

# FOR IMMEDIATE RELEASE

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## Citrix Reports Record Third Quarter Earnings Results

*Year-over-year Quarterly Revenue Growth of 26%*  
*GAAP Diluted Earnings Per Share of \$0.33; 41% Growth Over Comparable Period Last Year*  
*Non-GAAP Diluted Earnings Per Share of \$0.41; 21% Growth Over Comparable Period Last Year*

**FORT LAUDERDALE, Fla. — Oct. 17, 2007** — Citrix Systems, Inc. (Nasdaq:CTXS), the global leader in application delivery infrastructure, today reported financial results for the third quarter of fiscal 2007 ended Sept. 30, 2007.

### FINANCIAL RESULTS

In the third quarter of fiscal 2007, Citrix achieved revenue of \$350 million, compared to \$278 million in the third quarter of fiscal 2006, representing 26 percent revenue growth.

#### GAAP Results

Net income for the third quarter of fiscal 2007 was \$61 million, or \$0.33 per diluted share, compared to \$44 million, or \$0.23 per diluted share for the third quarter of 2006.

#### Non-GAAP Results

Non-GAAP net income, in the third quarter of 2007 increased 20 percent to \$77 million, or \$0.41 per diluted share, compared to \$65 million, or \$0.34 per diluted share, in the comparable period last year. Non-GAAP net income excludes the effects of amortization of intangible assets primarily related to business combinations, stock-based compensation expenses, write-off of in-process research and development and the tax effects related to those items.

“I’m very pleased with our third quarter results,” said Mark Templeton, president and chief executive officer for Citrix. “We have been focused on execution, aligning all elements of the business to our strategy, driving the pipeline for new products and adding to our go-to-market strength.

“Our results for the quarter demonstrate our success in these areas.”

### **Q3 Financial Highlights**

In reviewing the third quarter results of 2007, compared to the third quarter of 2006:

- Product license revenue increased 24 percent;
- Revenue from license updates grew 21 percent;
- Online services contributed \$56 million of revenue, up 43 percent;
- Technical services revenue, which is comprised of consulting, education and technical support, grew 32 percent;
- Revenue grew in the America's region by 24 percent; the EMEA region by 20 percent, and the Pacific region by 31 percent;
- Deferred revenue totaled \$396 million, compared to \$314 million on September 30, 2006;
- Operating margin was 17 percent for the quarter; non-GAAP operating margin was 24 percent for the quarter, excluding the effects of amortization of intangible assets primarily related to business combinations, and stock-based compensation expense;
- Cash flow from operations was \$86 million, compared to \$70 million in the third quarter of 2006. This brings total twelve month trailing cash flow from operations to \$415 million.

### **Financial Outlook for Fourth Fiscal Quarter 2007**

Citrix management offers the following guidance for the fourth fiscal quarter 2007 ending Dec. 31, 2007:

- Net revenue is expected to be in the range of \$374 million to \$382 million, compared to \$321 million in the fourth quarter of 2006.
- GAAP diluted earnings per share is expected to be in the range of \$0.24 to \$0.25, including \$0.03 of dilution related to XenSource's operating expenses and additional shares issued in conjunction with the acquisition. Non-GAAP diluted earnings per share, which also includes \$0.03 of dilution related to XenSource's operating expenses and additional shares issued in conjunction with the acquisition, is expected to be in the range of \$0.42 to \$0.43. In addition, this earnings per share range excludes \$0.10 related to the effects of amortization of intangible assets primarily related to business combinations and the expected write-off of in-process research and development in connection with the acquisition of XenSource, and \$0.08 to \$0.09 related to the effects of stock-based compensation expenses. The above statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

### **Financial Outlook for Fiscal Year 2007**

Citrix management expects to achieve the following results for the fiscal year 2007:

- The company expects net revenue to be in the range of \$1.36 billion to \$1.37 billion, compared to \$1.13 billion in fiscal year 2006.
- GAAP diluted earnings per share is expected to be in the range of \$1.05 to \$1.06, including \$0.03 of dilution related to XenSource's operating expenses and additional shares issued in conjunction with the acquisition. Non-GAAP diluted earnings per share, which also includes \$0.03 of dilution related to XenSource's operating expenses and additional shares issued in conjunction with the acquisition, is expected to be in the range of \$1.52 to \$1.53. In addition, this earnings per share range excludes \$0.22 related to the effects of amortization of intangible assets primarily related to business combinations and expected write-off of in-process research and development in connection with the acquisition of XenSource and the write-off of in-process research and development related to the Ardence acquisition, and \$0.25 to \$0.26 related to the effects of stock-based compensation expenses. The above statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

### **Company, Product and Alliance Highlights**

During the third quarter of 2007, Citrix:

- Announced our intention to acquire XenSource, Inc., to enhance solutions in the server and desktop virtualization markets
- Extended its virtualization alliance with Microsoft by standardizing on a virtualization format making it easier for customers to deliver desktops and applications to end users
- Citrix Password Manager™ placed in the Leaders Quadrant for the "Magic Quadrant for Enterprise Single Sign-On, 2007" report authored by Gartner Research
- Acquired QuickTree to give customers the best way to leverage XML enabled applications and next-generation service oriented architectures
- Citrix® GoToMeeting® was cited as offering Best Overall Customer Experience in a Wainhouse Research report for ease of use, instant meetings and value.
- Named a 'Strong Performer' in Forrester "Wave Report: WAN Optimization Appliances, Q3 2007" dated July 20, 2007 for having one of the best strategies in the WAN optimization industry.
- Received 2007 Frost & Sullivan award for innovation in the SSL VPN marketplace

### **Conference Call Information**

Citrix will host a conference call today at 4:45 p.m. ET to discuss its financial results, quarterly highlights and business outlook. The call will include a slide presentation, and participants are encouraged to listen to and view the presentation via webcast at <http://www.citrix.com/investors>.

The conference call may also be accessed by dialing: (888) 799-0519 or (706) 634-0155, using passcode: CITRIX. A replay of the webcast can be viewed by visiting the Investor Relations section of the Citrix corporate Web site at <http://www.citrix.com/investors> for approximately 30 days. In addition, an audio replay of the conference call will be available through Oct. 19, 2007, by dialing (800) 642-1687 or (706) 645-9291 (passcode required: 18976487).

## **About Citrix**

Citrix Systems, Inc. (Nasdaq:CTXS) is the global leader and the most trusted name in application delivery infrastructure. More than 200,000 organizations worldwide rely on Citrix to deliver any application to users anywhere with the best performance, highest security and lowest cost. Citrix customers include 100% of the Fortune 100 companies and 99% of the Fortune Global 500, as well as hundreds of thousands of small businesses and prosumers. Citrix has approximately 6,200 channel and alliance partners in more than 100 countries. Annual revenue in 2006 was \$1.1 billion.

## **For Citrix Investors**

This release contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and of Section 21E of the Securities Exchange Act of 1934. The forward-looking statements in this release do not constitute guarantees of future performance. Investors are cautioned that statements in this press release, which are not strictly historical statements, including, without limitation, statements by management, statements concerning virtualization technology, the statements contained in the Financial Outlook for Fourth Fiscal Quarter 2007, Financial Outlook for Fiscal Year 2007 and statements regarding management's plans, objectives and strategies, constitute forward-looking statements. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the forward-looking statements, including, without limitation, the success and growth of the company's product lines; the company's product concentration and its ability to develop and commercialize new products and services; the success of investments in its product groups, foreign operations and vertical and geographic markets; Citrix's and Microsoft's ability to develop and market a multi-function Citrix branch office appliance; the possibility that the proposed acquisition of XenSource will not close or that the closing may be delayed; the reaction of customers of Citrix and XenSource to the acquisition of XenSource; Citrix's timing and ability to successfully integrate acquired companies, their products, operations (including migration to Citrix's systems and controls) and employees; the introduction of new products by competitors or the entry of new competitors into the markets for Citrix's and XenSource's products; failure to further develop and successfully market the technology and products of acquired companies, including failure to execute Citrix's sales and marketing plans and failure to successfully partner with XenSource's key distributors, resellers, OEM's and strategic partners; and the possible failure to achieve or maintain anticipated revenues and profits from acquisitions, including from the company's proposed acquisition of XenSource; the company's ability to maintain and expand its business in small-sized and large enterprise accounts; the size, timing and recognition of revenue from significant orders; the effect of new accounting pronouncements on revenue and expense recognition; the company's reliance on and the success of the company's independent distributors and resellers for the marketing and distribution of the company's products and the success of the company's marketing and licensing programs; intellectual property litigation; shareholder litigation and actions by the Securities and Exchange Commission and/or other governmental agencies and negative tax and other costs related to the remediation of certain tax-related liabilities, each in connection with the Audit Committee's investigation of the company's historical stock option granting practices and related accounting; increased competition; changes in the company's pricing policies or those of its competitors; management of operations and operating expenses; charges in the event of the impairment of assets acquired through business combinations and licenses; the management of anticipated future growth and the recruitment and retention of qualified employees, including those of acquired companies; competition and other risks associated with the market for our Web-based access, training and customer assistance products and appliance products; as well as risks of downturns in economic conditions generally; political and social

turmoil; and the uncertainty in the IT spending environment; and other risks detailed in the company's filings with the Securities and Exchange Commission. Citrix assumes no obligation to update any forward-looking information contained in this press release or with respect to the announcements described herein.

### **Use of Non-GAAP Financial Measures**

In our earnings release, conference call, slide presentation or webcast, we may use or discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure are included in this press release after the condensed consolidated financial statement and can be found on the Investor Relations page of the Citrix corporate Web site at <http://www.citrix.com/investors>.

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**CITRIX SYSTEMS, INC.**

**Condensed Consolidated Statements of Income**

(In thousands, except per share data - unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues:				
Product licenses	\$140,460	\$113,379	\$399,114	\$345,363
License updates	124,035	102,854	355,006	296,475
Online services	55,744	39,055	154,765	105,821
Technical services	29,692	22,563	83,498	65,658
Total net revenues	<u>349,931</u>	<u>277,851</u>	<u>992,383</u>	<u>813,317</u>
Cost of revenues:				
Cost of product license revenues	12,427	8,201	30,568	22,948
Cost of services revenues	16,710	11,486	46,963	33,523
Amortization of core and product technology	6,869	4,657	19,753	14,243
Total cost of revenues	<u>36,006</u>	<u>24,344</u>	<u>97,284</u>	<u>70,714</u>
Gross margin	313,925	253,507	895,099	742,603
Operating expenses:				
Research and development	49,332	40,104	143,643	113,069
Sales, marketing and support	146,031	118,904	417,056	346,634
General and administrative	54,638	44,072	168,513	125,976
Amortization of other intangible assets	3,940	4,360	11,738	12,542
In-process research and development	-	1,000	1,200	1,000
Total operating expenses	<u>253,941</u>	<u>208,440</u>	<u>742,150</u>	<u>599,221</u>
Income from operations	59,984	45,067	152,949	143,382
Other income, net	13,461	12,015	37,307	28,724
Income before income taxes	<u>73,445</u>	<u>57,082</u>	<u>190,256</u>	<u>172,106</u>
Income taxes	12,750	13,422	38,538	42,012
Net income	<u>\$60,695</u>	<u>\$43,660</u>	<u>\$151,718</u>	<u>\$130,094</u>
Earnings per common share – diluted	<u>\$0.33</u>	<u>\$0.23</u>	<u>\$0.82</u>	<u>\$0.69</u>
Weighted average shares outstanding – diluted	<u>186,747</u>	<u>188,917</u>	<u>185,522</u>	<u>188,807</u>

**CITRIX SYSTEMS, INC.****Condensed Consolidated Balance Sheets**

(In thousands - unaudited)

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$363,457	\$349,054
Short-term investments	347,530	152,652
Accounts receivable, net	190,536	204,974
Other current assets, net	134,607	105,057
Total current assets	<u>1,036,130</u>	<u>811,737</u>
Restricted cash equivalents and investments	63,709	63,815
Long-term investments	217,764	241,675
Property and equipment, net	114,909	92,580
Goodwill and other intangible assets, net	819,312	762,152
Other long-term assets	61,052	52,514
Total assets	<u><u>\$2,312,876</u></u>	<u><u>\$2,024,473</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$254,051	\$202,773
Current portion of deferred revenues	367,227	332,770
Total current liabilities	<u>621,278</u>	<u>535,543</u>
Long-term portion of deferred revenues	28,274	23,518
Other liabilities	10,949	1,123
Stockholders' equity	1,652,375	1,464,289
Total liabilities and stockholders' equity	<u><u>\$2,312,876</u></u>	<u><u>\$2,024,473</u></u>

**CITRIX SYSTEMS, INC.**

**Condensed Consolidated Statement of Cash Flows**  
(In thousands - unaudited)

	<b>Nine Months Ended September 30, 2007</b>
<b>OPERATING ACTIVITIES</b>	
Net Income	\$151,718
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and depreciation	59,212
Stock-based compensation expense	40,625
In-process research and development	1,200
Provision for accounts receivable allowances	4,368
Other non-cash items	4,870
Total adjustments to reconcile net income to net cash provided by operating activities	110,275
Changes in operating assets and liabilities, net of the effects of acquisitions:	
Accounts receivable	12,379
Prepaid expenses and other current assets	(23,178)
Other assets	(1,654)
Deferred tax assets, net	(8,098)
Accounts payable and accrued expenses	31,054
Deferred revenues	40,055
Other liabilities	(537)
Total changes in operating assets and liabilities, net of the effects of acquisitions	50,021
Net cash provided by operating activities	312,014
<b>INVESTING ACTIVITIES</b>	
Purchases of available-for-sale investments, net of proceeds	(171,015)
Purchases of property and equipment	(55,113)
Cash paid for acquisitions, net of cash acquired	(66,109)
Cash paid for licensing agreement	(2,750)
Net cash used in investing activities	(294,987)
<b>FINANCING ACTIVITIES</b>	
Proceeds from issuance of common stock	57,265
Excess tax benefit from exercise of stock options	8,111
Structured stock repurchases, net	(60,000)
Payments on debt	(8,000)
Net cash used in financing activities	(2,624)
Change in cash and cash equivalents	14,403
Cash and cash equivalents at beginning of period	349,054
Cash and cash equivalents at end of period	\$363,457

## **Reconciliation of Non-GAAP Financial Measures to Comparable U.S. GAAP Measures (Unaudited)**

Pursuant to the requirements of Regulation G, the company has provided a reconciliation of each non-GAAP financial measure used in this earnings release and related conference call, slide presentation or webcast to the most directly comparable GAAP financial measure. These measures differ from GAAP in that they exclude amortization primarily related to business combinations, stock-based compensation expenses and the write-off of in-process research and development. The company's basis for these adjustments is described below.

Management uses these non-GAAP measures for internal reporting and forecasting purposes, when publicly providing its business outlook, to evaluate the company's performance and to evaluate and compensate the company's executives. The company has provided these non-GAAP financial measures in addition to GAAP financial results because it believes that these non-GAAP financial measures provide useful information to certain investors and financial analysts for comparison across accounting periods not influenced by certain non-cash items that are not used by management when evaluating the company's historical and prospective financial performance. In addition, the company has historically provided this or similar information and understands that some investors and financial analysts find this information helpful in analyzing the company's gross margins, operating expenses and net income and comparing the company's financial performance to that of its peer companies and competitors.

Management excludes the expenses described above when evaluating the company's operating performance and believes that the resulting non-GAAP measures are useful to investors and financial analysts in assessing the company's operating performance due to the following factors:

- The company does not acquire businesses on a predictable cycle. The company, therefore, believes that the presentation of non-GAAP measures that adjust for the impact of amortization, in-process research and development and certain stock-based compensation expenses that are primarily related to business combinations, provide investors and financial analysts with a consistent basis for comparison across accounting periods and, therefore, are useful to investors and financial analysts in helping them to better understand the company's operating results and underlying operational trends.
- Amortization costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition.
- Although stock-based compensation is an important aspect of the compensation of the company's employees and executives, stock-based compensation expense and its related tax impact because such charges are generally fixed at the time of grant, are then amortized over a period of several years after the grant of the stock-based instrument and generally cannot be changed or influenced by management after the grant.

These non-GAAP financial measures are not prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and may differ from the non-GAAP information used by other companies. There are significant limitations associated with the use of non-GAAP financial measures. The additional non-GAAP financial information presented here should be considered in conjunction with, and not as a substitute for or superior to, the financial information presented in accordance with GAAP (such as net income and earnings per share) and should not be considered measures of the company's liquidity. Furthermore, the company in the future may exclude amortization and in-process research and development primarily related to new business combinations from financial measures that it releases, and the company expects to continue to incur stock-based compensation expenses.

**CITRIX SYSTEMS, INC.****Non-GAAP Financial Measures Reconciliation**

(In thousands, except per share and operating margin data - unaudited)

The following tables show the non-GAAP financial measures used in this press release and related conference call, slide presentation or webcast reconciled to the most directly comparable GAAP financial measures.

	Three Months Ended	
	September 30,	
	2007	2006
GAAP gross margins	89.7%	91.2%
Add: stock-based compensation	0.1%	0.2%
Add: amortization of core and product technology	2.0%	1.7%
Non-GAAP gross margins	91.8%	93.1%
GAAP operating expenses	\$253,941	\$208,440
Less: stock-based compensation	14,580	16,752
Less: amortization of other intangible assets	3,940	4,360
Less: in-process research and development	-	1,000
Non-GAAP operating expenses	\$235,421	\$186,328
GAAP operating margin	17.1%	16.2%
Add: stock-based compensation	4.2%	6.2%
Add: amortization of core and product technology	2.0%	1.7%
Add: amortization of other intangible assets	1.1%	1.6%
Add: in-process research and development	-	0.4%
Non-GAAP operating margin	24.4%	26.1%
GAAP net income	\$60,695	\$43,660
Add: stock-based compensation	14,908	17,317
Add: amortization of core and product technology	6,869	4,657
Add: amortization of other intangible assets	3,940	4,360
Add: in-process research and development	-	1,000
Less: tax effects related to above items	(8,975)	(6,474)
Non-GAAP net income	\$77,437	\$64,520
GAAP earnings per share – diluted	\$0.33	\$0.23
Add: stock-based compensation	0.08	0.09
Add: amortization of core and product technology	0.03	0.02
Add: amortization of other intangible assets	0.02	0.02
Add: in-process research and development	-	0.01
Less: tax effects related to above items	(0.05)	(0.03)
Non-GAAP earnings per share – diluted	\$0.41	\$0.34

**CITRIX SYSTEMS, INC.**  
**Forward Looking Guidance**

	<b>For the Three Months Ended December 31, 2007</b>	<b>For the Twelve Months Ended December 31, 2007</b>
GAAP earnings per share - diluted	\$0.24 to \$0.25	\$1.05 to \$1.06
Add: Adjustments to exclude the effects of amortization of intangible assets and in- process research and development	0.10	0.22
Add: Adjustments to exclude the effects of expenses related to stock-based compensation	0.08 to 0.09	0.25 to 0.26
Non-GAAP earnings per share - diluted	\$0.42 to \$0.43	\$1.52 to \$1.53

	<b>For the Three Months Ended December 31, 2007</b>	<b>For the Twelve Months Ended December 31, 2007</b>
GAAP gross margins	88% to 89%	89% to 90%
Add: Adjustments to exclude the effects of amortization of core and product technology	3%	2%
Add: Adjustments to exclude the effects of expenses related to stock-based compensation	-*	-*
Non-GAAP gross margins	91% to 92%	91% to 92%

\* Impact to gross margin is less than one half of a percent.