a) a customary London interbank offered rate formula or (b) a customary base rate formula, plus the applicable margin with respect thereto, in each case as set forth in the Credit Agreement.

The Credit Agreement requires the Company to maintain a consolidated leverage ratio of not more than 3.5:1.0 and a consolidated interest coverage ratio of not less than 3.0:1.0. The Credit Agreement includes customary events of default, with corresponding grace periods in certain circumstances, including, without limitation, payment defaults, cross-defaults, the occurrence of a change of control of the Company and bankruptcy-related defaults. The Lenders are entitled to accelerate repayment of the loans under the Credit Agreement upon the occurrence of any of the events of default. In addition, the Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the ability of the Company to grant liens, merge or consolidate, dispose of all or substantially all of its assets, change its business and incur subsidiary indebtedness, in each case subject to customary exceptions for a credit facility of this size and type. In addition, the Credit Agreement contains customary representations and warranties.

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. DERIVATIVE FINANCIAL INSTRUMENTS
Derivatives Designated as Hedging Instruments
As of December 31, 2014, the Company’s derivative assets and liabilities primarily 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 twelve months and the maximum term is eighteen 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 income (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 equity.
The total cumulative unrealized loss on cash flow derivative instruments was $8.3 million at December 31, 2014 and the total cumulative unrealized gain on cash flow derivative instruments was $2.9 million at December 31, 2013, and is included in Accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. The net unrealized loss as of December 31, 2014 is expected to be recognized in income over the next twelve months at the same time the hedged items are recognized in income.
Derivatives not Designated as Hedging Instruments
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.
These contracts are not designated for hedge accounting treatment under the authoritative guidance. Accordingly, changes in the fair value of these contracts are recorded in Other (expense) income, net.
Fair Values of Derivative Instruments

	Asset Derivatives (In thousands)				Liability Derivatives			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$435	Prepaid expenses and other current assets	$4,559	Accrued expenses and other current liabilities	$9,364	Accrued expenses and other current liabilities	$1,578

	Asset Derivatives (In thousands)				Liability Derivatives			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
	Balance Sheet	Fair	Balance Sheet	Fair	Balance Sheet	Fair	Balance Sheet	Fair

Derivatives Not Designated as Hedging Instruments	Location	Value	Location	Value	Location	Value	Location	Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$771	Prepaid expenses and other current assets	$393	Accrued expenses and other current liabilities	$328	Accrued expenses and other current liabilities	$165

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Effect of Derivative Instruments on Financial Performance

Derivatives in Cash Flow Hedging Relationships	For the Year ended December 31, (In thousands) Amount of (Loss) Gain Recognized in Other Comprehensive (Loss) Income (Effective Portion)		Location of (Loss) Gain Reclassified from Accumulated Other Comprehensive (Loss) Income into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive (Loss) Income (Effective Portion)	
	2014	2013		2014	2013
Foreign currency forward contracts	$(11,197)	$2,862	Operating expenses	$2,123	$(2,929)

There was no material ineffectiveness in the Company's foreign currency hedging program in the periods presented.

Derivatives Not Designated as Hedging Instruments	For the Year ended December 31, (In thousands) Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative	
		2014	2013
Foreign currency forward contracts	Other (expense) income, net	$3,551	$3,138

Outstanding Foreign Currency Forward Contracts

As of December 31, 2014, the Company had the following net notional foreign currency forward contracts outstanding (in thousands):

Foreign Currency	Currency Denomination
Australian dollars	AUD 3,453
British pounds sterling	GBP 25,200
Canadian dollars	CAD 5,932
Chinese renminbi	CNY 83,417
Danish krone	DKK 11,800
Euro	EUR 29,618
Hong Kong dollars	HKD 51,625
Indian rupees	INR 846,058
Japanese yen	JPY 154,184
New Zealand dollars	NZD 20
Singapore dollars	SGD 11,550
Swiss francs	CHF 19,950

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. EARNINGS PER SHARE

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

	Year Ended December 31,		
	2014	2013	2012
Numerator:			
Net income	$251,723	$339,523	$352,547
Denominator:			
Denominator for basic earnings per share - weighted-average shares outstanding	169,879	186,672	186,722
Effect of dilutive employee stock awards:			
Employee stock awards	1,391	1,573	2,407
Denominator for diluted earnings per share - weighted-average shares outstanding	171,270	188,245	189,129
Basic earnings per share	$1.48	$1.82	$1.89
Diluted earnings per share	$1.47	$1.80	$1.86
Anti-dilutive weighted-average shares	3,026	3,647	3,464

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share does not include the effect of the potential outstanding common stock from the Company's Convertible Notes and Warrants. The effects of these potentially outstanding shares were not included in the calculation of diluted earnings per share because the effect would have been anti-dilutive.

The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on its Convertible Notes on diluted earnings per share, if applicable, as upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company’s election, in respect of the remainder, if any, of the Company’s conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. The conversion spread will have a dilutive impact on diluted earnings per share when the average market price of the Company’s common shares for a given period exceeds the conversion price of $90.00 per share. For the year ended December 31, 2014, the Convertible Notes have been excluded from the computation of diluted earnings per share as the effect would be anti-dilutive since the conversion price of the Convertible Notes exceeded the average market price of the Company’s common stock. In addition, the Company uses the treasury stock method for calculating any potential dilutive effect related to the warrants. See Note 12 to the Company's consolidated financial statements for detailed information on the Convertible Notes offering.

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. COMPREHENSIVE INCOME

The changes in Accumulated other comprehensive (loss) income by component, net of tax, are as follows (in thousands):

	Foreign currency	Unrealized gain (loss) on available-for-sale securities	Unrealized gain (loss) on derivative instruments	Other comprehensive loss on pension liability	Total
	(In thousands)				
Balance at December 31, 2013	$5,458	$ 1,238	$2,852	$ (4,597)	$4,951
Other comprehensive loss before reclassifications	(21,804)	(911)	(9,074)	(6,512)	(38,301)
Amounts reclassified from Accumulated other comprehensive (loss) income	—	(1,317)	(2,123)	—	(3,440)
Net current period other comprehensive loss	(21,804)	(2,228)	(11,197)	(6,512)	(41,741)
Balance at December 31, 2014	$(16,346)	$ (990)	$(8,345)	$ (11,109)	$(36,790)

Income tax expense or benefit allocated to each component of other comprehensive loss is not material.

Reclassifications out of Accumulated other comprehensive (loss) income are as follows (in thousands):

	For the Twelve Months Ended December 31, 2014	
	(In thousands)	
Details about Accumulated other comprehensive (loss) income components	Amount reclassified from Accumulated other comprehensive (loss) income, net of tax	Affected line item in the Consolidated Statements of Income
Unrealized net gain on available-for-sale securities	$1,317	Other (expense) income, net
Unrealized net gain on cash flow hedges	2,123	Operating expenses *
	$3,440	

* Operating expenses amounts allocated to Research and development, Sales, marketing and services, and General and administrative are not individually significant.

17. RESTRUCTURING

During the first quarter of 2014, the Company announced the implementation of the 2014 Restructuring Program to better align resources to strategic initiatives. As a result, the Company reduced its headcount by approximately 320 full-time positions. It is anticipated the total severance and related costs of these actions will be in the range of $22.0 million to $24.0 million, which is expected to be completed during the first quarter 2015.

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

	Year ended December 31, 2014
Enterprise and Service Provider division	$14,092
Mobility Apps division	6,332
Total restructuring charges	$20,424

CITRIX SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring accruals

The activity in the Company's restructuring accruals for the year ended December 31, 2014 is summarized as follows (in thousands):

	Total
Balance at January 1, 2014	$—
Employee severance and related costs	20,424
Payments	(17,644)
Balance at December 31, 2014	$2,780

As of December 31, 2014, the $2.8 million in outstanding restructuring liability primarily relates to employee severance and related costs.

As of December 31, 2014, restructuring accruals by segment consisted of the following (in thousands):

	Total
Enterprise and Service Provider division	$2,652
Mobility Apps division	128
Total restructuring charges	$2,780

Subsequent Events

On January 28, 2015, the Company announced the implementation of a restructuring program designed to increase strategic focus and operational efficiency. The restructuring will affect approximately 700 full-time and 200 contractor positions (the "2015 Restructuring Program"). It is anticipated that the aggregate total pre-tax restructuring charges will be in the range of $49.0 million to $55.0 million. Included in these pre-tax charges are approximately $40.0 million to $45.0 million related to employee severance arrangements and approximately $9.0 million to $10.0 million related to the consolidation of leased facilities during fiscal year 2015. In the first quarter of fiscal year 2015, the Company expects to incur a pre-tax charge in the range of approximately $30.0 million to $35.0 million related to employee severance arrangements and approximately $3.0 million to $5.0 million related to the consolidation of leased facilities. The majority of the activities related to the 2015 Restructuring Program are anticipated to be completed by the end of 2015.

18. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued an accounting standard update on revenue recognition. The new guidance creates a single, principle-based model for revenue recognition and expands and improves disclosures about revenue. The new guidance is effective for annual reporting periods beginning on or after December 15, 2016, and must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company is currently evaluating the potential impact of this standard on its financial position and results of operations.

CITRIX SYSTEMS, INC.
SUPPLEMENTAL FINANCIAL INFORMATION
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2014					
Net revenues	$750,819	$781,560	$758,994	$851,483	$3,142,856
Gross margin	616,493	606,304	623,009	676,831	2,522,637
Income from operations	71,887	54,419	58,597	117,408	302,311
Net income	55,939	53,024	47,532	95,228	251,723
Earnings per share - basic	0.30	0.31	0.29	0.59	1.48
Earnings per share - diluted	0.30	0.31	0.29	0.58	1.47

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2013					
Net revenues	$672,899	$730,384	$712,731	$802,420	$2,918,434
Gross margin	557,985	603,144	588,798	665,712	2,415,639
Income from operations	56,608	75,888	87,367	160,854	380,717
Net income	59,688	64,461	76,730	138,644	339,523
Earnings per share - basic	0.32	0.34	0.41	0.75	1.82
Earnings per share - diluted	0.32	0.34	0.41	0.74	1.80

The sum of the quarterly net income per share amounts do not add to the annual earnings per share amount due to the weighting of common and common equivalent shares outstanding during each of the respective periods.

CITRIX SYSTEMS, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Beginning of Period	Charged to Expense	Charged to Other Accounts		Deductions		Balance at End of Period
	(In thousands)						
2014							
Deducted from asset accounts:							
Allowance for doubtful accounts	$3,292	$2,861	$76	(3)	$2,438	(2)	$3,791
Allowance for returns	2,062	—	5,049	(1)	4,926	(4)	2,185
Valuation allowance for deferred tax assets	26,465	—	(11,298)	(6)	—		15,167
2013							
Deducted from asset accounts:							
Allowance for doubtful accounts	$3,883	$1,046	$—		$1,637	(2)	$3,292
Allowance for returns	2,564	—	4,473	(1)	4,975	(4)	2,062
Valuation allowance for deferred tax assets	18,185	—	8,280	(6)	—		26,465
2012							
Deducted from asset accounts:							
Allowance for doubtful accounts	$2,564	$1,784	$1,119	(3)	$1,584	(2)	$3,883
Allowance for returns	1,361	—	10,742	(1)	9,539	(4)	2,564
Valuation allowance for deferred tax assets	9,235	—	8,950	(5)	—		18,185

(1) Charged against revenues.
(2) Uncollectible accounts written off, net of recoveries.
(3) Adjustments from acquisitions.
(4) Credits issued for returns.
(5) Related to deferred tax assets on unrealized losses and acquisitions.
(6) Related to deferred tax assets on foreign tax credits, net operating loss carryforwards, and depreciation.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
3.2	Amended and Restated By-laws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 29, 2013)
4.1	Specimen certificate representing Common Stock (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-98542), as amended)
4.2	Indenture, dated as of April 30, 2014, between Citrix Systems, Inc. and Wilmington Trust, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
4.3	Form of 0.500% Convertible Senior Notes due 2019 (included in Exhibit 4.2)
10.1*	Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)
10.2*	First Amendment to Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 28, 2010)
10.3*	Second Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.4*	Third Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of June 2, 2011)
10.5*	Fourth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 31, 2012)
10.6*	Fifth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013)
10.7*	Sixth Amendment to the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 29, 2013)
10.8*	Form of Global Stock Option Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.9*	Form of Restricted Stock Unit Agreement For Non-Employee Directors under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.10*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Performance Based Awards) (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.11*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Time Based Awards) (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.12*	Form of Global Restricted Stock Unit Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (Long Term Incentive) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012)
10.13*†	Form of Long Term Incentive Agreement under the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan

10.14*	Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)
10.15*	Amendment to Amended and Restated 2005 Employee Stock Purchase Plan (incorporated by reference herein to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.16*	Citrix Systems, Inc. Executive Bonus Plan (incorporated by reference herein to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013)
10.17*	Change in Control Agreement dated as of August 4, 2005 by and between the Company and Mark B. Templeton (incorporated by reference herein to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)

Exhibit No.	Description
10.18*	Form of Change in Control Agreement by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
10.19*	Form of First Amendment to Change of Control Agreement (Chief Executive Officer) between the Company and Mark Templeton (incorporated by reference herein to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
10.20*	Form of First Amendment to Change of Control Agreement between the Company and each of David J. Henshall, David R. Friedman and Alvaro J. Monserrat (incorporated by reference herein to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
10.21*	Form of Amendment to Change in Control Agreements by and between the Company and each of David J. Henshall, David R. Freidman and Alvaro J. Monserrat (incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
10.22*	Form of Indemnification Agreement by and between the Company and each of its Directors and executive officers (incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011)
10.23*	Form of Change in Control Agreement by and between the Company and each of Catherine Courage, Sudhakar Ramakrishna, Christopher Hylen, Geir Ramleth, Robson Grieve and Carlos Sartorius (incorporated by reference herein to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)
10.24*	Citrix Systems, Inc. 2014 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 28, 2014)
10.25	Form of Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.26	Form of Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2014)
10.27	Form of Additional Call Option Transaction Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.28	Form of Additional Warrants Confirmation between Citrix Systems, Inc. and each of JPMorgan Chase Bank, National Association, London Branch; Goldman, Sachs & Co.; Bank of America, N.A.; and Royal Bank of Canada (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2014)
10.29	Master Confirmation between Citibank, N.A. and Citrix Systems, Inc., dated April 25, 2014 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2014)
21.1†	List of Subsidiaries
23.1†	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in signature page)
31.1†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer
31.2†	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer
32.1††	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates a management contract or a compensatory plan, contract or arrangement.
† Filed herewith.
†† Furnished herewith.