

customers

“We make our
customers

and keep **productive**

and keep
their computers
their computers

safe and

reliable.

Anywhere.

Anytime.”

Anytime.”

SYMANTEC.

Symantec Corporation
10201 Torre Avenue
Cupertino, California
95014-2132

SYMANTEC.

SYMANTEC CORPORATION 1997 ANNUAL REPORT

Symantec Corporation helps make users productive and keep their computers safe and reliable, anywhere and anytime. Symantec offers a broad range of solutions and is acclaimed as a leader in both customer satisfaction and product brand recognition. The Company is focused on addressing customer needs in three main application areas: the Norton product line of antivirus and PC-assistance products; the pcANYWHERE, WinFax, and ACT! product lines that cater to remote user productivity; and the Café product lines in Internet development tools.

Founded in 1982, the Company's global operations span North America, Europe, Japan, and several fast-growing markets throughout Asia Pacific and Latin America. Traded on Nasdaq under the symbol SYMC, Symantec Corporation is based in Cupertino, California, and employs more than 2,000 people. Information on the Company and its products can be obtained by calling (800) 441-7234 toll free or +1 (541) 334-6054, or accessed on the World Wide Web at <http://www.symantec.com>.

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The following letter and report contain forward-looking statements that are subject to significant risks and uncertainties. Several important factors could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements contained in this report. Readers should pay particular attention to the risk factors described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers should carefully review the risk factors described in the other documents the Company files from time to time with the Securities and Exchange Commission, including the Annual Report on Form 10-K as filed by Symantec Corporation June 26, 1997.



C O R P O R A T E D I R E C T O R Y

BOARD OF DIRECTORS

Charles M. Boesenberg
President & CEO, Ashtech Corporation

Walter W. Bregman
*Chairman & Co-Chief Executive Officer,
S&B Enterprises*

Carl D. Carman
*Chairman, Symantec Corporation
General Partner, The Masters Fund
General Partner, Hill, Carman,
Kirby & Washing*

Robert R. B. Dykes
*Senior Vice President, Finance
& Administration, Flextronics*

Gordon E. Eubanks, Jr.
*President & Chief Executive Officer,
Symantec Corporation*

Robert S. Miller
Chairman, Morrison Knudsen Corporation

CORPORATE OFFICERS AND KEY EMPLOYEES

Gordon E. Eubanks, Jr.
President & Chief Executive Officer

Mark W. Bailey
*Senior Vice President, Business Development/
Emerging Businesses*

Howard A. Bain, III
*Vice President, Worldwide Operations
& Chief Financial Officer*

Christopher Calisi
Vice President, Remote Professional Tools

Thomas Darnall
Vice President, Corporate Services

Dieter Giesbrecht
Vice President, Europe, Middle East & Africa

Akihiro Narita
Managing Director & President, Japan

Mansour Safai
General Manager, Internet Tools

Enrique T. Salem
Vice President, Security & Assistance

Garry Sexton
Vice President, Asia Pacific

Joe Shepela
Vice President, Human Resources

Dana E. Siebert
Vice President, Americas

Derek P. Witte
Vice President, General Counsel & Secretary

CORPORATE HEADQUARTERS

Symantec Corporation
10201 Torre Avenue
Cupertino, California 95014-2132
+1 (408) 253-9600

OTHER CORPORATE OFFICES AND DEVELOPMENT SITES

Beaverton, Oregon
Eugene, Oregon
Melville, New York
Santa Monica, California
Sunnyvale, California
Toronto, Canada

TRANSFER AGENT

Bank of Boston
PO Box 644
Boston, Massachusetts 02102

INVESTOR RELATIONS

A copy of the Company's Form 10-K as filed with the Securities and Exchange Commission is available upon request without charge. Please contact the Investor Relations Hotline at +1 (408) 446-8990. Additional investment-oriented questions may be directed to:

Lori A. Barker
Investor Relations
Symantec Corporation
10201 Torre Avenue
Cupertino, California 95014-2132
(800) 883-4497

OUTSIDE COUNSEL

Fenwick & West
Two Palo Alto Square
Palo Alto, California 94306

INDEPENDENT AUDITORS

Ernst & Young LLP
55 Almaden Boulevard
San Jose, California 95113

MAJOR SUBSIDIARIES

Symantec Limited (Ireland)
Dublin, Ireland
Leiden, Holland

Symantec (UK) Ltd.
Maidenhead, United Kingdom

Symantec (Deutschland) GmbH
Dusseldorf, Germany

Symantec (France) EURL
Suresnes, France

Symantec Australia Pty. Ltd.
Sydney, Australia

Delrina (Canada) Corporation
Toronto, Canada

Symantec SRL (Italy)
Milan, Italy

Symantec (Japan) KK
Tokyo, Japan

Symantec Hong Kong Ltd.
Hong Kong

ANNUAL MEETING

The annual meeting of Stockholders will be held September 18, 1997, at Symantec Corporate Worldwide Headquarters, Cupertino, California.

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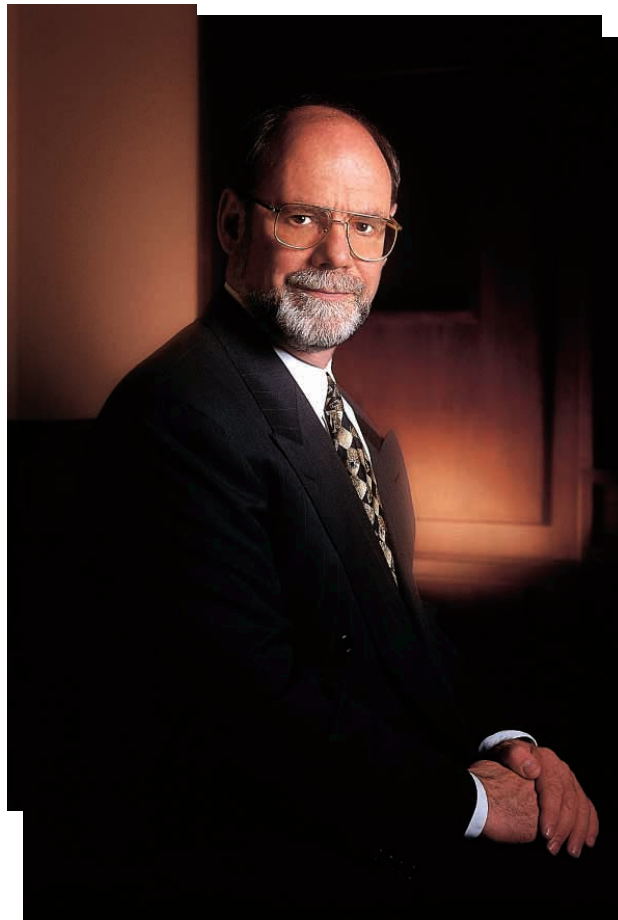
S Y M A N T E C

1997

Annual

Report

Letter to Shareholders



G O R D O N E . E U B A N K S , J R .

President and Chief Executive Officer

To our shareholders,

1997 has been

a year of significant, healthy change for Symantec.

We are pleased to report that these changes are already having a positive effect throughout our entire organization, not least in the financial arena, where we ended the year with record revenue and profits.

Looking outwards . . . and inwards

In 1997, we rededicated ourselves to a single-minded goal: the delivery of value to our shareholders through sustained and profitable growth. To achieve this, Symantec committed to two strategic initiatives: first, making ourselves even more responsive to our most important constituency, our customers; and second, creating a winning atmosphere within our company by building excellence and rewarding results.

In implementing these initiatives, we re-examined every facet of our business operations, from the way we ship our products to the way we conduct our meetings. We wanted to see how we worked, why we did things the way we did, and, most important, how we could improve ourselves.

We have taken steps in the past year, for example, to develop an entirely new culture—a new attitude—that is focused on understanding how our customers think and work, the needs they have, and their desires for future products. Armed with this knowledge, we are already beginning to design and bring to market next-generation solutions. Norton CrashGuard is a good example: seeing a customer need for a product that prevents system crashes and allows users to save their work, our product and marketing teams shortened the normal 6 to 12 month development cycle and delivered Norton CrashGuard in only 80 days. As a standalone product, and as part of the new Norton Utilities, Norton CrashGuard has become one of our most successful and most popular products.

In our efforts to make Symantec a place where talented and motivated people enjoy working and are rewarded for their efforts, we are proud to say that we have already made enormous strides. Results are being felt in both our bottom line and in the attitudes of our employees.

A refocused Symantec

One of the more important outcomes of our companywide evaluations has been a rearticulation of our business purpose. Symantec's strategic vision reads:

“We make our customers productive and keep their computers safe and reliable. Anywhere. Anytime.”

This simple and direct statement sends a clear, unmistakable message to our customers, employees, shareholders, contractors, partners, and even our competitors about exactly what it is that we do. Far from trying to be everything to everybody, the Company has refocused our vision on the high-revenue growth opportunities that the Symantec customer has traditionally represented.

To keep focused on specific types of customer needs, Symantec sold its FormFlow product line, which was acquired as part of the Delrina acquisition, to JetForm Corporation. We also sold assets comprising the networking business unit to Hewlett-Packard Company. Both of these decisions are in keeping with our continuing focus on our longstanding customer base.

A new way to look at the business

From an organizational standpoint, our new vision has led to the consolidation of our operations into three distinct business units: Security and Assistance, Remote Productivity Solutions, and Internet Tools.

Composed primarily of our Norton AntiVirus and Norton Utilities products, the Security and Assistance unit is dedicated to reducing the frustration and increasing the productivity of our customers by keeping their computers safe and reliable. While our antivirus products continued to experience impressive gains in 1997, our award-winning utilities products once again delivered steady growth, continuing a trend of recent years. Both of these product lines have recently won Editor's Choice awards from *PC Magazine* as the best in their fields.

Our Remote Productivity Solutions business helps telecommuters, mobile professionals, and workers in small remote offices remain productive. Products such as WinFax PRO, pcANYWHERE, and ACT! enable these customers to access information, applications, and data no matter where they are—or when they need it. With leadership in each of the three markets represented by these products, Symantec is well positioned to integrate and grow with the quickly evolving communications market and to fulfill the needs arising from this evolution.

Symantec's Internet Tools group provides a visual, robust, easy-to-use Java development environment. As an independent programming language, Java reaches across operating platforms, enabling programmers to write their programs only once. This lets them leverage their talents to much broader markets.

Because Java has now been adopted by all of the browser companies, we see a large market opportunity for these kinds of tools. With Java offering the potential to replace work that is today performed by both 3GL and 4GL languages, Symantec is poised to capitalize on our award-winning development tools and our "first-to-market" industry presence.

Together ahead

As I look back on this past year, I am gratified to see how far we have come. As a company, we have made significant progress, building revenues and profitability while rekindling a spirit of working together to serve our customers.

These changes leave me extremely optimistic for the opportunities that lie ahead for us. We are in an everchanging business, in exciting times, with products that people simply can't do without. It's a good place to be.

Thank you for your continued support.



GORDON E. EUBANKS, JR.

President and Chief Executive Officer

REMOTE PROFESSIONAL BUSINESS UNIT

<i>ACT!</i>	ACT!® for Windows 95/NT ACT!® for Windows 3.1 ACT!® for Windows CE ACT!® for Macintosh ACT!® for Newton ACT!® for Psion ACT!® for Lotus Notes ACT!® for PalmPilot
<i>pcANYWHERE</i>	pcANYWHERE® for Windows 95/NT pcANYWHERE® for Windows 3.1/DOS pcANYWHERE® Access Server pcANYWHERE® for Windows CE
<i>WinFax</i>	WinFax® PRO for Windows 95/NT WinFax® PRO for Windows 3.1
<i>Internet FastFind</i>	Internet FastFind™ for Windows 95/NT

INTERNET TOOLS BUSINESS UNIT

<i>Symantec Café</i>	Symantec Café™ for Windows 95 Symantec Café™ for Macintosh
<i>Visual Café</i>	Visual Café™ for Windows 95/NT Visual Café™ PRO for Windows 95/NT Visual Café™ for Macintosh
<i>Visual Page</i>	Visual Page™ for Macintosh Visual Page™ for Windows 95/NT

SECURITY & MAINTENANCE BUSINESS UNIT

<i>Norton AntiVirus</i>	Norton AntiVirus® for Windows 95 Norton AntiVirus® for Windows 3.1/DOS Norton AntiVirus® for Windows NT Norton AntiVirus® for Email Gateways Norton AntiVirus® for Firewalls Norton AntiVirus® for NetWare Norton AntiVirus® for Windows NT Servers
<i>SAM</i>	Symantec AntiVirus for Macintosh (SAM®) Symantec AntiVirus for Macintosh (SAM®) Administrator
<i>Healthy PC</i>	Healthy PC.com™ for Windows 95
<i>Norton Commander</i>	Norton Commander® for Windows 95/NT
<i>Norton CrashGuard</i>	Norton CrashGuard™ for Windows 95/NT
<i>Norton Your Eyes Only</i>	Norton Your Eyes Only™ for Windows 95 Norton Your Eyes Only™ Administrator
<i>Norton Utilities</i>	Norton Utilities® for Windows 95 Norton Utilities® for Windows 3.1/DOS Norton Utilities® for Windows NT Norton Utilities® for Macintosh
<i>Norton Navigator</i>	Norton Navigator™ for Windows 95
<i>Norton NT Tools</i>	Norton NT Tools™ for Windows NT
<i>PC Handyman</i>	PC Handyman™ for Windows 95
<i>Suitcase</i>	Suitcase™ for Macintosh

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended March 28, 1997.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from _____ to _____.

Commission File Number 0-17781

SYMANTEC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware <i>(State or other jurisdiction of incorporation or organization)</i>	77-0181864 <i>(I.R.S. Employer Identification No.)</i>
--	--

10201 Torre Avenue, Cupertino, California 95014-2132
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(408) 253-9600**

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

None <i>(Title of each class)</i>	None <i>(Name of each exchange on which registered)</i>
---	---

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

Common Stock, par value \$0.01 per share
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

Aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the Symantec common stock on June 1, 1997 as reported on the Nasdaq National Market and with respect to the Delrina exchangeable stock on the Toronto Stock Exchange:

\$1,046,855,373

Number of shares outstanding of each of the registrant's classes of common stock, including 2,919,312 shares of Delrina exchangeable stock, as of June 1, 1997:

55,323,964

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held September 18, 1997 are incorporated by reference into Part III.

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Item 1: Business

FORWARD-LOOKING STATEMENTS

The following discussion contains forward-looking statements that are subject to risks and uncertainties. There are several important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in the following discussion. Readers should pay particular attention to the risk factors set forth in this section and in the section of this report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

GENERAL

Symantec Corporation (“Symantec” or the “Company”) develops, markets and supports a diversified line of application and system software products designed to enhance individual and workgroup productivity. Approximately 80% of Symantec’s net revenues are derived from products that operate on Microsoft Corporation’s (“Microsoft”) MS-DOS, Windows, Windows 95 and Windows NT operating systems for personal computers. Symantec also offers products for use on the Apple Macintosh, Power Macintosh and IBM OS/2 operating systems.

The Company’s predecessor, C&E Software, Inc., a California corporation, and that predecessor’s operating subsidiary, Symantec Corporation, a California corporation, were formed in September 1983 and March 1982, respectively. The Company was incorporated in Delaware in April 1988 in connection with the September 1988 reincorporation of the Company’s predecessor and its operating subsidiary into a single Delaware corporation.

Since Symantec’s initial public offering on June 23, 1989, the Company has completed acquisitions of the following companies:

Companies Acquired	Date Acquired	Software or Activity Acquired
Fast Track, Inc. (“Fast Track”)	May 28, 1996	Network Management Utilities
Delrina Corporation (“Delrina”)	November 22, 1995	Remote Productivity Solutions
Intec Systems Corporation (“Intec”)	August 31, 1994	Applications
Central Point Software, Inc. (“Central Point”)	June 1, 1994	Security and Assistance
SLR Systems, Inc. (“SLR”)	May 31, 1994	Internet Tools
Fifth Generation Systems, Inc. (“Fifth Generation”)	October 4, 1993	Security and Assistance
Contact Software International, Inc. (“Contact”)	June 2, 1993	Remote Productivity Solutions
Certus International Corporation (“Certus”)	November 30, 1992	Security and Assistance
MultiScope, Inc. (“MultiScope”)	September 2, 1992	Internet Tools
The Whitewater Group, Inc. (“Whitewater”)	September 2, 1992	Internet Tools
Symantec (UK) Ltd. (“Symantec UK”)	April 3, 1992	Marketing Entity
Zortech Ltd. (“Zortech”)	August 31, 1991	Internet Tools
Dynamic Microprocessor Associates, Inc. (“DMA”)	August 30, 1991	Remote Productivity Solutions
Leonard Development Group (“Leonard”)	August 30, 1991	Applications
Peter Norton Computing, Incorporated (“Norton”)	August 31, 1990	Security and Assistance

All of these acquisitions were accounted for as poolings of interest. Accordingly, all financial information has been restated to reflect the combined operations of these companies and Symantec with the exception of Fast Track, Intec, SLR, MultiScope and Whitewater, which had results of operations that were not material to Symantec’s consolidated financial statements.

Symantec’s business strategy is to satisfy customer needs by developing and marketing products across multiple operating platforms that make customers productive and keep their computers safe and reliable—anywhere, anytime.

During fiscal 1997, in a move to focus the Company’s product offerings on customer needs, Symantec sold its FormFlow product line, acquired as part of the Delrina acquisition, to JetForm Corporation and sold the assets comprising its networking business unit to the Hewlett-Packard Company. See further discussion in Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Symantec has a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 1997, 1996 and 1995 reflect amounts as of and for the periods ended March 28, 1997, March 29, 1996 and March 31, 1995, respectively.

PRODUCTS AND SERVICES

Symantec's products, comprising both application software and system software, are currently organized into the following three major product groups: Remote Productivity Solutions, Security and Assistance and Emerging Businesses and Other. The following table summarizes Symantec's principal products by product group:

Principal Products

Remote Productivity Solutions

- ACT!®
- Internet FastFind™
- WinFax® PRO
- pcANYWHERE®

Security and Assistance

- Norton AntiVirus®
- Symantec AntiVirus for Macintosh (SAM®)
- Norton Your Eyes Only™
- Norton Utilities®
- Norton Commander®
- Healthy PC.com™
- PC Handyman™
- Norton CrashGuard™

Emerging Businesses and Other

- Symantec Café™
- Visual Café™
- Visual Café™ PRO
- Visual Page™

Remote Productivity Solutions

The Remote Productivity Solutions business is focused on helping remote professionals remain productive—anytime, anywhere. This business unit focuses on customer needs to access information, applications and data from any location. *ACT!* is an easy-to-use contact database with a graphical activity schedule, a full-featured word processor that links Microsoft Word and Wordperfect and a report generator. ACT! manages and integrates a user's contacts, calendar and communication through the use of integrated e-mail messaging. In addition, it has a drag-and-drop to link any file to any contact. ACT! runs on the Windows, Windows 95, Windows NT, MS-DOS, Macintosh, Newton, Psion, Lotus Notes and palmtop operating systems.

Internet FastFind allows the user to use all of the top search engines at once as well as locate specific files on the Internet. Other features include "Notify" which automatically tracks and alerts when changes occur to favorite folders, FTP and Web sites and "PatchConnect" which identifies your system's hardware and software and automatically connects you to the appropriate Internet sites. Internet FastFind also uses Symantec's LiveUpdate to download and install the latest free updates. Internet FastFind runs on the Windows 95 and Windows NT operating systems.

WinFax PRO allows users to send, receive and manage faxes. WinFax PRO provides background faxing, which allows users to continue working on other applications while sending a fax via the Internet or any fax machine in the world. WinFax PRO also provides enhanced file compression, which increases the speed at which faxes are transmitted. Other features include "Delrina Pager," which allows a computer to page a user to alert him or her of incoming voice and fax messages and "call identify," which allows a user to view the incoming fax or phone number on the user's computer screen before answering the phone. In addition, WinFax PRO for Networks offers comprehensive support for the most common e-mail packages, enabling users to receive faxes directly to their e-mail address. It also uses Symantec's LiveUpdate to download and install the latest free updates. WinFax PRO runs on the Windows, Windows 95 and Windows NT operating systems. *pcANYWHERE* offers reliable, fast and flexible PC-to-PC remote computing via serial or modem connection. pcANYWHERE lets the user remotely control one PC from the keyboard of another PC. The offsite remote PC, laptop or PC terminal controls the operation of the distant host PC. The software allows the user to run any MS-DOS, Windows, Windows 95, Windows NT or Windows CE application remotely, transfer files and perform other data operations. In addition to allowing a remote user to run a distant PC, pcANYWHERE optionally allows users at the host (distant) machine to view the operations being conducted from the remote site. This makes pcANYWHERE ideal for support of users as a remote helpdesk function for both problem solving and application training.

Security and Assistance

The Security and Assistance business is dedicated to being indispensable to customers' daily use of computers by increasing productivity and keeping computers safe and reliable.

Norton AntiVirus/Symantec AntiVirus for Macintosh (SAM) are programs for the protection, detection and elimination of computer viruses under the MS-DOS, Windows, Windows 95, Windows NT, Macintosh, Power Macintosh and OS/2 operating systems. They provide virus protection, detection and repair capability, recognize virus-like behavior and prevent most known or unknown viruses from infecting a system. They detect viruses and disinfect infected files and disks during normal computer use. They also detect and disinfect floppy boot-track viruses, stealth and encrypted viruses and remove active viruses from memory. They are designed to prevent viruses with a unique, comprehensive, multi-layered line of defense that combines scanning, virus sensing and inoculation. They also use Symantec's LiveUpdate to download and install the latest free updates.

Norton Your Eyes Only offers comprehensive 32-bit security designed specifically for the Windows 95 operating system, "on-the-fly" automatic encryption using RSA Data Security, Inc.'s public key encryption technology, optional access control during boot-up to prevent unauthorized access to data on the hard disk and configurable automatic time-out blanking of the screen if the computer system is idle for a specified period of time. The administrator version provides configuration, distribution and management for an entire network from a central location.

Norton Utilities are a set of "tools" designed to address the system-level operations of the MS-DOS, Windows, Windows 95, Windows NT, Macintosh and Power Macintosh operating systems. Norton Utilities provides disk and data recovery, security, performance optimization, system and .ini-file monitoring and preventive maintenance functions. The Norton Utilities can restore the structure of a disk and files under certain conditions and can also provide for file defragmentation, system operation information, file unerasing and other file and system operation improvements. It also uses Symantec's LiveUpdate to download and install the latest free updates.

Norton Commander is designed to provide a character-based graphical approach and mouse capability for operations such as copy, move and delete. Norton Commander includes a MCI mail facility, file compression, Commander Link and a PC-to-PC file transfer function. Norton Commander includes a wide range of file viewers, application launching functions, a customizable menuing facility and a variety of network utilities and editor associates. Norton Commander runs on the MS-DOS, Windows, Windows 95 and Windows NT operating systems.

Healthy PC.com is an Internet site operated by Ziff-Davis' ZDNet division that consists of two separate services which include a free advice and consultation area maintained by ZDNet and the Healthy PC.com Health Club, a subscription based membership service which provides access to Symantec's AntiVirus, disk repair and LiveUpdate software. Healthy PC.com runs on the MS-DOS, Windows, Windows 95 and Windows NT operating systems.

PC Handyman works continuously in the background to fix all kinds of PC operation problems such as screen freezes and hard drive crashes, and to keep important PC functions running smoothly. This product also provides the user with a trouble-shooting screen to help pinpoint computer problems and identify solutions. PC Handyman runs on the Windows 95 operating system.

CrashGuard allows users to unfreeze most applications using the familiar Ctrl-Alt-Del keystroke combination, even when the system is hung or otherwise not responding. This program notifies you when a crash has been intercepted and provides a recommendation for fixing the crash. It also uses Symantec's LiveUpdate to download and install the latest free updates. CrashGuard runs on the Windows 95 and Windows NT operating systems.

Emerging Businesses and Other

The Emerging Businesses and Other business includes products providing an easy to use Java development environment, as well as revenue streams from the sale of certain of the Company's software product lines and revenues from products nearing the end of their life cycle.

Symantec Café features a native Java compiler that allows the building of Java programs. It provides a Class Browser, an introduction to Java programming book and over 35 sample applets that help developers get started quickly using Java in their Web pages. In addition, Symantec Café provides a fully integrated graphical debugger for Java, allowing developers to do source level debugging of their Java standalone applications or applets that are embedded inside an HTML Web page. This product runs on the Windows 95, Windows NT, Macintosh and Power Macintosh operating systems.

Visual Café provides developers with a fast and productive visual programming environment for creating Java applets and applications. It includes many application components like buttons, text boxes and dialog boxes to create your own templates to reuse on future projects. In addition, it provides drag-and-drop visual programming for quick application

development with minimal coding as well as a powerful, integrated graphical debugger to quickly debug applications at the source level. This product runs on the Windows 95, Windows NT, Macintosh and Power Macintosh operating systems.

Visual Café PRO provides the complete Visual Café Java Rapid Application environment as well as the tools to create database applets and applications to allow the user to build Web pages with interactive database links in one complete, fully-integrated environment. It represents data structures graphically and uses wizards to instantly create dialogs and applications (including master/detail joins) with live connections to database tables. This product runs on the Windows 95, Windows NT, Macintosh and Power Macintosh operating systems.

Visual Page allows business users to create documents on a Web page for other people to access. Visual Page provides the user with a "Standard" Word Processor Toolbar with easy to use features to change type face sizes, align text and set styles. It also contains a Site Window which allows easy link setup and shows all pages, anchors and images in one convenient window. Other features include support for Java Applets, Netscape plug-ins and embedded Quicktime movies as well as an interface to support Apple Java Virtual Machine (VM) to make Java applets "alive". This product runs on the Windows 95, Windows NT, Macintosh and Power Macintosh operating systems.

SALES, INTERNATIONAL SALES AND CUSTOMER SUPPORT

Symantec markets its products worldwide utilizing a multi-channel strategy of direct sales and indirect sales through independent software distributors, major retail chains and resellers.

Sales and Marketing

Symantec utilizes both direct and indirect sales forces to encourage end users to adopt Symantec's products as corporate standards. The direct sales force focuses primarily on site license sales where a license for multiple workstations is sold to a customer at a negotiated price. The sales cycle with respect to site license sales may be lengthy and may be subject to integration and acceptance by the customer. The Company also employs an indirect sales force that works closely with its major distributor and reseller accounts to manage the flow of orders, inventory levels and sell-through to retail chains as well as promotions and other selling

activities. At March 31, 1997, Symantec had approximately 120 people in its North American direct and indirect sales force.

Symantec maintains distribution relationships with major independent distributors. These distributors stock Symantec's products in inventory for redistribution to independent dealers, consultants and other resellers. Symantec also maintains relationships with major retailers, including CompUSA and Best Buy. Symantec markets to these retailers through independent distributors. Additionally, Symantec sells product upgrades and certain of its products to end users through direct mail campaigns and the Internet.

Approximately 34% of Symantec's net revenues in the year ended March 31, 1997 were derived from Symantec's two largest distributors. Ingram Micro, Inc. represented 27%, 27% and 22% of Symantec's net revenues in fiscal 1997, 1996 and 1995, respectively, while Merisel Americas, Inc. represented 7%, 10% and 11% of Symantec's net revenues in fiscal 1997, 1996 and 1995, respectively. Agreements with distributors are generally nonexclusive and may be terminated by either party without cause. Such distributors are not within the control of Symantec, are not obligated to purchase products and also represent other vendors' product lines. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Distribution Channels.)

Symantec's return policy allows its distributors, subject to certain limitations, to return purchased products in exchange for new products or for credit towards future purchases. End users may return products through dealers and distributors within a reasonable period from the date of purchase for a full refund, and retailers may return older versions of products. Various distributors and resellers may have different return policies that may negatively impact the level of products which are returned to Symantec. Product returns occur when the Company introduces upgrades and new versions of products or when distributors order too much product. In addition, competitive factors often require the Company to offer rights of return for products that distributors or retail stores are unable to sell. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Product Returns.)

Symantec's marketing activities include advertising in trade, technical and business publications, cooperative marketing with distributors, resellers and dealers, periodic

direct mailings to existing and prospective end users and participation in trade and computer shows. Additionally, the Company typically offers two types of rebate programs, volume incentive rebates and rebates to end users. Volume incentive rebates are made available to Symantec's largest distributors and resellers whereby the distributor or reseller earns a rebate based upon their purchases or the volume of product they sell to end users. Volume incentive rebates are accrued when revenue is recorded. The amount of these rebates as a percentage of net revenues has been consistent for all periods presented and has not had a material impact on the Company's liquidity. From time to time, Symantec makes available rebates to end users of various products who acquired the products through major retailers. End user rebates are accrued when revenue is recorded.

International Sales

International revenues represented approximately 29%, 32% and 31% of Symantec's net revenues in fiscal 1997, 1996 and 1995, respectively. At March 31, 1997, Symantec had approximately 140 sales, marketing and related personnel in its international sales organization.

The majority of Symantec's net revenues from certain European regions are derived from sales by affiliates of Symantec's major United States distributors. In other countries, Symantec sells its products through authorized distributors. In some countries, these distributors are restricted to specified territories. Symantec typically adapts products for local markets, including translating the documentation and software where necessary, and prepares marketing programs for each local market.

Symantec has established marketing offices in Australia, Brazil, Canada, France, Germany, Holland, Hong Kong, Italy, Japan, Korea, Mexico, New Zealand, Russia, Singapore, South Africa, Sweden, Switzerland, Taiwan and the United Kingdom. These local offices facilitate Symantec's marketing and distribution in international markets. The Company's international operations are subject to certain risks common to international operations, such as government regulations, import restrictions, currency fluctuations, repatriation restrictions and, in certain jurisdictions, reduced protection for the Company's copyrights and trademarks. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Foreign Operations.) Information with respect to international operations and export sales may be found in

Note 12 of the Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K.

Customer Support

Symantec's product support program provides a wide variety of free and fee-based technical support services to its customers. Symantec provides its customers with free support via electronic and automated services as well as 90 days free telephone support for selected products. Symantec accrues the cost of providing this free support at the time of product sale. In August 1996, Symantec introduced LiveUpdate, which provides free, instant access to on-line updates, enhancements, support tips and other useful information for selected products. In addition, Symantec offers both domestic individual users and domestic corporate customers a variety of fee-based options designed to meet their technical support requirements. These fee-based support programs are revised from time to time as customer requirements change and as market trends dictate. Fee-based technical support services did not generate material revenues in any fiscal years presented and are not expected to generate material revenues in the near future. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Rapid Technological Change and Development Risks and Fluctuations in Quarterly Operating Results.)

PRODUCT DEVELOPMENT AND ACQUISITIONS

Symantec uses a multiple products sourcing strategy that includes internal development, acquisitions of product lines or companies and licensing from third parties. Symantec typically develops new products and enhancements of existing products in one of its two core product groups (Remote Productivity Solutions and Security and Assistance) and in selected product areas targeted as emerging business opportunities. Each group's responsibilities include design, development, documentation and quality assurance. Independent contractors are used for certain aspects of the product development process and elements of certain Company products are licensed from third-party developers.

Symantec uses strategic acquisitions, as necessary, to provide certain technology, people and products for its overall product strategy. The Company has completed a number of acquisitions and dispositions of companies and products and may acquire and dispose other companies and products in the future. (See further discussion in Item 7: Management's

Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Management of Expanding Operations.)

The Company is devoting substantial efforts to the development of software products that are designed to operate on various operating systems. Symantec's total research and development expenses were approximately \$89 million, \$95 million and \$71 million in fiscal 1997, 1996 and 1995, respectively. Research and development expenditures are charged to operations as incurred. In fiscal 1997, Symantec capitalized approximately \$8 million of capitalized software development costs, primarily related to network administration technology, which was sold to Hewlett-Packard in March 1997, resulting in the write off of approximately \$7 million of unamortized costs during fiscal 1997. No material software development costs have been capitalized by the Company in fiscal 1996, while prior to being acquired by Symantec, Delrina capitalized approximately \$6 million in software development costs in fiscal year 1995. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Operating System and Uncertainty of Research and Development Efforts.)

COMPETITION

The microcomputer software market is intensely competitive and is subject to rapid changes in both technology and the strategic direction of major microcomputer hardware manufacturers and operating system providers. The Company's competitiveness depends on its ability to enhance its existing products and to offer new products on a timely basis. The Company has limited resources and must restrict its product development efforts to a relatively small number of projects. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Rapid Technological Change and Development Risks.)

Operating system vendors such as Microsoft have added features to new versions of their products that provide some of the same functionality traditionally offered in Symantec's products. Symantec believes this trend may continue. Microsoft may incorporate advanced features in future versions of operating systems that may decrease the demand for certain of the Company's products, including those currently under development. A number of software developers have integrated antivirus capabilities into their Internet

products. While Symantec plans to continue to improve its products with a view toward providing enhanced functionality over what may be provided in operating systems, there is no assurance that these efforts will be successful or that such improved products will be commercially accepted by software users. Symantec will also attempt to work with operating system vendors in an effort to make its products compatible with those operating systems, yet differentiate those utility products from features included in the operating systems. However, there is no assurance that these efforts will be successful. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Operating System.)

The Company competes with at least one product from many of the major independent software vendors, including Borland International, Inc. ("Borland"), CyberMedia ("CyberMedia"), Dr Solomon's ("Dr Solomon's"), ELAN Software Corporation ("ELAN"), International Business Machines Corporation ("IBM"), McAfee Associates, Inc. ("McAfee"), Microcom, Inc. ("Microcom"), Microsoft, Norton-Lambert Corporation ("Norton-Lambert"), Phoenix Technologies Ltd. ("Phoenix"), TouchStone Software Corporation ("TouchStone"), Traveling Software, Inc. ("Traveling Software"), Starfish Software, Inc. ("Starfish") and SofNet, Inc. ("SofNet").

For example, Norton Utilities competes with operating systems, such as Microsoft's Windows 95 and MS-DOS and IBM's DOS, which offer file recovery, anti-virus and backup features, First Aid from CyberMedia and other products from various other utilities vendors. Norton AntiVirus competes with PC-cillin 95 from TouchStone, Dr Solomon's Anti-Virus Toolkit from Dr Solomon's and Viruscan from McAfee. Symantec's pcANYWHERE competes mainly with Laplink from Traveling Software, Carbon Copy from Microcom, Close Up from Norton Lambert and NetRemote from McAfee. ACT! competes with Lotus Organizer for Windows from IBM, Outlook from Microsoft, GoldMine from ELAN, Sidekick from Starfish and many other personal information managers produced by various software developers. Delrina WinFax PRO competes with products offered by Phoenix, Traveling Software and SofNet, as well as Microsoft's Windows 95 operating system. Café mainly competes with products from Microsoft. In addition, these and other Company products compete less directly with a number of other products that offer levels of functionality different from those offered by Symantec's products or that were designed

for a somewhat different group of end users than those targeted by Symantec.

Symantec also competes with microcomputer hardware manufacturers that develop their own software products. Further, Symantec competes with other microcomputer software companies for access to the channels of retail distribution and for the attention of customers at the retail level and in corporate accounts. Finally, Symantec competes with other software companies in its efforts to acquire products or companies and to publish software developed by third parties. Symantec believes that competition in the industry will continue to intensify as most major software companies expand their product lines into additional product categories. Some of the Company's competitors have substantial financial, marketing and technological resources. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Rapid Technological Change and Development Risks, Operating System and Distribution Channels.)

MANUFACTURING AND BACKLOG

Symantec's product development organization produces a set of master diskettes and documentation for each product. Most of Symantec's domestic manufacturing is performed by outside contractors under the supervision of Symantec's manufacturing organization. Purchasing of most raw materials and fulfillment of most orders is done by Symantec personnel in Symantec's Sunnyvale, California facility. The manufacturing steps that are subcontracted to outside organizations include the duplication of diskettes and CD-ROM's, printing of documentation materials and assembly of the final package. Symantec performs diskette duplication and assembly of the final package in its Dublin, Ireland manufacturing facility for most products distributed outside of the United States, Canada and Latin America.

Symantec has often been able to acquire materials on a volume-discount basis and has had multiple sources of supply for certain materials. To date, Symantec has not experienced any material difficulties or delays in production of its software and related documentation and packaging. However, shortages may occur in the future. For example, shortages of certain materials may occur when Microsoft introduces new operating systems. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Supply Risk.)

Symantec normally ships products within one week after receiving an order. Thus, Symantec does not consider backlog to be a significant indicator of future performance.

PRICE COMPETITION

Price competition is intense in the microcomputer business software market and is expected to continue to increase and become even more significant in the future. See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations.

SEASONALITY

While Symantec's diverse product line has tended to lessen fluctuations in quarterly net revenues, these fluctuations have occurred and may occur in the future. These fluctuations may be caused by a number of factors, including the timing of announcements and releases of new or enhanced versions of Symantec's products and product upgrades, the introduction of competitive products by existing or new competitors, reduced demand for any given product, seasonality in the retail software market in foreign markets, customer end-of-period buying patterns and the market's transition between operating systems. These factors may cause significant fluctuations in net revenues and, accordingly, operating results. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Fluctuations in Quarterly Operating Results.)

PRODUCT PROTECTION

Symantec regards its software as proprietary and relies on a combination of copyright, patent and trademark laws and license agreements in an attempt to protect its rights. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Intellectual Property Rights.)

EMPLOYEES

As of March 31, 1997, Symantec employed approximately 2,000 people, including 1,000 in sales, marketing and related staff activities, 600 in product development and 400 in management, manufacturing, administration and finance. None of the employees is represented by a labor union, and Symantec has experienced no work stoppages. Symantec believes that its employee relations are good.

Competition in recruiting personnel in the software industry is intense. Symantec believes that its future success will depend in part on its ability to recruit and retain highly skilled management, marketing and technical personnel. Symantec believes that it must provide personnel with a competitive compensation package, which necessitates the continued availability of stock options and requires ongoing shareholder approval of such option programs. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Employee Risk.)

Item 2: Properties

Symantec's principal locations, all of which are leased, are as follows:

Location	Purpose	Approximate Size (in square feet)	Expiration of Lease
NORTH AMERICA			
Cupertino, California			
Corporate Headquarters	Administration, sales and marketing	87,000	2003
Emerging Business and Remote Productivity Solutions	Research and development	161,000	2003
Symantec Technology Center	Future expansion*	143,000	2003
Sunnyvale, California	Manufacturing	78,000	1998
Santa Monica, California	Research and development and marketing	71,000	2000
Eugene, Oregon	Customer service and technical support	136,000	2006
Beaverton, Oregon	Research and development and marketing	45,000	2001
Melville, New York	Research and development and marketing	24,000	2000
Toronto, Canada	Research and development and technical support	63,000	2005
INTERNATIONAL			
Leiden, Holland	Administration, sales and marketing and technical support	7,000	1997
Dublin, Ireland	Administration, manufacturing and translations	74,000	2026

* The Symantec Technology Center is currently under construction, with anticipated completion in fiscal 1999.

Symantec's principal administrative and sales and marketing facility, as well as certain research and development and support facilities, are located in Cupertino, California. The Company leases a number of additional facilities for

marketing and research and development in the United States and for marketing in Australia, Brazil, Canada, France, Germany, Holland, Hong Kong, Italy, Japan, Korea, Mexico, New Zealand, Russia, Singapore, South Africa, Sweden, Switzerland, Taiwan and the United Kingdom. Symantec believes its facilities are adequate for its current needs and additional or substitute space will be available as needed to accommodate any expansion of its operations.

Item 3: Legal Proceedings

Information with respect to this Item may be found in Note 11 of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K.

Item 4: Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the security holders during the quarter ended March 31, 1997.

Part

II

Item 5: Market for Registrant's Common Equity and Related Stockholder Matters

Symantec's common stock is traded on the Nasdaq National Market under the Nasdaq symbol "SYMC". The high and low closing sales prices set forth below are as reported on the Nasdaq National Market.

	Fiscal 1997			
	Mar. 31, 1997	Dec. 31, 1996	Sep. 30, 1996	Jun. 30, 1996
High	\$ 18.38	\$ 16.38	\$ 12.75	\$ 18.13
Low	12.63	9.88	8.75	11.00

	Fiscal 1996			
	Mar. 31, 1996	Dec. 31, 1995	Sep. 30, 1995	Jun. 30, 1995
High	\$ 22.63	\$ 29.38	\$ 33.00	\$ 29.50
Low	10.31	21.50	23.75	20.63

Delrina exchangeable stock has been traded on the Toronto Stock Exchange under the symbol "DE" since the acquisition of Delrina by Symantec on November 22, 1995. The high and low closing sales prices set forth below are in Canadian dollars as reported on the Toronto Stock Exchange. Delrina exchangeable stock is exchangeable at the option of the stockholders on a one-for-one basis into Symantec common stock.

(In Canadian dollars)

	Fiscal 1997			
	Mar. 31, 1997	Dec. 31, 1996	Sep. 30, 1996	Jun. 30, 1996
High	\$ 24.35	\$ 22.00	\$ 17.70	\$ 25.00
Low	17.55	13.00	12.00	15.50

	Fiscal 1996	
	Mar. 31, 1996	Dec. 31, 1995
High	\$ 31.00	\$ 37.25
Low	16.50	29.38

As of March 31, 1997, there were approximately 852 stockholders of record, including approximately 45 holders of record of Delrina exchangeable shares. The Company has never paid cash dividends on its stock with the exception of cash distributions to stockholders of acquired companies. Symantec anticipates that it will continue to retain its earnings to finance the growth of its business. In addition, the Company's bank line of credit and outstanding convertible subordinated debentures limit the payment of cash dividends on common stock (See Notes 4 and 5 of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K).

Item 6: Selected Financial Data

The following selected financial data is qualified in its entirety by and should be read in conjunction with the more detailed consolidated financial statements and related notes included elsewhere herein. During fiscal 1997, Symantec acquired Fast Track, Inc. ("Fast Track") in a transaction accounted for as a pooling of interests. As the results of operations of Fast Track were not material to Symantec's consolidated financial statements, amounts prior to the date of acquisition were not restated to reflect the combined operations of the companies. Additional acquisitions accounted for as poolings of interest include Delrina Corporation in fiscal 1996, Intec Systems Corporation, Central Point Software, Inc. and SLR Systems, Inc. in fiscal 1995, Fifth Generation Systems, Inc. and Contact Software International, Inc. during fiscal 1994, and Certus International Corporation, MultiScope, Inc., The Whitewater Group, Inc. and Symantec (UK) Ltd. during fiscal 1993. The Company has never paid cash dividends on its stock with the exception of distributions to stockholders of acquired companies.

FIVE YEAR SUMMARY

<i>(In thousands, except net income (loss) per share)</i>	Year Ended March 31,				
	1997	1996	1995	1994	1993
STATEMENT OF OPERATIONS DATA:					
Net revenues	\$ 472,183	\$ 445,432	\$ 431,268	\$ 403,206	\$ 382,911
Acquisition, restructuring and other expenses	8,585	27,617	9,545	56,094	23,836
Operating income (loss)	26,289	(48,279)	40,286	(47,290)	(59,792)
Net income (loss)	26,038	(39,783)	33,409	(44,421)	(46,304)
Distributions to stockholders of acquired companies	—	—	—	—	162
Net income (loss) per share - primary	\$ 0.47	\$ (0.76)	\$ 0.65	\$ (0.96)	\$ (1.09)
Net income (loss) per share - fully diluted	\$ 0.47	\$ (0.76)	\$ 0.61	\$ (0.96)	\$ (1.09)
Shares used to compute net income (loss) per share - primary	55,407	52,664	52,181	46,270	42,624
Shares used to compute net income (loss) per share - fully diluted	55,841	52,664	56,491	46,270	42,624

<i>(In thousands)</i>	March 31,				
	1997	1996	1995	1994	1993
BALANCE SHEET DATA:					
Working capital	\$ 129,569	\$ 134,643	\$ 143,405	\$ 101,644	\$ 100,075
Total assets	341,673	285,027	306,126	262,335	257,584
Long-term obligations, less current portion	15,066	15,393	25,413	25,967	28,152
Stockholders' equity	217,979	180,317	184,874	129,193	139,056

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY EFFECT FUTURE RESULTS

The following discussion contains forward-looking statements that are subject to risks and uncertainties. There are several important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in the following discussion. Readers should pay particular attention to the risk factors set forth within this section. Nothing in this report shall impose upon Symantec or any person a duty to update any forward looking statement.

OVERVIEW

Symantec develops, markets and supports a diversified line of application and system software products designed to enhance individual and workgroup productivity. Founded in 1982, the Company has offices in the United States, Canada, Asia, Australia, Europe, Africa and Latin America.

During the last three fiscal years, Symantec has acquired the following companies:

Companies Acquired	Date Acquired	Shares of Symantec Common Stock Issued	Acquired Company Stock Options Assumed
Fast Track, Inc. ("Fast Track")	May 28, 1996	600,000	—
Delrina Corporation ("Delrina")	November 22, 1995	13,684,174*	1,271,677
Intec Systems Corporation ("Intec")	August 31, 1994	133,332	—
Central Point Software, Inc. ("Central Point")	June 1, 1994	4,029,429	707,452
SLR Systems, Inc. ("SLR")	May 31, 1994	170,093	—

* Includes Delrina exchangeable stock that is traded on the Toronto Stock Exchange. Delrina stockholders received Delrina exchangeable stock in exchange for Delrina common stock at a rate of 0.61 per share. Delrina exchangeable stock may be converted into Symantec common stock on a one-for-one basis at each stockholder's option.

All of these acquisitions were accounted for as poolings of interest. Accordingly, all financial information has been restated to reflect the combined operations of these companies and Symantec with the exception of Fast Track, Intec and SLR, which had results of operations that were not material to Symantec's consolidated financial statements.

RESULTS OF OPERATIONS

The following table sets forth each item from the consolidated statements of operations as a percentage of net revenues and the percentage change in the total amount of each item for the periods indicated.

	Year Ended March 31,			Period-to-Period Percentage Increase (Decrease)	
	1997	1996	1995	1997 Compared to 1996	1996 Compared to 1995
Net revenues	100%	100%	100%	6%	3%
Cost of revenues	20	25	21	(14)	20
Gross margin	80	75	79	13	(1)
Operating expenses:					
Research and development	19	21	17	(6)	34
Sales and marketing	47	52	44	(4)	21
General and administrative	7	7	7	4	12
Acquisition, restructuring and other non-recurring expenses	2	6	2	(69)	189
Total operating expenses	75	86	70	(8)	28
Operating income (loss)	5	(11)	9	*	*
Interest income	2	2	1	(4)	33
Interest expense	—	—	—	(6)	(38)
Other income (expense), net	—	(1)	—	(21)	*
Income (loss) before income taxes	7	(10)	10	*	*
Provision (benefit) for income taxes	1	(1)	2	*	*
Net income (loss)	6%	(9)%	8%	*	*

* Percentage change is not meaningful.

NET REVENUES

Net revenues increased 6% from \$445 million in fiscal 1996 to \$472 million in fiscal 1997. Net revenues increased 3% from \$431 million in fiscal 1995 to \$445 million in fiscal 1996.

Product Groups

During fiscal 1997, the Company experienced increased net revenues from each of its core product groups: Remote Productivity Solutions and Security and Assistance. The Remote Productivity Solutions product group is focused on helping remote professionals remain productive, by addressing customer needs to access information, applications and data from any location. The Security and Assistance product group is dedicated to being indispensable to customers' daily use of computers by increasing productivity and keeping computers safe and reliable.

The market's acceptance of the Windows 95 and Windows NT operating systems, as well as the further expansion of personal computer sales, enabled Symantec to experience strong fiscal 1997 sales of its Windows 95 products first introduced during the last half of fiscal 1996 and Windows NT products introduced in fiscal 1997. The most significant product line sales growth was related to the Norton AntiVirus products from the Security and Assistance product group and pcANYWHERE products from the Remote Productivity Solutions product group. During fiscal 1997, the financial impact of product price reductions for Symantec's core products was more than offset by the increase in the volume of products sold, resulting in increased net revenues.

Symantec's third business unit is the Emerging Business and Other product group, which includes products providing an easy to use Java development environment, as well as revenue streams from the sale of certain of the Company's software product lines and revenues from products nearing the end of their life cycles. Fiscal 1997 net revenues for the Emerging Business product group decreased from fiscal 1996, largely as the result of declining sales from products which Symantec no longer actively develops or markets. Symantec expanded its line of Java development tools in fiscal 1997 in response to wider acceptance of the Java development environment, resulting in an increase in net revenues for the Java product line during fiscal 1997. The Emerging Business and Other product group also recorded approximately \$6 million of consulting net revenues in fiscal 1997, resulting from a non-recurring consulting contract which was completed during the fiscal year.

As a result of the sale of its electronic forms software products and related tangible assets to JetForm Corporation ("JetForm") for approximately \$100 million in fiscal 1997, the Emerging Business and Other product group recognized revenue of approximately \$18 million during the 1997 fiscal year and is contractually entitled to quarterly revenue payments through the June 2000 quarter. JetForm has the option to tender payment in either cash or in registered JetForm common stock, within a contractually defined quantity threshold. Due to the uncertainty regarding the ultimate collectibility of these installments, Symantec is recognizing the related revenue as payments are due and collectibility is assured from JetForm.

During the fourth quarter of fiscal 1997, Symantec also sold the software products and related tangible assets of its Networking Business Unit to the Hewlett-Packard Company

("Hewlett-Packard"), resulting in the receipt of approximately \$1 million of revenue and \$2 million research and development expense reimbursement by the Emerging Business and Other product group. Additionally, over the next two years, Hewlett-Packard is contractually obligated to pay to Symantec a royalty stream not to exceed the present value of \$27 million, which is contingent upon future sales of certain products by Hewlett-Packard. Due to the uncertainty regarding the amounts upon which these royalties will be determined, Symantec is recognizing these amounts as they are estimable.

During fiscal 1996, the Company experienced increased net revenues from its Security and Assistance product group, offset in part by decreased revenues from its Remote Productivity Solutions product group and products which Symantec no longer actively develops or markets. Symantec experienced an increase in net revenue from the introduction of several Windows 95 products; however, this increase was substantially offset by a decrease in net revenues related to Windows 3.1 and DOS products.

Symantec markets its products through a number of distribution channels, including retail, site licenses, OEM, direct marketing and upgrades and the Internet. The retail channel is Symantec's single largest product channel and comprises approximately 60% of total product revenues.

International

Net revenues from international sales were \$138 million and \$142 million and represented 29% and 32% of total net revenues in fiscal years 1997 and 1996, respectively. The decrease in international net revenue as a percentage of total net revenue is the result of domestic revenue growth outpacing international revenue growth during the fiscal year. Additionally, international revenues for fiscal 1996 includes the one time recognition of approximately \$7 million, previously deferred Central Point revenue. Foreign exchange rate fluctuations during fiscal 1997 did not materially contribute to the fluctuation in results from fiscal 1996 to fiscal 1997. Net revenues from international sales increased by \$7 million in fiscal 1996, from \$135 million in fiscal 1995 to \$142 million in fiscal 1996. This increase was largely the result of the one-time recognition in fiscal 1996 of approximately \$7 million of previously deferred Central Point revenue.

Product Returns

The level of actual product returns and related product return provision are largely a factor of the level of product sell-in (gross revenue) from normal sales activity and the replacement of obsolete quantities with the current version of the Company's products. Changes in the levels of product returns and related product return provision are generally offset by changing levels of gross revenue and, therefore, do not typically have a material impact on reported net revenues.

The Company's product return provision typically fluctuate from period to period based upon the level and timing of product upgrade releases and changes in product sell-in. The product return provision for fiscal 1997 was higher than the provision for fiscal 1996 due to increased returns exposure for Windows 95 products due to additional product sell-in during fiscal 1997. The product return provision for fiscal 1996 was higher than the provision for fiscal 1995, due to the introduction of Symantec's Windows 95 products during the last three quarters of fiscal 1996, which had unusually high sell-in volumes.

GROSS MARGIN

Gross margin represents net revenues less cost of revenues. Cost of revenues consists primarily of manufacturing expenses, costs for producing manuals, packaging costs, royalties paid to third parties under publishing contracts and amortization and write-off of capitalized software.

Prior to fiscal 1997, accounting rules requiring capitalization of certain software development costs did not materially affect the Company, except for amounts capitalized by Delrina prior to its acquisition by Symantec in fiscal 1996. Amounts capitalized during fiscal 1997 primarily related to the networking business unit which was sold to Hewlett-Packard in March 1997, at which time the amounts were written off.

Amortization of capitalized software, including amortization and the write-off of both purchased product rights and capitalized software development expenses, totaled \$10 million, \$19 million and \$13 million for fiscal 1997, 1996 and 1995, respectively. Included in the fiscal 1997 total is approximately \$7 million of unamortized capitalized software development expenses and \$1 million of unamortized purchased software product rights related to network administration technology written off as part of the sale to Hewlett-Packard in March 1997. The fiscal 1997 write-off of unamortized FormFlow technology sold to JetForm was

immaterial. Amortization expense in fiscal year 1997 was lower than in 1996 due to capitalized software write-offs in fiscal 1996 related to de-emphasized products and Delrina Windows 3.1 products. The fiscal 1996 amortization of capitalized software expense included the aforementioned write-offs, resulting in the significant increase in expense from fiscal 1995.

Gross margins increased to 80% of net revenues in fiscal 1997 from 75% in fiscal 1996 and from 79% in fiscal 1995. The increase in gross margin percentage in fiscal 1997 compared to fiscal 1996 was due to the decrease in capitalized software amortization and write-offs noted above. In addition, revenues, with no related cost of revenues, from JetForm totaling \$18 million and from Hewlett-Packard totaling \$1 million were included in net revenues during fiscal 1997. The decline in the gross margin percentage in fiscal 1996 compared to fiscal 1995 was due to an increase in the amortization and write-off of purchased product rights and capitalized software development expenses noted above and increased inventory reserves related to Delrina products designed to operate on Windows 3.1 and other products de-emphasized by Symantec during fiscal 1996. Due to an anticipated reduction in software amortization and the recognition of the potential future revenue streams from JetForm and Hewlett-Packard, for which there will be no associated costs, Symantec believes that the gross margin percentage may increase to approximately 81% to 84% in fiscal 1998, unless there is a significant change in Symantec's net revenues.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses decreased 6% to \$89 million or 19% of net revenues in fiscal 1997 from \$95 million or 21% of net revenues in fiscal 1996 and were \$71 million or 17% of net revenues in fiscal 1995. The decrease in research and development expenses in fiscal 1997 as compared to fiscal 1996 is due primarily to decreased product development efforts associated with the Company's decision to cease developing certain software products, and an increase in capitalized software development costs. In fiscal 1997, Symantec capitalized approximately \$8 million of software development costs, primarily related to network administration technology, which was subsequently sold to Hewlett-Packard in March 1997 and resulted in the write off of approximately \$7 million in unamortized costs during the fourth quarter of fiscal 1997. In addition, a \$2 million research and development expense reimbursement was

received from Hewlett-Packard in fiscal 1997 under the aforementioned agreement, which further reduced fiscal 1997 research and development expenses.

The increase in research and development expenses in fiscal 1996 as compared to fiscal 1995 was primarily the result of increased product development efforts associated with Symantec's and Delrina's development of new products designed to operate on the Windows 95 operating system.

Research and development expenditures are charged to operations as incurred. Prior to fiscal 1997, capitalization of certain software development costs in accordance with Statement of Accounting Standards No. 86 did not materially affect the Company, except for amounts capitalized by Delrina prior to its acquisition by Symantec in fiscal 1996. Delrina did not capitalize any software development costs in fiscal 1996 and capitalized approximately \$6 million in software development costs in fiscal year 1995.

SALES AND MARKETING EXPENSES

Sales and marketing expenses decreased 4% to \$221 million or 47% of net revenues in fiscal 1997 from \$230 million or 52% of net revenues in fiscal 1996. The decrease in sales and marketing expenses in fiscal 1997 as compared to fiscal 1996 is due primarily to the elimination of duplicative sales and marketing expenses as a result of the acquisition of Delrina by Symantec and the elimination of sales and marketing expenses related to the electronic forms software products which were sold to JetForm in September 1996. Reductions in expenditures for products no longer actively marketed by Symantec were offset by increased spending for new products released during the fiscal year.

Sales and marketing expenses increased to \$230 million or 52% of net revenues in fiscal 1996 from \$190 million or 44% of net revenues in fiscal 1995, due to an increase in sales and marketing expenses associated with the release of Symantec's Windows 95 products.

GENERAL AND ADMINISTRATIVE EXPENSES

In fiscal 1997, general and administrative expenses increased by 4% to \$34 million or 7% of net revenues from \$33 million or 7% of net revenues in fiscal 1996 and from \$29 million or 7% of net revenues in fiscal 1995. The increase in general and administrative expenses in absolute dollars in fiscal 1997 as compared to fiscal 1996 is primarily the result of management consulting expenditures, offset by benefits from the elimination of duplicative general and administrative expenses as a result

of the acquisition of Delrina by Symantec in fiscal 1996. The increase in general and administrative expenses in absolute dollars in fiscal 1996 as compared to fiscal 1995 was principally due to significant general and administrative expenses incurred by Delrina in the three month period ended September 30, 1995 and certain legal fees incurred by Delrina.

ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Acquisition Expenses In connection with the acquisitions completed in fiscal 1997, 1996 and 1995 (see Summary of Significant Accounting Policies and Note 10 of Notes to Consolidated Financial Statements), significant acquisition expenses have been incurred. These acquisition expenses principally included fees for legal, accounting and financial advisory services, the write-off of duplicative capitalized technology, the modification of certain development contracts and expenses related to the combination of the companies, including the elimination of duplicative and excess facilities and personnel. These charges approximated \$1 million, \$20 million and \$10 million in fiscal 1997, 1996 and 1995, respectively.

Symantec recorded total acquisition charges of approximately \$1 million in fiscal 1997 in connection with the acquisition of Fast Track.

In connection with the acquisition of Delrina in fiscal 1996, Symantec recorded total acquisition charges of \$22 million, which included \$9 million for legal, accounting and financial advisory services, \$6 million for the elimination of duplicative and excess facilities and equipment, \$4 million for personnel severance and outplacement expenses and \$3 million for the consolidation and discontinuance of certain operational activities and other acquisition-related expenses. Offsetting these costs was a reduction in accrued acquisition, restructuring and other expenses of \$2 million, as actual costs incurred related to the acquisitions of Central Point and SLR were less than costs previously accrued by the Company.

In connection with the acquisitions of Central Point and SLR, Symantec recorded total acquisition charges of \$10 million in fiscal 1995. The charges included \$4 million for legal, accounting and financial advisory services, \$1 million for the write-off of duplicative product-related expenses and modification of certain development contracts, \$1 million for the elimination of duplicative and excess facilities, \$3 million for personnel severance and outplacement expenses and \$1 million for the consolidation and discontinuance of certain operational activities and other acquisition-related expenses.

Restructuring Expenses In fiscal 1997, the Company recorded a charge of \$3 million for costs related to the restructuring of certain domestic and international sales and research and development operations, settlement of the Carmel lawsuit (see Note 11 of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K) and other expenses. The restructuring plans have been completed.

In February 1995, Symantec announced a plan to consolidate certain research and development activities. This plan was designed to gain greater synergy between the Company's Third Generation Language and Fourth Generation Language development groups. During fiscal 1996, the Company completed the consolidation and recorded \$2 million for the relocation costs of moving equipment and personnel.

Other Expenses In fiscal 1997, Symantec recorded a \$2 million charge in connection with the write-off of an equity investment and a \$3 million charge for the write-off of certain in-process research and development acquired by the Company.

In fiscal 1996, Symantec sold the assets of Time Line Solutions Corporation, a wholly-owned subsidiary, to a group comprised of Time Line Solutions Corporation's management and incurred a \$3 million loss on the sale. In the fourth quarter of fiscal 1996, the Company recorded \$2 million for estimated legal fees expected to be incurred in connection with a securities class action complaint filed in March 1996 and other legal matters (See Note 11 of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K).

As of March 31, 1997, total accrued cash related acquisition and restructuring expenses were \$4 million and included less than \$1 million for estimated legal fees and expenses, less than \$1 million for the elimination of duplicative and excess facilities and \$3 million for other acquisition related expenses.

INTEREST INCOME, INTEREST EXPENSE AND OTHER INCOME (EXPENSE)

Interest income was \$7 million, \$8 million and \$6 million in fiscal 1997, 1996 and 1995, respectively. Higher average cash balances during fiscal 1997 compared to fiscal 1996 were offset by lower interest rates on invested cash during the year. Interest income increased 33% in fiscal 1996 over fiscal 1995 due to higher average invested cash balances. Interest expense was \$1 million, \$2 million and \$2 million in fiscal 1997, 1996 and 1995, respectively. The April 1995 conversion of convertible

subordinated debentures totaling \$10 million, which were originally issued in April 1993, for 833,333 shares of Symantec common stock, resulted in a reduction in interest expense in fiscal 1997 from 1996 and in fiscal 1996 from 1995. Other income (expense) is primarily comprised of foreign currency exchange gains and losses from fluctuations in currency exchange rates.

INCOME TAXES

The effective income tax provision for fiscal 1997 was 14%, which compares to an effective income tax benefit of 10% in fiscal 1996 and an effective tax provision of 25% in fiscal 1995. The 1997 income tax provision of 14% is lower than the statutory rate primarily due to the utilization of previously unbenefitted losses.

Realization of the \$13 million of net deferred tax asset that is reflected in the financial statements is dependent upon the Company's ability to generate sufficient future U.S. taxable income. Management believes that it is more likely than not that the asset will be realized based on forecasted U.S. earnings. A valuation allowance of approximately \$40 million was provided in the financial statements. Approximately \$22 million of the valuation allowance for deferred tax assets is attributable to unbenefitted stock option deductions, the benefit of which will be credited to equity when realized. Approximately \$4 million of the valuation allowance represents net operating loss and tax credit carryforwards of various acquired companies that are limited by separate return limitations and under the "change of ownership" rules of Internal Revenue Code Section 382, and the remaining \$14 million of the valuation allowance relates to unbenefitted temporary differences and net operating loss and tax credit carryforwards.

Symantec projects the effective tax rate to be 23% in fiscal 1998. This rate is lower than the expected U.S. federal and state combined statutory rate of 40% is due to a lower tax rate from the Company's Irish operation and the utilization of previously unbenefitted losses. However, this projection is subject to change due to fluctuations in and the geographic allocation of earnings. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Fluctuations in Quarterly Operating Results.)

LIQUIDITY AND CAPITAL RESOURCES

Cash, short-term investments and restricted investments increased \$79 million to \$208 million at March 31, 1997 from \$129 million at March 31, 1996. This increase was largely due to cash provided from operating activities, net proceeds from the exercise of stock options and the sales of common stock under the Employee Stock Purchase Plan, and improved cash collections of trade accounts receivable. Cash provided by operating activities was partially offset by the reclassification of \$47 million to restricted investments, a non-current asset. The restricted investment balance relates to collateral requirements under lease agreements entered into by Symantec during the current fiscal year. Symantec is obligated under lease agreements for two existing office buildings, one parcel of land and one office building under construction in Cupertino, California to maintain a restricted cash balance invested in U.S. treasury notes with maturities not to exceed three years. In accordance with the lease terms, these funds would not be available to meet operating cash requirements. Net cash provided by operating activities was \$94 million and was comprised of the Company's net income of \$26 million and non-cash related expenses of \$37 million and a net decrease in assets and liabilities of \$31 million.

Trade accounts receivable decreased \$11 million from \$59 million at March 31, 1996 to \$48 million at March 31, 1997 primarily due to improved cash collections during the year.

On April 29, 1997, the Board of Directors of Symantec authorized the repurchase of up to 1,000,000 shares of Symantec common stock by June 13, 1997. The shares will be used for employee stock purchase programs and option grants. As of June 13, 1997, management completed the repurchase of 500,000 shares at prices ranging from \$16.57 to \$17.00 per share.

The Company has a \$10 million line of credit that expires in March 1998. The Company was in compliance with the debt covenants at March 31, 1997. At March 31, 1997, there were no borrowings outstanding under this line and there were less than \$1 million of standby letters of credit outstanding under this agreement. Future acquisitions by the Company may cause the Company to be in violation of the line of credit covenants; however, the Company believes that if the line of credit were canceled or amounts were not available under the line, there would not be a material adverse impact on the financial results, liquidity or capital resources of the Company.

Symantec is obligated under lease agreements for two existing office buildings, one parcel of land and one office building under construction in Cupertino, California to maintain a restricted cash balance invested in U.S. treasury notes with maturities not to exceed three years. In accordance with the lease terms, these funds would not be available to meet operating cash requirements.

If Symantec were to sustain significant losses, the Company could be required to reduce operating expenses, which could result in product delays, reassessment of acquisition opportunities, which could negatively impact the Company's growth objectives, and/or pursue further financing options. The Company believes existing cash and short-term investments will be sufficient to fund operations for the next year. (See further discussion in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Risks - Fluctuations in Quarterly Operating Results and Management of Expanding Operations.)

BUSINESS RISKS

The preceding discussion contains forward-looking statements that are subject to significant risks and uncertainties. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements contained in the following discussion.

Rapid Technological Change and Development Risks

The Company participates in a highly dynamic industry. Future technology or market changes may cause certain of Symantec's products to become obsolete more quickly than expected and the trend towards server-based applications in networks and over the Internet could have a material adverse effect on sales of the Company's products. The impact of the market's acceptance and adoption rate of Symantec's products may result in reduced revenues, gross margins and net income, as well as significant increases in the volatility of Symantec's stock price.

Stock Price Volatility

The Company's earnings and stock price have been and may continue to be subject to significant volatility, particularly on a quarterly basis. Symantec has previously experienced shortfalls in revenue and earnings from levels expected by securities analysts, which has had an immediate and signifi-

cant adverse effect on the trading price of the Company's common stock. This may occur again in the future. Additionally, as a significant portion of the Company's revenues often occur late in the quarter, the Company may not learn of revenue shortfalls until late in the fiscal quarter, which could result in an even more immediate and adverse effect on the trading price of the Company's common stock.

Personal Computer and Hardware Growth Rates

Fluctuations in customer spending from software to hardware as the result of technological advancements in hardware or price reductions of hardware have in the past and may in the future result in reduced revenues which would have a material adverse effect on operating results.

Fluctuations in Quarterly Operating Results

While Symantec's diverse product line has tended to lessen fluctuations in quarterly net revenues, these fluctuations have occurred in the past and are likely to occur in the future. These fluctuations may be caused by a number of factors, including the introduction of competitive products by new competitors, reduced demand for any given product, seasonality in the retail software market, the market's transition between operating systems, the impact of the Internet and general economic conditions. These factors may cause significant fluctuations in net revenues and, accordingly, operating results.

Management of Expanding Operations

Symantec continually evaluates its product and corporate strategy and has in the past and will in the future undertake organizational changes and product and marketing strategy modifications which are designed to maximize market penetration, maximize use of limited corporate resources and develop new products and product channels. These organizational changes increase the risk that objectives will not be met due to the allocation of valuable resources to implement changes. Further, due to the uncertain nature of any of these undertakings, there can be no assurance that these efforts will be successful or that the Company will realize any benefit from these efforts.

Symantec has completed a number of acquisitions and may acquire other companies in the future. Acquisitions involve a number of special risks, including the diversion of management's attention to assimilation of the operations and personnel of the acquired companies in an efficient and

timely manner, the retention of key employees, the difficulty of presenting a unified corporate image, the coordination of research and development and sales efforts and the integration of the acquired products.

The Company has lost certain key employees of acquired companies, and, in some cases, the assimilation of the operations of acquired companies took longer than initially had been anticipated by the Company. In addition, because the employees of acquired companies have frequently remained in their existing, geographically diverse facilities, the Company has not realized certain economies of scale that might otherwise have been achieved.

Symantec typically incurs significant expenses in connection with acquisitions, which have a significant adverse impact on the Company's profitability and financial resources. These expenses may have a significant adverse impact on the Company's future profitability and financial resources.

Foreign Operations

A significant portion of Symantec's revenues, manufacturing costs and marketing is transacted in foreign currencies. As a result, the Company may be materially and adversely affected by fluctuations in currency exchange rates, as well as increases in duty rates, exchange or price controls or other restrictions on foreign currencies. The Company's international operations are subject to certain risks common to international operations, such as government regulations, import restrictions, currency fluctuations, repatriation restrictions and, in certain jurisdictions, reduced protection for the Company's copyrights and trademarks.

Price Competition

Price competition is intense in the microcomputer business software market and is expected to continue to increase and become even more significant in the future, resulting in reduced profit margins. Should competitive pressures in the industry continue to increase, Symantec may be required to reduce software prices and/or increase its spending on sales, marketing and research and development as a percentage of net revenues, resulting in lower profit margins. There can be no assurance these changes will be successful.

Distribution Channels

Approximately 34% of the Company's net revenues in fiscal 1997 were from sales to two large retail distributors. These customers tend to make the majority of their purchases at the

end of the fiscal quarter, in part because they are able, or believe that they are able, to negotiate lower prices and more favorable terms. This end-of-period buying pattern means that forecasts of quarterly and annual financial results are particularly vulnerable to the risk that they will not be achieved, either because expected sales do not occur or because they occur at lower prices or on less favorable terms to the Company. The Company's retail distribution customers also carry the products of Symantec's competitors. The distributors have limited capital to invest in inventory, and their decisions to purchase the Company's products is partly a function of pricing, terms and special promotions offered by Symantec as well as by its competitors over which the Company has no control and which it cannot predict.

Agreements with distributors are generally nonexclusive and may be terminated by either party without cause. Such distributors are not within the control of Symantec, are not obligated to purchase products and may also represent competitors' product lines. There can be no assurance that these distributors will continue their current relationships with Symantec on the same basis, or that they will not give higher priority to the sale of other products, which could include products of competitors. Additionally, certain distributors and resellers have experienced financial difficulties in the past. There can be no assurance that distributors that account for significant sales of the Company will not experience financial difficulties in the future. Any such problems could lead to reduced sales and could adversely affect operating results of the Company. There can be no assurance that Symantec will be able to continue to obtain adequate distribution channels for all of its products in the future.

Due to the rapid change in software distribution technology as demonstrated by the increase in volume of software distributed through the Internet, there can be no assurance that Symantec will be able to develop an effective method of distributing its software products utilizing each of the available distribution channels or that Symantec will develop distribution channels for those channels which are ultimately accepted by the marketplace. The presence of new channels could adversely impact existing channels and/or product pricing, which could have a material adverse impact on the Company's net revenues and profitability.

The Company operates with relatively little backlog; therefore, if near-term demand for the Company's products weakens in a given quarter, there could be an immediate, material adverse effect on net revenues and on the Company's

operating results, which would likely result in a precipitous drop in stock price.

Channel Fill

The Company's pattern of revenues and earnings may be affected by "channel fill." Channel fill occurs following the introduction of a new product as distributors buy significant quantities of the new product in anticipation of sales of such product. Software upgrades typically result in an increase in net revenues during the first three to six months following their introduction due to purchases by existing users, usually at discounted prices, and initial inventory purchases by Symantec's distributors. Following such purchases, the rate of distributors' purchases often declines in a material amount, depending on the rates of purchases by end users or "sell-through." As the desktop applications market has become more saturated, the sales mix is shifting from standard retail products to lower priced product upgrades. This trend is likely to continue.

Channel fill may also occur in anticipation of price increases or in response to sales promotions or incentives, some of which may be designed to encourage customers to accelerate purchases that might otherwise occur in later periods. Channels may also become filled simply because the distributors do not sell their inventories to retail distribution or end users as anticipated. If sell-through does not occur at a sufficient rate, distributors will delay purchases or cancel orders in later periods or return prior purchases in order to reduce their inventories. Such order delays or cancellations can cause material fluctuations in revenues from one quarter to the next. The impact is somewhat mitigated by the Company's deferral of revenue associated with inventories estimated to be in excess of appropriate levels in the distribution channel; however, net revenues may still be materially affected favorably or adversely by the effects of channel fill.

Between the date Symantec announces a new version or new product and the date of release, distributors, dealers and end users often delay purchases, cancel orders or return products in anticipation of the availability of the new version or new product.

Channel fill did not have a material impact on the Company's revenues in fiscal 1997, 1996 or 1995 but may have a material impact in future periods, particularly in periods where a large number of new products are simultaneously introduced.

Product Returns

The Company estimates and maintains reserves for product returns. Product returns can occur when the Company introduces upgrades and new versions of products or when distributors have excess inventories. Symantec's return policy allows its distributors, subject to certain limitations, to return purchased products in exchange for new products or for credit towards future purchases. End users may return products through dealers and distributors within a reasonable period from the date of purchase for a full refund, and retailers may return older versions of products. Symantec prepares detailed analyses of historical return rates, as well as taking into consideration upcoming product upgrades, current market conditions, customer inventory balances and any other known factors when estimating anticipated returns and maintains reserves for product returns. Symantec has experienced, and may experience in the future, significant increases in product returns above historical levels from customers of acquired companies after an acquisition is completed. The impact of actual returns on net revenues, net of such provisions, has not had a material effect on the Company's liquidity as the returns typically result in the issuance of credit towards future purchases as opposed to cash payments to the distributors. However, there can be no assurance that future returns will not exceed the reserves established by the Company or that future returns will not have material adverse effect on the operating results of the Company.

Uncertainty of Research and Development Efforts

Symantec believes research and development expenditures will be necessary in order to remain competitive. While the Company believes its research and development expenditures will result in successful product introductions, due to the uncertainty of software development projects, these expenditures will not necessarily result in successful product introductions. Uncertainties impacting the success of software development project introductions include technical difficulties, market conditions, competitive products and customer acceptance of new products and operating systems.

The length of Symantec's product development cycle has generally been greater than Symantec originally expected. Although such delays have undoubtedly had a material adverse effect on Symantec's business, Symantec is not able to quantify the magnitude of net revenues that were deferred

or lost as a result of any particular delay because Symantec is not able to predict the amount of net revenues that would have been obtained had the original development expectations been met. Delays in future product development are likely to occur and could have a material adverse effect on the amount and timing of future revenues. Due to the inherent uncertainties of software development projects, Symantec does not generally disclose or announce the specific expected shipment date of the Company's product introductions. While the Company performs extensive usability and beta testing of new products, there can be no assurance that any products currently being developed by Symantec will be technologically successful, that any resulting products will achieve market acceptance or that the Company's products will be effective in competing with products either currently in the market or introduced in the future.

Operating System

The release and subsequent customer acceptance of current or enhanced operating systems are particularly important events that increase the uncertainty and increase the volatility of Symantec's results.

Microsoft has incorporated advanced utilities including telecommunications, facsimile and data recovery utilities in Windows 95 and may include additional product features in future releases of Windows 95 and Window NT that may decrease the demand for certain of the Company's products, including those currently under development.

Should the Company be unable to successfully or timely develop products that operate under existing or new operating systems, the Company's future net revenues and operating results would be immediately and significantly adversely affected. In addition, as the timing of delivery and adoption of many of Symantec's products is dependent on the adoption rate of these operating systems, which the Company and securities analysts are unable to predict, the ability of Symantec and securities analysts to forecast the Company's net revenues has been and will continue to be adversely impacted. As a result, there is a heightened risk that net revenues and profits will not be in line with analysts' expectations in the periods following the introduction of existing or new operating systems.

Intellectual Property Rights

Symantec regards its software as proprietary and relies on a combination of copyright, patent and trademark laws and

license agreements in an attempt to protect its rights. Despite these precautions, it may be possible for unauthorized third parties to copy aspects of Symantec's products or to obtain and use information that Symantec regards as proprietary. All of Symantec's products are protected by copyright, and Symantec has several patents and patent applications pending. However, existing patent and copyright laws afford limited practical protection. In addition, the laws of some foreign countries do not protect Symantec's proprietary rights in its products to the same extent as do the laws of the United States. Symantec's products are not copy protected.

As the number of software products in the industry increases and the functionality of these products further overlap, Symantec believes that software developers will become increasingly subject to infringement claims. This risk is potentially greater for companies, such as Symantec, that obtain certain of their products through publishing agreements or acquisitions, since they have less direct control over the development of those products.

In addition, an increasing number of patents are being issued that are potentially applicable to software, and allegations of patent infringement are becoming increasingly common in the software industry. It is impossible to ascertain all possible patent infringement claims because new patents are being issued continually, the subject of patent applications is confidential until a patent is issued, and it may not be apparent even from a patent that has already been issued whether it is potentially applicable to a particular software product. This increases the risk that Symantec's products may be subject to claims of patent infringement. Although such claims may ultimately prove to be without merit, they are time consuming and expensive to defend. Symantec has been involved in disputes claiming patent infringement in the past, is currently involved in such disputes and litigation and may be involved in such disputes and/or litigation in the future. If Symantec is alleged to infringe one or more patents, it may choose to litigate the claim and/or seek an appropriate license. If litigation were to commence and a license were not available on reasonable terms or if another party were found to have a valid patent claim against Symantec, it could have a material adverse effect on Symantec (See Note 11 of Notes to Consolidated Financial Statements).

Litigation

Symantec is involved in a number of other judicial and administrative proceedings incidental to its business (See Note 11 of Notes to Consolidated Financial Statements). The

Company intends to defend and/or pursue all of these lawsuits vigorously and, although an unfavorable outcome could occur in one or more of the cases, the final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on the financial position of the Company. However, depending on the amount and timing of an unfavorable resolution of these lawsuits, it is possible that the Company's future results of operations or cash flows could be materially adversely effected in a particular period.

Sales and Marketing and Support Investments

Symantec believes substantial sales and marketing efforts are essential to achieve revenue growth and to maintain and enhance Symantec's competitive position. There can be no assurance that these increased sales and marketing efforts will be successful.

Business Disruption

Much of the Company's administration, sales and marketing, manufacturing and research and development facilities are located on the west coast of the United States. Future earthquakes or other natural disasters could cause a significant disruption to the Company's operations and may cause delays in product development that could adversely impact future revenues of the Company.

Order entry and product shipping are geographically separated both domestically and internationally. A disruption in communications between these facilities, particularly at the end of a fiscal quarter, would likely result in an unexpected shortfall in net revenues and could result in an adverse impact on operating results.

Supply Risk

Symantec has often been able to acquire materials on a volume-discount basis and has had multiple sources of supply for certain materials. To date, Symantec has not experienced any material difficulties or delays in production of its software and related documentation and packaging. However, shortages may occur in the future. For example, shortages of certain materials may occur when Microsoft introduces new operating systems.

Employee Risk

Competition in recruiting personnel in the software industry is intense. Symantec believes that its future success will depend in part on its ability to recruit and retain highly skilled management, marketing and technical personnel.

Symantec believes that it must provide personnel with a competitive compensation package, which necessitates the continued availability of stock options and requires ongoing shareholder approval of such option programs.

Item 8: Financial Statements and Supplementary Data

ANNUAL FINANCIAL STATEMENTS

See Part IV, Item 14 of this Form 10-K.

SELECTED QUARTERLY DATA

During fiscal 1996, Symantec acquired Delrina in a transaction accounted for as a pooling of interest. All financial information has been restated to reflect the combined operations of Symantec and Delrina.

(In thousands, except net income (loss) per share; unaudited)

	Fiscal 1997			
	Mar. 31, 1997	Dec. 31, 1996	Sep. 30, 1996	Jun. 30, 1996
Net revenues	\$ 129,706	\$ 124,081	\$ 109,178	\$ 109,218
Gross margin	100,352	102,105	88,448	87,734
Acquisition, restructuring and other expenses*	—	—	7,290	1,295
Net income (loss)**	8,269	13,852	882	3,035
Net income (loss) per share				
primary	\$ 0.15	\$ 0.25	\$ 0.02	\$ 0.06
fully diluted	\$ 0.15	\$ 0.25	\$ 0.02	\$ 0.06
	Fiscal 1996			
	Mar. 31, 1996	Dec. 31, 1995	Sep. 30, 1995	Jun. 30, 1995
Net revenues	\$ 115,960	\$ 111,097	\$ 108,510	\$ 109,865
Gross margin	95,363	80,027	73,420	87,647
Acquisition, restructuring and other expenses*	2,000	25,688	—	(71)
Net income (loss)**	7,943	(36,806)	(17,786)	6,866
Net income (loss) per share				
primary	\$ 0.15	\$ (0.69)	\$ (0.34)	\$ 0.13
fully diluted	\$ 0.15	\$ (0.69)	\$ (0.34)	\$ 0.12

* See Note 10 of Notes to Consolidated Financial Statements.

** Quarterly operating results for the period ended March 31, 1997, includes revenue and charges related to the sale of Symantec's networking business unit (see Note 9 of Notes to Consolidated Financial Statements).

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part

III

Item 10: Directors and Executive Officers of the Registrant

Information required by this Item with respect to Directors may be found in the section captioned "Election of Symantec Directors" appearing in the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on September 18, 1997 (the "Proxy Statement"). Such information is incorporated herein by reference. Information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, may be found in the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in the Proxy Statement.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Gordon E. Eubanks, Jr.	50	President and Chief Executive Officer
Howard A. Bain III	51	Vice President, Worldwide Operations and Chief Financial Officer
Mark W. Bailey	38	Senior Vice President, Business Development/Emerging Businesses
Enrique T. Salem	31	Vice President, Security and Assistance Business Unit and Chief Technical Officer
Dieter Giesbrecht	53	Vice President, EMEA
Dana E. Siebert	37	Vice President, Americas
Christopher Calisi	37	Vice President, Remote Professional Tools
Derek Witte	40	Vice President, General Counsel and Secretary

Executive officers are chosen by and serve at the discretion of the Board of Directors. There is no family relationship between any director or executive officer of Symantec and any other director or executive officer of Symantec.

Gordon E. Eubanks, Jr. is the President and Chief Executive Officer of Symantec. He has served as a director of Symantec since November 1983 and as the President and Chief Executive Officer of Symantec since October 1986. Mr. Eubanks also served as Symantec's Chairman of the Board

from November 1983 to October 1986 and from November 1990 to January 1993. Previously, Mr. Eubanks was Vice President of Digital Research, Inc.'s commercial systems division where he was responsible for the development and marketing of all system software products. He left Digital Research, Inc. in September 1983. Mr. Eubanks founded Compiler Systems, Inc. and authored its products: CBASIC, one of the first successful languages on personal computers, and CB80, a compiled version of CBASIC. Compiler Systems, Inc. was acquired by Digital Research, Inc. in August of 1981. Mr. Eubanks received his Bachelor of Science degree in Electrical Engineering from Oklahoma State University. He received his Masters degree in Computer Science from Naval Postgraduate School in Monterey, California. Mr. Eubanks was a commissioned officer in the United States Navy from 1970 to 1979 serving in the Nuclear Submarine Force. Mr. Eubanks is also a director of NetFrame Systems, Inc. He is a member of the IEEE and ACM.

Howard A. Bain III is currently Vice President, World-Wide Operations and CFO, at Symantec Corporation. Mr. Bain has over twenty-five years of experience in all phases of corporate operations and challenges. Prior to joining Symantec in October 1991 as Vice President, Finance, he was CFO for several private venture financed technology companies (RTP semiconductor manufacturing equipment, BiCMOS SRAM's, laser-based large screen projection systems for HDTV and computer graphics applications, and high performance 5-1/4" disk drives for personal computers) where he assisted those management teams in growing their businesses through raising over \$50 million in venture capital and controlling hyper-growth. His previous experience includes senior financial and accounting management positions with Fairchild Camera and Instrument Corporation and as a consultant with Arthur Andersen & Company. Mr. Bain is a CPA and holds a B.S.B.A. from California Polytechnic University.

Mark W. Bailey is Senior Vice President, Business Development and Emerging Businesses of Symantec. Mr. Bailey has led Symantec's mergers and acquisitions and alliances effort since December 1989. Prior to that, Mr. Bailey was an associate partner with one of the early investors in Symantec, Kleiner Perkins Caufield & Byers. Before attending graduate school, Mr. Bailey worked at Hewlett Packard. Mr. Bailey received a Bachelor of Science degree cum laude in electrical engineering and computer science from Princeton

University and an MBA from Harvard University's Graduate School of Business Administration.

Enrique T. Salem is Vice President, Security and Assistance Business Unit and Chief Technical Officer. Mr. Salem joined Symantec in April 1990 and has held numerous positions including Director of Development and General Manager of Advanced Utilities Group. Previous to joining Symantec, he was Vice President in Security Pacific National Bank, Merchant Bank Division, where he was responsible for the development and deployment of a global trading system. Mr. Salem holds a Bachelor of Arts degree in Computer Science from Dartmouth College. He is a member of the Board of Directors of the Software Council of Southern California and a member of the IEEE. Mr. Salem became an executive officer of Symantec in October 1996.

Dieter Giesbrecht is Vice President, EMEA (Europe, Middle East and Africa) of Symantec. Mr. Giesbrecht joined Symantec in September 1996. From 1995 until joining Symantec, he was Vice President of Attachmate Europe based in Paris, France and was responsible for the EMEA region. From 1991 to 1995, he held several executive functions within Lotus Development Europe including Managing Director UK and Managing Director Central Europe. He has a degree in Electronics Engineering from the Technical University of Furtwangen located in Germany. Mr. Giesbrecht is a member of the Institute of Directors.

Dana E. Siebert is Vice President, Americas. Previously, Mr. Siebert served as Vice President, Worldwide Sales of Symantec and prior to that, Vice President, Worldwide Services of Symantec. Mr. Siebert joined Symantec in September 1987. From 1985 to 1987, he was a Sales Manager at THINK Technologies where he was responsible for U.S. corporate, OEM and international sales. Previously, he held a number of sales management positions in high technology companies including Wang Laboratories, Computerland Corporation and Burroughs Corporation. Mr. Siebert holds a Bachelor of Science degree in Business Administration from the University of New Hampshire and is a member of the Software Publishers Association.

Christopher Calisi is Vice President, Remote Professional Tools of Symantec. From 1992 to 1996, Mr. Calisi held several positions within Symantec's Remote

Access Business Unit, including Development Manager, Director of Development, General Manager and most recently, Vice President, Communication Products. Mr. Calisi joined Symantec in 1992 from Unify Corporation, a relational database and 4GL tools vendor where he served as the Manager of Sales Engineers. Prior to Unify Corporation, Mr. Calisi held development positions with several relational database vendors, including Britton Lee, Oracle and Computer Associates. Mr. Calisi holds a Bachelor of Science degree from the State University of New York at Empire State and has received executive training at the Wharton School. Mr. Calisi holds several copyrights for software innovations from 1981 through 1986 and is an associate of the IEEE Committee. Mr. Calisi became an executive officer of Symantec in May 1996.

Derek Witte is Vice President, General Counsel and Secretary of Symantec. Mr. Witte joined Symantec in October 1990. From October 1987 until joining Symantec, Mr. Witte was Associate General Counsel and later Director of Legal Services for Claris Corporation, a software subsidiary of Apple. Between January and October 1987, Mr. Witte was Assistant General Counsel at Worlds of Wonder, Inc. Previously, Mr. Witte practiced law with the San Francisco-based law firms of Brobeck, Phleger & Harrison and Heller Ehrman White and McAuliffe during the periods between 1981 and 1983 and 1983 and 1987, respectively. Mr. Witte holds a law degree and a Bachelor of Arts degree in Economics from the University of California at Berkeley. Mr. Witte has been a member of the California bar since 1981.

Item 11: Executive Compensation

Information with respect to this Item may be found in the section captioned “Executive Compensation” appearing in the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on September 18, 1997. Such information is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management

Information with respect to this Item may be found in the section captioned “Security Ownership of Certain Beneficial Owners and Management” appearing in the definitive Proxy Statement to be delivered to stockholders in connection with

the Annual Meeting of Stockholders to be held on September 18, 1997. Such information is incorporated herein by reference.

Item 13: Certain Relationships and Related Transactions

Information with respect to this Item may be found in the section captioned “Executive Compensation - Certain Transactions” appearing in the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held on September 18, 1997. Such information is incorporated herein by reference.

Part

IV

Item 14: Exhibits, Financial Statement Schedules and Reports on Form 8-K

Upon written request, the Company will provide, without charge, a copy of the Company's annual report on Form 10-K, including the consolidated financial statements, financial statement schedules and any exhibits for the Company's most recent fiscal year. All requests should be sent to:

Lori A. Barker
Investor Relations
Symantec Corporation
10201 Torre Avenue
Cupertino, California 95014-2132
(800) 883-4497

(A) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

1. Consolidated Financial Statements	Page
Report of Ernst & Young LLP, Independent Auditors	36
Report of Price Waterhouse, Independent Auditors	37
Consolidated Balance Sheets as of March 31, 1997 and 1996	38
Consolidated Statements of Operations for the Years Ended March 31, 1997, 1996 and 1995	39
Consolidated Statements of Stockholders' Equity for the Years Ended March 31, 1997, 1996 and 1995	40
Consolidated Statements of Cash Flow for the Years Ended March 31, 1997, 1996 and 1995	41
Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements	42

2. Financial Statement Schedules

The following financial statement schedule of Symantec Corporation for the years ended March 31, 1997, 1996 and 1995 is filed as part of this Form 10-K and should be read in conjunction with the Consolidated Financial Statements of Symantec Corporation.

Schedule II

Valuation and Qualifying Accounts	55
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Schedules other than that listed above have been omitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-K:

- 3.01 The Registrant's Restated Certificate of Incorporation. (Incorporated by reference to Annex G filed with the Registrant's Joint Management Information Circular and Proxy Statement (No. 000-17781) dated October 17, 1995.)
- 3.02 The Registrant's Bylaws, as currently in effect. (Incorporated by reference to Exhibit 3.02 filed with the Registrant's Registration Statement on Form S-1 (No. 33-28655) originally filed May 19, 1989, and amendment No. 1 thereto filed June 21, 1989, which Registration Statement became effective June 22, 1989.)
- 4.01 Registration Rights Agreement. (Incorporated by reference to Exhibit 4.02 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)
- 4.02 Amendment No. One to Registration Rights Agreement (Incorporated by reference to Exhibit 4.03 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)
- 4.03 Amendment No. Two to Registration Rights Agreement (Incorporated by reference to Exhibit 4.04 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)
- 4.04 Plan of Arrangement and Exchangeable Share Provisions related to the acquisition of Delrina. (Incorporated by reference to Annex D filed with the Registrant's Joint Management Information Circular and Proxy Statement dated October 17, 1995.)
- 4.05 Support Agreement dated July 5, 1995 between Symantec and Delrina. (Incorporated by reference to Annex E filed with the Registrant's Joint Management Information Circular and Proxy Statement dated October 17, 1995.)
- 4.06 Form of Voting and Exchange Trust Agreement dated July 5, 1996 between Symantec and Delrina. (Incorporated by reference to Annex F filed with the Registrant's Joint Management Information Circular and Proxy Statement dated October 17, 1995.)
- 10.01 Amended Agreement Respecting Certain Rights of Publicity. (Incorporated by reference to Exhibit 10.04 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)
- 10.02 Non-Competition and Non-Solicitation Agreement between Registrant and Peter Norton and Ronald Posner. (Incorporated by reference to Exhibit 10.06 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)
- 10.03* 1988 Employees Stock Option Plan, as amended to date. (Incorporated by reference to Exhibit 4.02 filed with the Registrant's Registration Statement on Form S-8 (No. 33-88694) filed January 23, 1995.)
- 10.04* 1989 Employee Stock Purchase Plan, as amended to date. (Incorporated by reference to Exhibit 4.01 filed with the Registrant's Registration Statement on Form S-8 (No. 33-18353) filed December 20, 1996.)
- 10.05* Form of Stock Option Agreement and Form of Stock Option Exercise Request, as currently in effect, under the Registrant's 1988 Employees Stock Option Plan. (Incorporated by reference to Exhibit 10.10 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)

* Indicates a management contract or compensatory plan or arrangement.

<p>10.06* 1988 Directors Stock Option Plan, as amended to date. (Incorporated by reference to Exhibit 10.09 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)</p> <p>10.07* 1993 Directors Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.07 filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994)</p> <p>10.08* Form of Stock Option Grant and Stock Option Exercise Notice and Agreement under the Registrant's 1988 Directors Stock Option Plan. (Incorporated by reference to Exhibit 10.12 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)</p> <p>10.09* 1994 Patent Incentive Plan. (Incorporated by reference to Exhibit 4.01 filed with the Registrant's Registration Statement on Form S-8 (No. 33-60141) filed June 9, 1995.)</p> <p>10.10* Symantec Corporation 1996 Equity Incentive Plan. (Incorporated by reference to Exhibit 4.01 filed with the Registrant's Registration Statement on Form S-8 (No. 333-18355) filed December 20, 1996.)</p> <p>10.11* Symantec Corporation Deferred Compensation Plan dated as of November 7, 1996.</p> <p>10.12 Participation Agreement dated as of October 18, 1996, by and among Symantec Corporation, Sumitomo Bank Leasing and Financing, Inc., The Sumitomo Bank, Limited, San Francisco Branch and the other Various Financial Institutions Identified Herein and the Sumitomo Bank, Limited, San Francisco Branch. (Incorporated by reference to Exhibit 10.01 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended September 27, 1996.)</p> <p>10.13 Appendix A to Participation Agreement, Master Lease, Lease Supplements Loan Agreements, Pledge Agreement, Lessor Mortgages, and Guaranty. (Incorporated by reference to Exhibit 10.02 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended September 27, 1996.)</p> <p>10.14 Master Lease and Deed of Trust, as amended, dated as of October 18, 1996 between Symantec Corporation and Sumitomo Bank Leasing and Finance, Inc.</p> <p>10.15 Guaranty dated as of October 18, 1996, made by Symantec Corporation in favor of Various Financial Institutions and The Sumitomo Bank, Limited, San Francisco Branch. (Incorporated by reference to Exhibit 10.05 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended September 27, 1996.)</p> <p>10.16 Pledge Agreement dated as of October 18, 1996, made by Symantec Corporation, in favor of Sumitomo Bank, Limited, San Francisco Branch for the benefit of the Lenders, and Donaldson, Lufkin, Jenrette Securities Corporations, as collateral agent. (Incorporated by reference to Exhibit 10.06 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended September 27, 1996.)</p> <p>10.17 Assignment of Lease and Rent, as amended, dated as of October 18, 1996, from Sumitomo Bank Leasing and Finance, Inc., to The Sumitomo Bank, Limited, San Francisco Branch.</p> <p>10.18 Agreement of Purchase and Sale of Cupertino City Center One between Cigna Property and Casualty Insurance Company and Symantec Corporation.</p> <p>10.19 Agreement for Purchase and Sale and Escrow Instructions of 10201 Torre Avenue, Cupertino, CA.</p> <p>10.20 Agreement for Purchase and Sale and Escrow Instructions, as amended, dated as of May 31, 1996.</p>	<p>10.21 Loan Agreement dated as of October 18, 1996, among Sumitomo Bank Leasing and Finance, Inc., Various Financial Institutions Identified Herein and The Sumitomo Bank, Limited, San Francisco Branch.</p> <p>10.22 Construction Agency Agreement dated as of March 3, 1997, between Sumitomo Bank Leasing and Finance, Inc., and Symantec Corporation.</p> <p>10.23 Symantec - CC5 Office Building and Parking Structure, as amended, dated as of May 5, 1997, made by and between Symantec Corporation and Webcor Builders.</p> <p>10.24 Office building lease dated as of April 10, 1991, between the Registrant and Maguire Thomas Partners Colorado Place regarding property located in Santa Monica, California. (Incorporated by reference to Exhibit 10.25 filed with the Registrant's Annual Report on Form 10-K for the year ended March 31, 1991.)</p> <p>10.25 Office building lease dated as of February 27, 1991, between the Registrant and Kim Camp No. VII regarding property located in Sunnyvale, California. (Incorporated by reference to Exhibit 10.26 filed with the Registrant's Annual Report on Form 10-K for the year ended March 31, 1991.)</p> <p>10.26 Office building lease dated as of April 19, 1995, between the Registrant and CIGNA Property and Casualty Insurance Company regarding property located in Cupertino, California. (Incorporated by reference to Exhibit 10.16 filed with the Registrant's Annual Report on Form 10-K for the year ended March 31, 1995.)</p> <p>10.27 Office building lease, as amended, dated as of December 1, 1995 between Delrina (Canada) Corporation and Sherway Centre Limited regarding property located in Toronto, Canada. (Incorporated by reference to Exhibit 10.01 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended December 29, 1995.)</p> <p>10.28 Form of Indemnity Agreement with Officers and Directors. (Incorporated by reference to Exhibit 10.17 filed with the Registrant's Registration Statement on Form S-1 (No. 33-28655) originally filed May 19, 1989, and amendment No. 1 thereto filed June 21, 1989, which Registration Statement became effective June 22, 1989.)</p> <p>10.29* Full Recourse Promissory Note and Pledge Agreement between the Company and Gordon E. Eubanks, Jr. (Incorporated by reference to Exhibit 10.19 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)</p> <p>10.30* Form of Promissory Note and Pledge Agreement between the Company and certain executives. (Incorporated by reference to Exhibit 10.20 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)</p> <p>10.31* Form of Housing Assistance Agreement between the Company and certain executives. (Incorporated by reference to Exhibit 10.26 filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)</p> <p>10.32 Note Purchase Agreement, dated April 2, 1993, among Symantec Corporation, Morgan Guaranty Trust Company of New York, as Trustee, J. P. Morgan Investments Management, Inc., as Investment Manager and The Northwestern Mutual Life Insurance Company, including Form of Convertible Subordinated Notes. (Incorporated by reference to Exhibit 10.30 filed with the Registrant's Annual Report on Form 10-K for the year ended April 2, 1993.)</p> <p>10.33* The Registrant's Section 401(k) Plan, as amended. (Incorporated by reference to Exhibit 10.25 filed with the Registrants Annual Report on Form 10-K for the year ended March 31, 1995.)</p>
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* Indicates a management contract or compensatory plan or arrangement.

- 10.34* Form of Executive Compensation Agreement between the Company and certain executives. (Incorporated by reference to Exhibit 10.25 filed with the Registrants Annual Report on Form 10-K for the year ended March 31, 1995.)
- 10.35 Assignment of Copyright and Other Intellectual Property Rights. (Incorporated by reference to appendix to Prospectus/ Proxy Statement filed with the Registrant's Registration Statement on Form S-4 (No. 33-35385) initially filed June 13, 1990.)
- 10.36* Employment and Consulting Agreement among Symantec Corporation, Symantec Acquisition Corp. and Charles M. Boesenberg. (Incorporated by reference to Exhibit 10.32 filed with the Registrant's Annual Report of Form 10-K for the year ended April 1, 1994.) (Confidential treatment has been granted with respect to portions of this exhibit.)
- 10.37* Stock Option Grant between the Company and Charles Boesenberg. (Incorporated by reference to Exhibit 10.29 filed with the Registrants Annual Report on Form 10-K for the year ended March 31, 1995.)
- 10.38 Authorized Distributor Agreement between Symantec Corporation and Ingram Micro, Inc. (Incorporated by reference to Exhibit 10.34 filed with the Registrant's Quarterly Report of Form 10-Q for the quarter ended July 1, 1994.) (Confidential treatment has been granted with respect to portions of this exhibit.)
- 10.39 Authorized Distributor Agreement between Symantec Corporation and Merisel Americas, Inc. (Incorporated by reference to Exhibit 10.35 filed with the Registrant's Quarterly Report of Form 10-Q for the quarter ended July 1, 1994.) (Confidential treatment has been granted with respect to portions of this exhibit.)
- 10.40* Employment and Non-competition Agreement between Symantec Corporation and Dennis Bennie. (Incorporated by reference to Exhibit 10.02 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended December 29, 1995.)
- 10.41 Combination Agreement between Symantec Corporation and Delrina Corporation dated July 5, 1995. (Incorporated by reference to Exhibit 10.01 filed with the Registrants Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.)
- 10.42 Asset Purchase Agreement dated as of September 10, 1996 by and between Delrina and JetForm. (Incorporated by reference to Exhibit 2.01 filed with the Registrant's Current Report of Form 8-K filed September 26, 1996.)
- 10.43 Asset Purchase Agreement, as amended, dated as of March 27, 1997 by and between Hewlett-Packard Company and Symantec Corporation.
- 10.44 Class action complaint filed by the law firm of Milberg Weiss Bershad Hynes & Lerach in Superior Court of the State of California, County of Santa Clara against the Company and several of its current and former officers and directors. (Incorporated by reference to Exhibit 10.35 filed with the Registrant's Annual Report of Form 10-K for the year ended March 31, 1996.)
- 11.01 Computation of Net Income (Loss) Per Share.
- 21.01 Subsidiaries of the Registrant.
- 23.01 Consent of Ernst & Young LLP, Independent Auditors.
- 23.02 Consent of Price Waterhouse, Independent Auditors.
- 27.01 Financial Data Schedule.

* Indicates a management contract or compensatory plan or arrangement.

(B) REPORTS ON FORM 8-K:

None.

(C) EXHIBITS:

The Registrant hereby files as part of this Form 10-K the exhibits listed in Item 14(a)3, as set forth above.

(D) FINANCIAL STATEMENT SCHEDULES:

The Registrant hereby files as part of this Form 10-K the schedule listed in Item 14(a)2, as set forth on page 32.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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*The Board of Directors and Stockholders
Symantec Corporation*

We have audited the accompanying consolidated balance sheets of Symantec Corporation as of March 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits. We did not audit the financial statements or schedule of Delrina Corporation, which statements reflect net income constituting 14% of the related 1995 consolidated financial statement totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for Delrina Corporation, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Symantec Corporation at March 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, based upon our audits and the report of other auditors, 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.



Ernst & Young LLP

San Jose, California

April 25, 1997, except for paragraph 6 of Note 11, as to which the date is May 13, 1997.

August 8, 1995

Auditors' Report

To the Shareholders of Delrina Corporation

We have audited the consolidated balance sheet of Delrina Corporation as at June 30, 1995 and the consolidated statements of operations, retained earnings (deficit) and changes in financial position for the years ended June 30, 1995 and 1994, all expressed in Canadian dollars. 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 audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Delrina Corporation as at June 30, 1995 and the results of its operations and the changes in its financial position for the years ended June 30, 1995 and 1994 in accordance with generally accepted accounting principles in Canada.

The logo for Price Waterhouse, featuring the company name in a stylized, cursive script.

Price Waterhouse
Chartered Accountants

CONSOLIDATED | BALANCE SHEETS

	March 31,	
<i>(In thousands)</i>	1997	1996
ASSETS		
Current assets:		
Cash and short-term investments	\$ 160,082	\$ 129,199
Trade accounts receivable	47,650	59,340
Inventories	4,476	7,893
Deferred income taxes	12,823	12,875
Other	13,166	14,653
Total current assets	238,197	223,960
Equipment and leasehold improvements	51,610	51,698
Restricted investments	47,448	—
Capitalized software	2,037	4,183
Other	2,381	5,186
	\$ 341,673	\$ 285,027
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 30,328	\$ 23,368
Accrued compensation and benefits	16,241	14,888
Other accrued expenses	53,742	47,664
Income taxes payable	8,276	3,329
Current portion of long-term obligations	41	68
Total current liabilities	108,628	89,317
Convertible subordinated debentures	15,000	15,000
Long-term obligations	66	393
Commitments and contingencies		
Stockholders' equity:		
Preferred stock (authorized: 1,000; issued and outstanding: none)	—	—
Common stock (authorized: 100,000; issued and outstanding: 55,427 and 53,636 shares)	554	536
Capital in excess of par value	291,548	279,508
Notes receivable from stockholders	(144)	(144)
Cumulative translation adjustment	(7,580)	(7,591)
Accumulated deficit	(66,399)	(91,992)
Total stockholders' equity	217,979	180,317
	\$ 341,673	\$ 285,027

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

	Year Ended March 31,		
	1997	1996	1995
<i>(In thousands, except net income (loss) per share)</i>			
Net revenues	\$ 472,183	\$ 445,432	\$ 431,268
Cost of revenues	93,544	108,975	90,935
Gross margin	378,639	336,457	340,333
Operating expenses:			
Research and development	88,924	94,672	70,706
Sales and marketing	220,811	229,703	190,439
General and administrative	34,030	32,744	29,357
Acquisition, restructuring and other expenses	8,585	27,617	9,545
Total operating expenses	352,350	384,736	300,047
Operating income (loss)	26,289	(48,279)	40,286
Interest income	7,182	7,512	5,648
Interest expense	(1,402)	(1,495)	(2,419)
Other income (expense), net	(1,691)	(2,130)	1,041
Income (loss) before income taxes	30,378	(44,392)	44,556
Provision (benefit) for income taxes	4,340	(4,609)	11,147
Net income (loss)	\$ 26,038	\$ (39,783)	\$ 33,409
Net income (loss) per share - primary	\$ 0.47	\$ (0.76)	\$ 0.65
Net income (loss) per share - fully diluted	\$ 0.47	\$ (0.76)	\$ 0.61
Shares used to compute net income (loss) per share - primary	55,407	52,664	52,181
Shares used to compute net income (loss) per share - fully diluted	55,841	52,664	56,491

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

STATEMENTS OF STOCKHOLDERS' EQUITY

<i>(In thousands)</i>	Common Stock	Capital in Excess of Par Value	Notes Receivable from Stockholders	Cumulative Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity
Balances, March 31, 1994	\$ 484	\$ 226,001	\$ (149)	\$ (7,054)	\$ (90,089)	\$ 129,193
Net income	—	—	—	—	33,409	33,409
Acquisition of Intec and SLR:						
Issued 303 shares of common stock	3	38	—	—	—	41
Accumulated deficit	—	—	—	—	(363)	(363)
Issued common stock:						
2,147 shares under stock plans and other	21	21,351	—	—	—	21,372
Repayments on notes	—	—	5	—	—	5
Issued 57 shares to acquire subsidiary	—	1,376	—	—	—	1,376
Translation adjustment	—	—	—	(159)	—	(159)
Balances, March 31, 1995	508	248,766	(144)	(7,213)	(57,043)	184,874
Net loss	—	—	—	—	(39,783)	(39,783)
Delrina net loss for the quarter ended June 30, 1995	—	—	—	—	4,834	4,834
Issued common stock:						
2,021 shares under stock plans and other	20	21,101	—	—	—	21,121
833 shares from conversion of convertible debentures	8	9,641	—	—	—	9,649
Translation adjustment	—	—	—	(378)	—	(378)
Balances, March 31, 1996	536	279,508	(144)	(7,591)	(91,992)	180,317
Net income	—	—	—	—	26,038	26,038
Acquisition of Fast Track:						
Issued 600 shares of common stock	6	(5)	—	—	—	1
Accumulated deficit	—	—	—	—	(445)	(445)
Issued common stock:						
1,191 shares under stock plans and other	12	12,045	—	—	—	12,057
Translation adjustment	—	—	—	11	—	11
Balances, March 31, 1997	\$ 554	\$ 291,548	\$ (144)	\$ (7,580)	\$ (66,399)	\$ 217,979

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)	Year Ended March 31,		
	1997	1996	1995
OPERATING ACTIVITIES:			
Net income (loss)	\$ 26,038	\$ (39,783)	\$ 33,409
Delrina net loss for the quarter ended June 30, 1995	—	4,834	—
Acquired companies' net assets	(445)	—	(1,677)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of equipment and leasehold improvements	22,770	19,717	15,689
Amortization and write-off of capitalized software costs	10,477	19,141	13,360
Write-off of equipment and leasehold improvements	4,010	3,403	1,539
Deferred income taxes	21	(989)	7,267
Net change in assets and liabilities:			
Trade accounts receivable	11,699	17,554	(15,266)
Inventories	3,432	1,450	1,308
Other current assets	1,304	(6,461)	4,008
Capitalized software costs	(7,656)	(3,286)	(1,523)
Other assets	2,720	2,465	(6,175)
Accounts payable	7,373	(2,368)	(11,224)
Accrued compensation and benefits	1,502	1,313	(1,042)
Accrued other expenses	6,104	(7,203)	(1,546)
Income taxes payable	5,031	1,211	78
Net cash provided by operating activities	94,380	10,998	38,205
INVESTING ACTIVITIES:			
Capital expenditures	(27,195)	(35,767)	(24,749)
Purchased intangibles	(698)	(461)	(4,293)
Purchases of short-term, available-for-sale investments	(180,000)	(154,500)	(166,524)
Maturities of short-term, available-for-sale investments	203,098	168,681	122,736
Purchases of long-term, restricted investments	(47,448)	—	—
Sales of fixed assets and other	—	—	(1,505)
Net cash used in investing activities	(52,243)	(22,047)	(74,335)
FINANCING ACTIVITIES:			
Principal payments on long-term obligations	(354)	(475)	(889)
Net proceeds from sales of common stock and other	12,057	20,770	21,395
Net cash provided by financing activities	11,703	20,295	20,506
Effect of exchange rate fluctuations on cash and cash equivalents	141	2,339	(2,263)
Increase (decrease) in cash and cash equivalents	53,981	11,585	(17,887)
Beginning cash and cash equivalents	41,777	30,192	48,079
Ending cash and cash equivalents	\$ 95,758	\$ 41,777	\$ 30,192
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid (net of refunds) during the year	\$ 392	\$ 906	\$ (759)
Interest paid on convertible subordinated debentures and long-term obligations	\$ 1,182	\$ 1,299	\$ 2,070

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

BUSINESS

Symantec Corporation (“Symantec” or the “Company”) develops, markets and supports a diversified line of application and system software products designed to enhance individual and workgroup productivity. Symantec’s products, comprising both application software and system software, are currently organized into the following three major product groups: Remote Productivity Solutions, Security and Assistance and Emerging Businesses and Other. Customers consist primarily of corporations, higher education institutions, government agencies and individual users, which are mainly located in North America, Europe and Asia/Pacific.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Symantec Corporation and its wholly-owned subsidiaries (“Symantec” or the “Company”). All significant intercompany accounts and transactions have been eliminated.

BASIS OF PRESENTATION

During fiscal 1997, 1996 and 1995, Symantec acquired various companies in transactions accounted for as poolings of interest. Accordingly, all financial information has been restated to reflect the combined operations of Symantec and the acquired companies with the exception of Intec Systems Corporation (“Intec”), SLR Systems, Inc. (“SLR”) and Fast Track, Inc. (“Fast Track”). The results of operations of Intec, SLR and Fast Track were not material to Symantec’s consolidated financial statements, and therefore, amounts prior to the year of acquisition were not combined with Symantec’s financial statements.

Symantec has a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 1997, 1996 and 1995 reflect amounts as of and for the periods ended March 28, 1997, March 29, 1996 and March 31, 1995, respectively. The fiscal year ending on April 3, 1998 will be comprised of a 53 week period.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the

amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company’s foreign subsidiaries is the local currency. Non-current assets and liabilities denominated in foreign currencies are translated using the exchange rate on the balance sheet dates. The cumulative translation adjustments resulting from this process are shown separately as a component of stockholders’ equity. Revenues and expenses are translated using average exchange rates prevailing during the year. Foreign currency transaction gains and losses are included in the determination of net income (loss).

REVENUE RECOGNITION

Symantec recognizes revenue upon shipment when no significant vendor obligations remain and collection of the receivable, net of provisions for estimated future returns, is probable. Symantec offers the right of return of its products under various policies. The Company estimates and maintains reserves for product returns. Based on returns experienced, the Company’s estimates have been materially accurate.

During fiscal 1997, Symantec sold certain software products and related tangible assets to JetForm Corporation (“JetForm”) and to the Hewlett-Packard Company (“Hewlett-Packard”) (see Note 9 of Notes to Consolidated Financial Statements). Due to the uncertainty regarding the ultimate collectibility of certain contractual installment payments from JetForm, Symantec is recognizing the related revenue as payments are due and collectibility is assured. Due to the uncertainty regarding the amounts upon which the related Hewlett-Packard payments are determined, Symantec is recognizing these amounts as revenue as they are determinable.

Revenues related to significant post-contract support agreements (generally product maintenance agreements) are deferred and recognized over the period of the agreements. The estimated cost of providing insignificant post-contract support (generally telephone support) is accrued at the time of the sale and is included in sales and marketing expense. Technical support costs included in sales and marketing

expense were \$35.1 million, \$34.5 million and \$28.0 million in fiscal 1997, 1996 and 1995, respectively.

Symantec recognized approximately \$3.0 million of North American net revenues in the March 1995 quarter and \$7.2 million of international net revenues in the June 1995 quarter that had been previously deferred by Central Point in accordance with Statement of Financial Accounting Standards No. 48.

CASH EQUIVALENTS, SHORT-TERM

INVESTMENTS AND RESTRICTED INVESTMENTS

Symantec considers investments in highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents. All of the Company's cash equivalents, short-term investments and restricted investments, consisting principally of commercial paper, corporate notes, U.S. treasury notes and certificates of deposit, are classified as available-for-sale as of the balance sheet date. These securities are reported at amortized cost, which approximates fair value, and therefore, there are no unrealized gains and losses included in stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary are included in interest income. The cost of securities sold is based upon the specific identification method.

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is principally determined using currently adjusted standards, which approximate actual cost on a first-in, first-out basis.

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets, generally the shorter of the lease term or three to seven years.

CAPITALIZED SOFTWARE

Purchased product rights are comprised of acquired software ("product rights") and are stated at cost less accumulated amortization. Amortization is provided on the greater of the straight-line basis over the estimated useful lives of the respective assets, generally three to five years, or on the basis of the ratio of current revenues to current revenues plus anticipated future revenues. In fiscal 1997, Symantec wrote off approximately \$0.6 million of unamortized purchased product rights

related to its network administration technology, as a result of the sale of this business unit to Hewlett-Packard in March 1997.

In fiscal 1997, Symantec capitalized approximately \$7.7 million of capitalized software development costs, primarily related to network administration technology, which was sold to Hewlett-Packard in March 1997, resulting in the write off of approximately \$7.0 million of unamortized costs during the fourth quarter of fiscal 1997 (See Note 9 of Notes to Consolidated Financial Statements). Amortization expense for capitalized software development costs during the fourth quarter of fiscal 1997 totaled approximately \$0.3 million.

Prior to fiscal 1997, capitalization of certain software development costs in accordance with Statement of Financial Accounting Standards No. 86 did not materially affect the Company, except for amounts capitalized by Delrina prior to its acquisition by Symantec in fiscal 1996. Delrina did not capitalize any software development costs in fiscal 1996 and capitalized approximately \$6.3 million in software development costs in fiscal year 1995, which were substantially written off in fiscal 1996 as the result of the de-emphasis of Delrina Windows 3.1 and certain other products. The related amortization expense was approximately \$5.6 million and \$4.0 million in fiscal 1996 and 1995, respectively.

INCOME TAXES

Income taxes are computed in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

NET INCOME (LOSS) PER SHARE

Net income (loss) per share is calculated using the treasury stock or the modified treasury stock method, as applicable, if dilutive. Common stock equivalents are attributable to outstanding stock options. Fully diluted earnings per share includes the assumed conversion of all of the outstanding convertible subordinated debentures.

CONCENTRATIONS OF CREDIT RISK

The Company's product revenues are concentrated in the personal computer software industry, which is highly competitive and rapidly changing. Significant technological changes in the industry or customer requirements, or the emergence of competitive products with new capabilities or technologies, could adversely affect operating results. In addition, a significant portion of the Company's revenue and net income is derived from international sales and independent

agents and distributors. Fluctuations of the U.S. dollar against foreign currencies, changes in local regulatory or economic conditions, piracy or nonperformance by independent agents or distributors could adversely affect operating results.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of short-term investments, restricted investments and trade accounts receivable. The Company's investment portfolio is diversified and consists of investment grade A-1/P-1 securities. The Company is exposed to credit risks in the event of default by these institutions to the extent of the amount recorded on the balance sheet. The credit risk in the Company's trade accounts receivable is substantially mitigated by the Company's credit evaluation process, reasonably short collection terms and the geographical dispersion of sales transactions. The Company generally does not require collateral and maintains reserves for potential credit losses, and such losses have been within management's expectations.

ADVERTISING

Advertising expenditures are charged to operations as incurred except for certain direct mail campaigns which are deferred and amortized over the expected period of benefit or twelve months, whichever is shorter. Deferred advertising costs have not been material in all periods presented. Advertising expense for fiscal 1997, 1996 and 1995 was approximately \$39.1 million, \$43.0 million and \$41.0 million, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," applicable for the fiscal year beginning April 1, 1996, did not have a material effect on the Company's consolidated financial condition or results of operations.

COMMON STOCK REPURCHASE

On April 29, 1997, the Board of Directors of Symantec authorized the repurchase of up to 1,000,000 shares of Symantec common stock by June 13, 1997. The shares will be used for employee stock purchase programs and option grants. As of June 13, 1997, management completed the repurchase of 500,000 shares at prices ranging from \$16.57 to \$17.00 per share.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement (SFAS) No. 128, "Earnings per Share", which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. The application of the SFAS 128 new "basic earnings per share" calculation results in basic earnings per share of \$0.48 for the year ended March 31, 1997, basic loss per share of \$0.76 for the year ended March 31, 1996 and basic earnings per share of \$0.68 for the year ended March 31, 1995. The Company does not expect the new diluted calculation to be materially different to fully diluted earnings per share.

RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current presentation format. During fiscal 1997, certain deferred revenue amounts which were previously classified as accrued liabilities have been reclassified to accounts receivable. The reclassification amounted to approximately \$19.0 million, \$13.0 million, and \$3.0 million in fiscal 1997, 1996, and 1995, respectively. All financial information has been restated to conform to this presentation.

NOTE 1. BALANCE SHEET INFORMATION

(In thousands)	March 31,		Companies Acquired	Date Acquired	Shares of Common Stock Issued	Acquired Company Stock Options Assumed
	1997	1996				
Cash, cash equivalents and short-term investments:						
Cash	\$ 33,755	\$ 20,176	Fast Track, Inc. ("Fast Track")	May 28, 1996	600,000	—
Cash equivalents	62,003	21,601	Delrina Corporation ("Delrina")	November 22, 1995	13,684,174*	1,271,677
Short-term investments	64,324	87,422	Intec Systems Corporation ("Intec")	August 31, 1994	133,332	—
	<u>\$ 160,082</u>	<u>\$ 129,199</u>	Central Point Software, Inc. ("Central Point")	June 1, 1994	4,029,429	707,452
Trade accounts receivable:			SLR Systems, Inc. ("SLR")	May 31, 1994	170,093	—
Receivables	\$ 51,950	\$ 64,356				
Less: allowance for doubtful accounts	(4,300)	(5,016)				
	<u>\$ 47,650</u>	<u>\$ 59,340</u>				
Inventories:						
Raw materials	\$ 1,736	\$ 1,969				
Finished goods	2,740	5,924				
	<u>\$ 4,476</u>	<u>\$ 7,893</u>				
Equipment and leasehold improvements:						
Computer equipment	\$ 91,533	\$ 79,153				
Office furniture and equipment	27,706	25,753				
Leasehold improvements	17,697	12,603				
	<u>136,936</u>	<u>117,509</u>				
Less: accumulated depreciation and amortization	(85,326)	(65,811)				
	<u>\$ 51,610</u>	<u>\$ 51,698</u>				
Capitalized software:						
Purchased product rights	\$ 591	\$ 8,680				
Capitalized software costs	2,465	5,623				
Less: accumulated amortization of purchased product rights	(55)	(8,162)				
Less: accumulated amortization of capitalized software costs	(964)	(1,958)				
	<u>\$ 2,037</u>	<u>\$ 4,183</u>				
Other accrued expenses:						
Acquisition and restructuring expenses	\$ 3,833	\$ 7,833				
Deferred revenue	13,825	13,350				
Marketing development funds	12,529	11,412				
Other	23,555	15,069				
	<u>\$ 53,742</u>	<u>\$ 47,664</u>				

* Includes Delrina exchangeable stock that is traded on the Toronto Stock Exchange. Delrina stockholders received Delrina exchangeable stock in exchange for Delrina common shares at a rate of 0.61 per share. Delrina exchangeable stock may be converted at any time into Symantec common stock on a one-for-one basis at each stockholder's option.

All of these acquisitions were accounted for as poolings of interest. In connection with the acquisitions of the companies listed above, Symantec incurred significant acquisition expenses (See Note 10). Due to differing year ends of Symantec and Delrina, financial information for dissimilar fiscal year ends was combined. Delrina's fiscal year ended June 30, 1995 was combined with Symantec's fiscal year ended March 31, 1995. Accordingly, Delrina's results of operations for the quarter ended June 30, 1995 were duplicated in the combined statements of operations for fiscal 1996 and 1995 and Delrina's net loss for the quarter ended June 30, 1995 was credited to stockholder's equity. Delrina reported net revenues of \$19.8 million and net loss of \$4.8 million in the quarter ended June 30, 1995. The results of operations of Fast Track were not material to Symantec's consolidated financial statements, and therefore, amounts prior to the date of acquisition were not restated to reflect the combined operations of the companies.

NOTE 3. CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

All cash equivalents, short-term investments and restricted investments have been classified as available-for-sale securities. As of March 31, 1997 and 1996, the estimated fair value of the cash equivalents and short-term investments consisted of the following:

NOTE 2. BUSINESS COMBINATIONS AND PURCHASED PRODUCT RIGHTS

During the three fiscal years ended March 31, 1997, Symantec completed acquisitions of the following companies:

Cash equivalents and short-term investments

<i>(In thousands)</i>	1997	1996
Taxable commercial paper	\$ 64,196	\$ 77,392
Money market funds	2,598	21,601
Taxable corporate notes	5,130	5,022
Taxable certificates of deposit	5,030	5,008
Treasury bills	33,648	—
Taxable fixed deposit	15,725	—
	<u>\$ 126,327</u>	<u>\$ 109,023</u>

All of the Company's available-for-sale cash equivalent and short-term investment securities as of March 31, 1997 and 1996 have a contractual maturity of less than one year. As of March 31, 1997 and 1996, the estimated fair value of the restricted investments consisted of the following:

Restricted investments

<i>(In thousands)</i>	1997	1996
Maturities of less than one year:		
Money market funds	\$ 6	\$ —
Treasury bills	19,815	—
	<u>\$ 19,821</u>	<u>\$ —</u>
Maturities of one to three years:		
Treasury notes	\$ 27,627	\$ —
	<u>\$ 27,627</u>	<u>\$ —</u>

The Company's available-for-sale restricted investments relate to certain collateral requirements for lease agreements associated with the Symantec's corporate Cupertino, California facilities and have maturities of three years or less (See Note 6 of Notes to Consolidated Financial Statements).

Fair values of cash, cash equivalents, short-term investments and restricted investments approximate cost due to the nature of the investments and/or their short period to maturity.

During the period covered by the financial statements, the Company has not used any derivative instrument for trading purposes. Symantec utilizes some natural hedging to mitigate the Company's transaction exposures and hedges some residual transaction exposures through the use of one-month foreign exchange forward contracts. The Company enters into foreign exchange forward contracts with financial institutions primarily to protect against currency exchange risks associated with certain firmly committed transactions. Fair value of foreign exchange forward contracts are based on quoted market prices. At March 31, 1997, there was a total

notional amount of approximately \$46.3 million of outstanding foreign exchange forward contracts all of which mature in 35 days or less. The net liability of forward contracts was a notional amount of approximately \$45.8 million at March 31, 1997. The fair value of foreign currency exchange forward contracts approximates cost due to the short maturity periods and the minimal fluctuations in foreign currency exchange rates. The Company does not hedge its translation risk.

NOTE 4. CONVERTIBLE SUBORDINATED DEBENTURES

On April 2, 1993, the Company issued convertible subordinated debentures totaling \$25.0 million. The debentures bear interest at 7.75% payable semiannually and are convertible into Symantec common stock at \$12 per share at the option of the investor. The debentures are due in three equal annual installments beginning in 1999 and are redeemable at the option of the investors in the event of a change in control of Symantec or the sale of all or substantially all of the assets of the Company. Symantec, at its option, may redeem the notes at any time on 30 to 60 days notice; however, the Company could incur a prepayment penalty for early redemption. The holders are entitled to certain registration rights relating to the shares of common stock resulting from the conversion of the debentures. The Company reserved 2,083,333 shares of common stock to be issued upon conversion of these debentures. The debentures limit the payment of cash dividends and the repurchase of capital stock to a total of \$10.0 million plus 25% of cumulative net income subsequent to April 2, 1993.

On April 26, 1995, convertible subordinated debentures totaling \$10.0 million were converted into 833,333 shares of Symantec common stock, leaving 1,250,000 shares of common stock reserved for future conversion as of March 31, 1997.

The estimated fair value of the \$15.0 million convertible subordinated debentures was approximately \$17.9 million at March 31, 1997. The estimated fair value was based on the total shares of common stock reserved for issuance upon conversion of the debentures at the closing price of the Company's common stock at March 31, 1997, which exceeded the conversion price of \$12 per share, plus accrued interest.

NOTE 5. LINE OF CREDIT

The Company has a \$10.0 million bank line of credit that expires in March 1998. The line of credit is available for general corporate purposes and bears interest at the banks'

reference (prime) interest rate (8.50% at March 31, 1997), the U.S. offshore rate plus 1.25%, a CD rate plus 1.25% or London Interbank Offering Rate ("LIBOR") plus 1.25%, at the Company's discretion. The line of credit requires bank approval for the payment of cash dividends. Borrowings under this line are unsecured and are subject to the Company maintaining certain financial ratios and profits. The Company was in compliance with the line of credit covenants as of March 31, 1997. At March 31, 1997, there was approximately \$0.3 million of standby letters of credit outstanding under this line of credit. There were no borrowings outstanding under this line at March 31, 1997.

NOTE 6. COMMITMENTS

Symantec leases all of its facilities and certain equipment under operating leases that expire at various dates through 2026. The Company currently subleases some space under various operating leases which will expire at various dates through 2000.

The future fiscal year minimum operating lease commitments were as follows at March 31, 1997:

<i>(In thousands)</i>	
1998	\$ 15,800
1999	15,029
2000	13,831
2001	10,612
2002	7,639
Thereafter	24,352
Operating lease commitments	87,263
Sublease income	(5,343)
Net operating lease commitments	<u>\$ 81,920</u>

Rent expense charged to operations totaled approximately \$12.4 million, \$11.3 million and \$9.7 million for the years ended March 31, 1997, 1996 and 1995, respectively.

In fiscal 1997, Symantec entered into lease agreements for two existing office buildings, land and one office building under construction in Cupertino, California. The lease agreements are for seven years and the lease payments per year total approximately \$1.0 million in fiscal 1997, \$4.1 million in fiscal 1998 and \$4.8 million in fiscal years 1999 through 2004. Lease payments are based on the three month LIBOR in effect at the beginning of each fiscal quarter. Symantec has the right to acquire the related properties at any time during the seven year lease period. If at the end of the lease term Symantec does not renew the lease, purchase the property under lease or arrange a third party purchase, then the

Company will be obligated to the lessor for a guaranteed residual amount equal to a specified percentage of the Company's purchase price of the property. Symantec would also be obligated to the lessor for all or some portion of this amount if the price paid by the third party is below the guaranteed residual amount. The guaranteed residual payment on the lease agreements for the two existing office buildings totals approximately \$38.4 million. The guaranteed residual payment on the lease agreements for the land and office building under construction was approximately \$7.0 million at March 31, 1997 and will increase to approximately \$31.7 million at the completion of the construction during fiscal year 1999. As security against this guaranteed residual payment, Symantec is required to maintain a corresponding investment in U.S. Treasury securities with maturities not to exceed three years. Symantec is restricted in its use of these investments per the terms of the lease agreement. The investments total approximately \$47.4 million and are classified as non-current restricted investments within the financial statements.

The Company currently occupies a portion of these office buildings and has assumed the right to sub-lease income provided by the other tenants. The sub-lease agreements have terms expiring in April 1997 through September 2000.

NOTE 7. INCOME TAXES

The components of the provision (benefit) for income taxes were as follows:

	Year Ended March 31,		
<i>(In thousands)</i>	1997	1996	1995
Current:			
Federal	\$ 514	\$ (5,882)	\$ 998
State	302	130	349
International	3,472	2,149	2,825
	<u>4,288</u>	<u>(3,603)</u>	<u>4,172</u>
Deferred:			
Federal	565	(1,006)	6,431
State	126	—	1,761
International	(639)	—	(1,217)
	<u>52</u>	<u>(1,006)</u>	<u>6,975</u>
	<u>\$ 4,340</u>	<u>\$ (4,609)</u>	<u>\$ 11,147</u>

The difference between the Company's effective income tax rate and the federal statutory income tax rate as a percentage of income (loss) before income taxes was as follows:

	Year Ended March 31,		
	1997	1996	1995
Federal statutory rate	35.0%	(35.0)%	35.0%
State taxes, net of federal benefit	2.9	0.3	3.3
Non-deductible acquisition expenses	—	6.8	2.6
Non-deductible acquired in-process R&D	—	—	1.1
Impact of international operations	(9.2)	—	(11.2)
Losses for which no benefit is currently recognizable	—	16.9	—
Benefit of pre-acquisition losses of acquired entities	(16.5)	—	(6.7)
Other, net	2.1	0.7	1.0
	<u>14.3%</u>	<u>(10.3)%</u>	<u>25.1%</u>

The principal components of deferred tax assets were as follows:

(In thousands)	March 31,	
	1997	1996
Tax credit carryforwards	\$ 9,158	\$ 8,213
Net operating loss carryforwards	7,969	19,813
Inventory valuation accounts	2,327	2,704
Other reserves and accruals not currently tax deductible	8,570	9,403
Accrued compensation and benefits	2,392	1,916
Deferred revenue	10,187	5,465
Sales incentive programs	5,005	4,054
Allowance for doubtful accounts	984	1,104
Acquired software	2,613	2,979
Accrued acquisition, restructuring and other expenses	1,077	2,364
Other	2,868	579
	<u>53,150</u>	<u>58,594</u>
Valuation allowance	<u>(40,327)</u>	<u>(45,719)</u>
	<u>\$ 12,823</u>	<u>\$ 12,875</u>

Realization of the \$12.8 million of net deferred tax asset that is reflected in the financial statements is dependent upon the Company's ability to generate sufficient future U.S. taxable income. Management believes that it is more likely than not that the asset will be realized based on forecasted U.S. earnings.

Approximately \$22.3 million of the valuation allowance for deferred tax assets is attributable to unbenefitted stock option deductions, the benefit of which will be credited to equity when realized. Approximately \$4.3 million of the valuation allowance represents net operating loss and tax credit carryforwards of various acquired companies that are limited by separate return limitations and under the "change

of ownership" rules of Internal Revenue Code Section 382 and the remaining \$13.7 million of the valuation allowance relates to unbenefitted temporary differences and net operating loss and tax credit carryforwards. The change in the valuation allowance for the years ended March 31, 1997, 1996 and 1995 were a net decrease of \$5.4 million and net increases of \$14.8 million and \$1.6 million, respectively.

Pretax income (loss) from international operations was approximately \$24.9 million, \$(4.1) million and \$25.9 million for the years ended March 31, 1997, 1996 and 1995, respectively.

At March 31, 1997, the Company had tax credit carryforwards of approximately \$9.2 million that expire in fiscal 1998 through 2011 and net operating loss carryforwards of approximately \$19.3 million that expire in fiscal 1999 through 2012.

NOTE 8. EMPLOYEE BENEFITS

401(k) Plan Symantec maintains a salary deferral 401(k) plan for all of its domestic employees. The plan allows employees to contribute up to 15% of their pretax salary up to the maximum dollar limitation prescribed by the Internal Revenue Code. Symantec matches 100% of the first \$500 of employees' contributions and then 50% of the employee's contribution up to 6% of the employees' eligible compensation. Company contributions under the plan were \$2.0 million, \$1.5 million and \$1.2 million for the years ended March 31, 1997, 1996 and 1995, respectively.

Employee Stock Purchase Plan In October 1989, the Company established the 1989 Employee Stock Purchase Plan (the "ESPP"). Subject to certain limitations, Company employees may purchase, through payroll deductions of 2 to 10% of compensation, shares of common stock at a price per share that is the lesser of 85% of the fair market value as of the beginning of the offering period or the end of the purchase period. On September 25, 1996, stockholders approved an amendment to the ESPP which included increasing by 1.4 million to 3.4 million the number of shares reserved for issuance under the ESPP. As of March 31, 1997, approximately 1.9 million shares had been issued and 1.5 million shares remain to be issued under the ESPP.

Stock Option Plans The Company maintains stock option plans pursuant to which an aggregate total of approximately 17.4 million shares of Common stock have been reserved for issuance as incentive and nonqualified stock options to employees, officers, directors, consultants, independent contractors and advisors to the Company (or of any parent, subsidiary or affiliate of the Company as the Board of

Directors or committee may determine). The purpose of these plans are to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company by offering them an opportunity to participate in the Company's future performance through awards of stock options and stock bonuses. Under the terms of these plans, the option exercise price may not be less than 100% of the fair market value on the date of grant, the options have a maximum term of ten years and generally vest over a four-year period.

On May 14, 1996, Symantec stockholders approved the 1996 Equity Incentive Plan (the "96 Plan") which superseded the 1988 Option Plan (the "88 Plan") and made available approximately 2.7 million shares. On September 25, 1996, stockholders approved an amendment to the 96 Plan to make available for issuance up to approximately 1.3 million additional shares representing the number of options previously granted pursuant to the 88 Plan that had expired, were canceled or were unexercisable for any reason without having been exercised in full.

Stock option and warrant activity was as follows:

<i>(In thousands, except exercise price per share)</i>	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 1994	8,685	\$ 12.28
Granted	3,799	19.02
Exercised	(1,813)	9.53
Canceled	(1,682)	20.20
Outstanding at March 31, 1995	8,989	14.36
Granted	5,990	16.56
Exercised	(1,601)	10.40
Canceled	(3,660)	22.14
Outstanding at March 31, 1996	9,718	13.43
Granted	2,681	13.90
Exercised	(684)	9.89
Canceled	(2,673)	14.21
Outstanding at March 31, 1997	9,042	13.61

<i>(In thousands)</i>	March 31,	
	1997	1996
Balances are as follows:		
Authorized but unissued	11,901	10,418
Available for future grants	2,859	700
Exercisable and vested	4,066	3,894
Exercised, subject to repurchase	—	1

The following tables summarize information about options outstanding at March 31, 1997:

Range of Exercise Prices	Outstanding options		Exercisable options		
	Number of shares <i>(in thousands)</i>	Weighted average contractual life <i>(in years)</i>	Weighted average exercise price	Number of shares <i>(in thousands)</i>	Weighted average exercise price
\$ 1.00 - \$ 12.50	2,995	7.27	\$ 10.18	1,368	\$ 9.71
\$ 12.56 - \$ 14.25	3,104	7.98	13.19	1,415	13.15
\$ 14.31 - \$ 39.13	2,943	7.64	17.54	1,283	19.42
	<u>9,042</u>	7.63	13.61	<u>4,066</u>	13.97

These options will expire if not exercised at specific dates ranging from April 1997 to March 2007. Prices for options exercised during the three-year period ended March 31, 1997 ranged from \$0.05 to \$24.00.

Stock Award Plan During fiscal 1996, the Company registered 400,000 shares to be issued under the terms of the 1994 Patent Incentive Plan (the "94 Patent Plan"). The purpose of this plan is to increase awareness of the importance of patents to the Company's business and to provide employees with incentives to pursue patent protection for new technologies that may be valuable to the Company. The Company's executive officers are not eligible for awards under the 1994 Patent Incentive Plan. As of March 31, 1997, approximately 9,000 shares had been issued under this plan.

Pro Forma Information The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of the Company's employee stock options generally equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the Company's financial statements.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. This information is required to be determined as if the Company had accounted for its employee stock options (including shares issued under the Employee Stock Purchase Plan, collectively called "options") granted subsequent to March 31, 1995 under the fair value method of that statement. The fair value of options granted in fiscal years 1996 and 1997 reported below

has been estimated at the date of grant using a Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

Range of Exercise Prices	Employee Stock Options		Employee Stock Purchase Plan	
	1997	1996	1997	1996
Expected life (years)	4.34	4.34	0.50	0.50
Expected volatility	0.63	0.74	0.74	0.60
Risk free interest rate	6.7%	6.0%	5.4%	5.4%

During March 1996, the Board of Directors authorized the Company to offer to each employee with stock options having an exercise price greater than \$13.10 (the "Old Options") the opportunity to cancel the affected grants and receive a new grant for the same number of shares dated March 4, 1996 (the "New Options"). On the date of grant, the New Options have an exercise price equal to \$13.10 and a stock price of \$12.63. Under the terms of this stock option cancellation and regrant, all options began vesting as of the new grant date and no portion of any regranted options were exercisable until March 4, 1997. Options representing a total of approximately 2.3 million shares of common stock were canceled and regranted. The weighted average fair value of these New Options was \$14.79. The President and Chief Executive Officer, the then Executive Vice President, Worldwide Operations and Chief Financial Officer, the majority of the then members of the Executive Staff, and all members of the Board of Directors elected to exclude themselves from this stock option cancellation and regrant.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

The weighted-average estimated fair value of employee stock options for fiscal years 1997 and 1996 were \$7.81 and \$10.44 per share, respectively. The weighted-average estimated fair value of employee stock purchase rights granted under the Employee Stock Purchase Plan during fiscal years 1997 and 1996 were \$7.74 and \$18.94, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period (for employee stock options) and the six-month purchase period (for stock purchases under the Employee Stock Purchase Plan). The Company's pro forma information is as follows:

	Year ended March 31,	
	1997	1996
<i>(In thousands, except per share data)</i>		
Net income (loss) - Pro forma	\$ 14,123	\$ (47,015)
Net income (loss) per share - Pro forma	0.27	(0.89)

The effects on pro forma disclosures of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because SFAS 123 is applicable only to options granted subsequent to March 31, 1995, its pro forma effect will not be fully reflected until approximately fiscal 2000.

NOTE 9. SALE OF PRODUCT RIGHTS

During September 1996, Symantec sold its electronic forms software products and related tangible assets to JetForm for approximately \$100.0 million, payable over four years in quarterly installments through the June 2000 quarter. JetForm has the option to tender payment in either cash or in registered JetForm common stock, within a contractually defined quantity threshold. Due to the uncertainty regarding the ultimate collectibility of these installments, Symantec is recognizing the related revenue as payments are due and collectibility is assured from JetForm. Symantec recognized revenue of approximately \$18.3 million from JetForm during fiscal 1997.

In March 1997, Symantec also sold the software products and related tangible assets of its Networking Business Unit to Hewlett-Packard, resulting in the receipt of approximately \$1.0 million of revenue and a \$2.0 million research and development reimbursement in the fourth quarter of fiscal 1997. Additionally, a two year quarterly royalty payment stream not to exceed a present value of \$27.0 million as of the date of the transaction date will commence beginning in fiscal 1998, which is solely contingent on future sales of certain Hewlett-Packard products. Due to the uncertainty regarding the amounts upon which these royalties will be determined, Symantec is recognizing these amounts as they are estimable. In association with this sale to Hewlett-Packard, during the fourth quarter of fiscal 1997, Symantec wrote off approxi-

mately \$7.0 million of unamortized software development costs and approximately \$0.6 million of unamortized purchased product rights, as well as incurring approximately \$2.0 million of legal, accounting and other costs associated with the transaction.

NOTE 10. ACQUISITION, RESTRUCTURING AND OTHER EXPENSES

Acquisition, restructuring and other expenses consist of the following:

<i>(In thousands)</i>	Year Ended March 31,		
	1997	1996	1995
Centralization and restructuring expenses	\$ 3,185	\$ —	\$ —
Write off of acquired in-process research and development costs	3,050	—	—
Write off of equity investment	1,750	—	—
Fast Track, Inc. acquisition expenses	600	—	—
Delrina acquisition	—	22,000	—
Loss on sale of Time Line Solutions Corporation assets	—	2,653	—
Relocation of certain research and development activities	—	2,229	—
SLR acquisition	—	—	545
Central Point acquisition	—	(2,300)	9,000
Legal fees and expenses	—	2,000	—
Other	—	1,035	—
Total acquisition, restructuring and other expenses	\$ 8,585	\$ 27,617	\$ 9,545

During fiscal 1997, Symantec recorded a \$1.8 million charge in connection with the write-off of an equity investment in a privately held company and a \$3.1 million charge for the write off of certain in-process research and development costs acquired by the Company. Additionally, during fiscal 1997, the Company recorded a charge of \$3.2 million, which included \$2.4 million for personnel severance and outplacement charges, for costs related to the restructuring of certain domestic and international sales and research and development operations, settlement of the Carmel lawsuit (See Note 11 to Notes to Consolidated Financial Statements) and other expenses. The restructuring plans were substantially completed during fiscal 1997. Symantec recorded total acquisition charges of \$0.6 million in the quarter ended June 30, 1996 in connection with the acquisition of Fast Track, Inc.

In connection with the acquisition of Delrina (See Note 2 to Notes to Consolidated Financial Statements) in fiscal 1996, Symantec recorded total acquisition charges of \$22.0 million,

which included \$8.8 million for legal, accounting and financial advisory services, \$6.4 million for the elimination of duplicative and excess facilities and equipment, \$3.7 million for personnel severance and outplacement expenses and \$3.1 million for the consolidation and discontinuance of certain operational activities and other acquisition-related expenses.

In November 1995, Symantec sold the assets of Time Line Solutions Corporation, a wholly-owned subsidiary, to a group comprised of Time Line Solution Corporation's management and incurred a \$2.7 million loss on the sale.

During fiscal 1996, Symantec also expensed \$1.0 million, which included a loss on the sale of certain assets and liabilities of a subsidiary and other expenses.

In February 1995, Symantec announced a plan to consolidate certain research and development activities. This plan was designed to gain greater synergy between the Company's Third Generation Language and Fourth Generation Language development groups. During fiscal 1996, the Company incurred \$2.2 million for the relocation costs of moving equipment and personnel.

In the fourth quarter of fiscal 1996, the Company recorded \$2.0 million for estimated legal fees expected to be incurred in connection with a securities class action complaint filed in March 1996 and other legal expenses (See Note 11 to Consolidated Financial Statements).

In connection with the acquisitions of Central Point and SLR (See Note 2 to Consolidated Financial Statements), Symantec recorded total acquisition charges of \$9.5 million in fiscal 1995. The charges included \$3.2 million for legal, accounting and financial advisory services, \$1.0 million for the write-off of duplicative product-related expenses and modification of certain development contracts, \$0.9 million for the elimination of duplicative and excess facilities, \$3.1 million for personnel severance and outplacement expenses and \$1.3 million for the consolidation and discontinuance of certain operational activities and other acquisition related expenses. During fiscal 1996, the Company recognized a reduction in accrued acquisition, restructuring and other expenses of \$2.3 million as actual costs incurred were less than costs previously accrued by the Company.

As of March 31, 1997, total accrued cash related acquisition and restructuring expenses were \$3.8 million and included \$0.2 million for estimated legal fees and expenses, \$0.4 million for the elimination of duplicative and excess facilities and \$3.2 million for other acquisition related expenses.

NOTE 11. LITIGATION

On March 18, 1996, a class action complaint was filed by the law firm of Milberg, Weiss, Bershad, Hynes & Lerach in Superior Court of the State of California, County of Santa Clara, against the Company and several of its current and former officers and directors. The complaint alleges that Symantec insiders inflated the stock price and then sold stock based on inside information that sales were not going to meet analysts' expectations. The complaint seeks damages in an unspecified amount. The complaint has been refiled twice in state court, most recently on January 10, 1997, to reflect changes brought about by Symantec's demurrer to previous complaints. The same plaintiffs have further filed, on January 7, 1997, a complaint in federal court based on the same facts as the state court complaint, for violation of the Securities Act of 1934. Symantec believes that neither the state court complaint nor the federal court complaint has any merit and will vigorously defend itself against both complaints. The Company has accrued certain estimated legal fees and expenses related to this matter; however, actual amounts may differ materially from those estimated amounts.

On September 3, 1992, Borland International, Inc. ("Borland") filed a lawsuit in the Superior Court for Santa Cruz County, California against Symantec, Gordon E. Eubanks, Jr. (Symantec's President and Chief Executive Officer) and Eugene Wang (a former Executive Vice President of Symantec and former employee of Borland). The complaint, as amended, alleged misappropriation of trade secrets, unfair competition, including breach of contract, interference with prospective economic advantage and unjust enrichment. Under a confidential joint settlement agreement entered into as of February 25, 1997, this case was fully settled.

On June 11, 1992, Dynamic Microprocessor Associates, Inc. ("DMA"), a former wholly-owned subsidiary of Symantec which has since been merged into Symantec, commenced an action against EKD Computer Sales & Supplies Corporation ("EKD"), a former licensee of DMA and Thomas Green, a principal of EKD, for copyright infringement, violations of the Lanham Act, trademark infringement, misappropriation, deceptive acts and practices, unfair competition and breach of contract. On July 14, 1992, the Suffolk County, New York sheriff's department conducted a search of EKD's premises and seized and impounded thousands of infringing articles.

On July 21, 1992, the Court issued a preliminary injunction against EKD and Mr. Green, enjoining them from

manufacturing, marketing, distributing, copying or purporting to license DMA's pcANYWHERE III or using DMA's marks. On March 18, 1997, the Magistrate assigned to the action issued a non-binding Report and Recommendation recommending that summary judgment be granted in Symantec's/DMA's favor on certain claims and counterclaims. Judge Block has subsequently approved the recommendation, which has disposed of certain claims against Symantec.

On April 10, 1997, Trio Systems LLC filed a lawsuit in the United States District Court, Central District of California, against Symantec, for damages, injunctive and declaratory relief and for the imposition of a constructive trust claiming copyright infringement, fraud, misrepresentation and breach of contract, based on Symantec's alleged inclusion, in its Norton Utilities, Norton Your Eyes Only and pcANYWHERE products, of Trio's C-Index code. No discovery motions have as yet been filed. Symantec believes these claims have no merit and intends to defend this action vigorously.

On April 23, 1997, Symantec filed a lawsuit against McAfee Associates in the United States District Court, Northern District of California, for copyright infringement and unfair competition. Symantec believes McAfee Associates copied portions of Symantec's copyrighted software code and unlawfully incorporated such code into certain of McAfee's products. Symantec plans to aggressively pursue its remedies under this lawsuit, which include both injunctive relief and monetary damages.

On May 13, 1997, Trend Micro Incorporated filed a lawsuit in the United States District Court, Northern District of California, against Symantec Corporation and McAfee Associates, alleging against Symantec patent infringement by the Symantec product known as Norton AntiVirus for Internet E-mail Gateways. The lawsuit requests damages, injunctive relief and costs and attorney fees. Symantec believes this claim has no merit and intends to defend the action vigorously.

Symantec is currently evaluating claims of patent infringement asserted by IBM with respect to certain of the Company's products. While the Company believes that it has valid defenses to these claims, there can be no assurance that the outcome of any related litigation or negotiation would not have a material adverse impact on the Company's future results of operations or cash flows.

Symantec is involved in a number of other judicial and administrative proceedings incidental to its business. The Company intends to defend all of the aforementioned pend-

ing lawsuits vigorously and although adverse decisions (or settlements) may occur in one or more of the cases, the final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on the financial position of the Company. However, depending on the amount and timing of an unfavorable resolution of these lawsuits, it is possible that the Company's future results of operations or cash flows could be materially adversely affected in a particular period.

NOTE 12. SEGMENT INFORMATION

Symantec operates in the microcomputer software industry business segment. The Company markets its products in North America and international countries primarily through retail and distribution channels.

Information by Geographic Area

<i>(In thousands)</i>	Year Ended March 31,		
	1997	1996	1995
Net revenues:			
U.S. operations:			
North American customers	\$ 334,210	\$ 303,280	\$ 296,684
International customers	6,451	16,609	16,977
Intercompany	79	6,015	4,625
	<u>340,740</u>	<u>325,904</u>	<u>318,286</u>
Other international operations:			
Customers	131,522	125,543	117,607
Intercompany	745	11,387	13,865
	<u>132,267</u>	<u>136,930</u>	<u>131,472</u>
Eliminations	(824)	(17,402)	(18,490)
	<u>\$ 472,183</u>	<u>\$ 445,432</u>	<u>\$ 431,268</u>
Operating income (loss):			
U.S. operations	\$ 11,415	\$ (58,296)	\$ 17,907
International operations	12,931	8,201	23,449
Eliminations	1,943	1,816	(1,070)
	<u>\$ 26,289</u>	<u>\$ (48,279)</u>	<u>\$ 40,286</u>
			March 31,
<i>(In thousands)</i>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Identifiable assets:			
U.S. operations	\$ 284,023	\$ 236,508	\$ 255,748
International operations	57,650	48,519	50,378
	<u>\$ 341,673</u>	<u>\$ 285,027</u>	<u>\$ 306,126</u>

Intercompany sales between geographic areas are accounted for at prices representative of unaffiliated party transactions. "U.S. operations" include sales to customers in the United States and exports of finished goods directly to

international customers, primarily in Canada. Exports and international OEM transactions are primarily denominated in U.S. dollars. "Other international operations" primarily include export sales from the Irish manufacturing subsidiary to European and Asia/Pacific customers. International revenues, which include net revenues from other international operations and exports made by U.S. operations, were 29%, 32% and 31% of total revenue for fiscal 1997, 1996 and 1995, respectively.

Significant Customers

The following customers accounted for more than 10% of net revenues during fiscal 1997, 1996 and 1995:

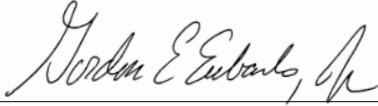
	Year Ended March 31,		
	1997	1996	1995
Ingram Micro, Inc.	27%	27%	22%
Merisel Americas, Inc.	*	10	11

* Amount is less than 10%.

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.

Symantec Corporation (*Registrant*)



(Gordon E. Eubanks, Jr., President and Chief Executive Officer)

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 and on the dates indicated below.

SIGNATURE

TITLE

DATE

Chief Executive Officer:

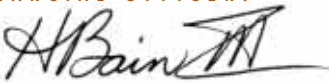


(Gordon E. Eubanks, Jr.)

President, Chief Executive Officer and Director

June 23, 1997

CHIEF FINANCIAL OFFICER:

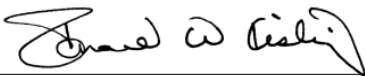


(Howard A. Bain III)

Executive Vice President/
Worldwide Operations and
Chief Financial Officer

June 23, 1997

Chief Accounting Officer:



(Ronald W. Kisling)

Vice President Controller and
Chief Accounting Officer

June 23, 1997

Directors:



(Charles M. Boesenberg)

Director

June 23, 1997



(Walter W. Bregman)

Director


June 23, 1997



(Carl D. Carman)

Chairman of the Board

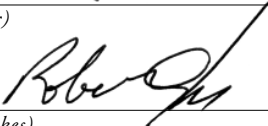
June 23, 1997



(Robert S. Miller)

Director

June 23, 1997



(Robert R. B. Dykes)

Director

June 23, 1997

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

<i>(In thousands)</i>				
Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year ended March 31, 1995	\$ 4,814	\$ 1,094	\$ (1,056)	\$ 4,852
Year ended March 31, 1996	4,852	903	(739)	5,016
Year ended March 31, 1997	5,016	1,599	(2,315)	4,300

