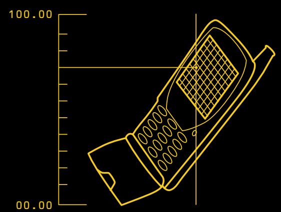
Symantec { 2000 }



SECURITY

Dear Fellow Shareholders,

Fiscal 2000's record-breaking results are a testament to the dedication and enthusiasm of our employees around the world — and also to the support and encouragement of our valued customers and shareholders.

Last year, we pledged to refocus our attention on our traditional core competencies of building security and connectivity-related solutions. We vowed to shift resources to meet the ever-growing needs of the enterprise community while maintaining our leadership position in the consumer markets. Our investments are paying off. Symantec has emerged as an undisputed leader in providing Internet security for individuals and businesses worldwide. But, there is much more to do.

The results of Symantec's landmark year, punctuated by strong growth in all areas, speak for themselves: revenues increased 26% from fiscal year 1999 to 2000, from $592.6 million to $745.7 million. We reported net income of $170.1 million, or $2.73 per diluted share, compared to $50.2 million, or $0.86 per diluted share, last year. And, during the year, we shipped approximately 50 million units of our products around the world.

This solid performance was due in part to our aggressive strategy of promoting solutions globally. In fact, sales outside of North America grew 41% and accounted for 41% of this past year's total sales. The Asian markets experienced accelerated growth; European sales were solid. Symantec's reach expanded into India, China, Spain and Eastern Europe, and we expect strong worldwide growth for the coming year as well.

During the year, we focused on three key areas: business strategy, attracting and retaining talent, and superior execution.

Business Strategy. We aligned investments with our enterprise focus by targeting the high-growth areas of Internet security: content and network security. According to market research firm, IDC, these are the largest and fastest growing segments of the security software market, with growth projected at over 30% and 40%, respectively, in the next three years. By 2003, combined sales for these segments are expected to reach $5 billion.

To broaden our Internet security offerings, we acquired two leading firms, URLabs® and L-3 Network Security™. URLabs' technologies and award-winning products deliver e-mail and Internet scanning and filtering solutions to protect customers by blocking unauthorized or inappropriate content. The technologies and products we acquired from L-3 Network Security enable customers to assess, manage and monitor network vulnerability levels and assist in security planning and design. In addition to these acquisitions, we licensed personal firewall technology from WRQ® to incorporate added security protection in our products for individuals and businesses.

As we grew our security business, we also divested product lines that fell outside our core competencies. On December 31, 1999, we sold our Visual Café™ and ACT!™ product lines.

John W. Thompson

Talent. Building and delivering products and services that allow customers to feel secure in their use of the Internet requires a knowledgeable and experienced team of experts. In today's very competitive market for talent, attracting and retaining highly skilled employees is critical. Our track record is outstanding.

The acquisition of URLabs and L-3 Network Security resulted in more than just expanding our portfolio of offerings, it gave Symantec a dramatic infusion of highly skilled security professionals. We are pleased that virtually all of these important contributors have stayed with Symantec. In addition, we launched a professional services team dedicated to helping enterprise customers build secure networks in today's increasingly complex Internet environment. To extend that expertise to customers worldwide, we are attracting a global network of security partners certified in security implementation, training and support.

In the past year, over 70% of the management team is new to our company or to their position, bringing with them a wealth of security, development, marketing, sales and service experience. We are pleased all of these highly skilled professionals share our excitement about the unique strengths of our company, and we are determined to continue to offer creative, flexible and competitive compensation and benefit packages to attract and keep world-class talent.

Execution. A focused business strategy and highly talented people are only the beginning. In the end, success comes from making things happen. Our core consumer business maintained a solid growth rate of 15% for the fiscal year. We attribute this to the continual improvement of our product offerings and innovative solutions to customer problems. By introducing Norton Internet Security™, we created an entirely new category of software for personal Internet security. This suite combines a personal firewall, content filtering and virus protection and has ranked in the top 10 for best-selling business software for several months.

We paid the same attention to building industry-wide relationships. Because of our significantly expanded partnerships with major PC suppliers, Symantec technology now reaches an even greater number of individuals. We currently work with all major PC suppliers, displacing competitive security providers on certain desktop and portable PC product lines at Dell®, Micron®, Gateway® and Toshiba®.

Symantec continues to gain headway in the enterprise security market, which accounted for 45% of total revenues in fiscal 2000 and grew 42% from the previous year. Our long and impressive list of worldwide enterprise customers has surged and now includes Bank of America®, SmithKline Beecham®, Deutsche Bank®, Georgia-Pacific® and Sprint PCS®, to name only a few.

Our e-Support tools, Norton Ghost™ and pcAnywhere™, continue to lead the remote management market. These solutions allow administrators to manage and support software in a global environment. By providing tools that are needed for remote deployment, we continue to help customers stay connected and productive no matter where they are.

Looking Forward. As we begin fiscal 2001, we are at the forefront of this emerging industry.

Whether the threat is a new, fast-spreading virus such as "I Love You," a software agent planted to steal personal information or a hacker trying to get into "always on" computer systems, millions of users turn to Symantec for help. And, although security has yet to become a major concern for users of hand-held devices, our Symantec Research Center has already created prototype software to protect Palm™ and other access device users even before the first virus attacks.

As more people and small businesses turn to service providers for Internet access or applications over the Internet, they expect secure solutions. Recently announced contracts with Yahoo!®, where we protect 38 million users from malicious attacks, and with Brightmail™, Inc. and Tele Danmark™ Internet Service help our products permeate this service provider market. Earlier this year, we created a group within Symantec with the sole purpose of developing carrier-class products built on our core technologies and selling them to a wide range of Internet service providers. This is the next step in our market coverage strategy: to be wherever customers want to buy our technology — in stores, over the Internet, through service providers or in enterprise environments.

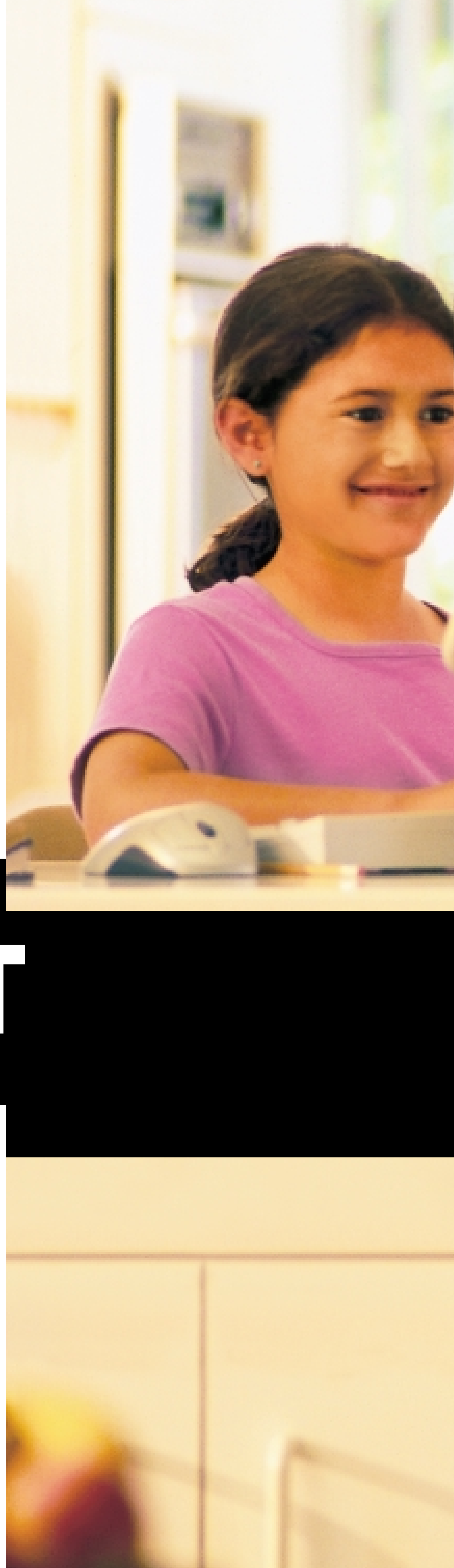
Although we are pleased with our accomplishments this year, we all know this is only the beginning. This year saw a significant increase in cyber crime, elevating Internet security to a global concern. Our customers tell us we are at the right place at the right time. They are looking to Symantec to provide the pure confidence they want in their daily use of the Internet.

Our direction for next year is clear — growth and speed. We greatly appreciate your support and look forward to continued success in fiscal 2001.

Sincerely,

John W. Thompson

Chairman of the Board, President and Chief Executive Officer

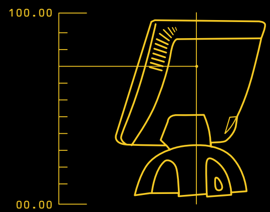


Millions of people around the world are communicating and conducting business over the Internet. Now, they want to feel confident about it.

Families correspond by e-mail, bank, shop and use the Internet for education and entertainment. Companies offer products and services online, share information with customers and suppliers and instantly connect workers. Both are giving unprecedented access to their most valuable personal and business information via the Internet.

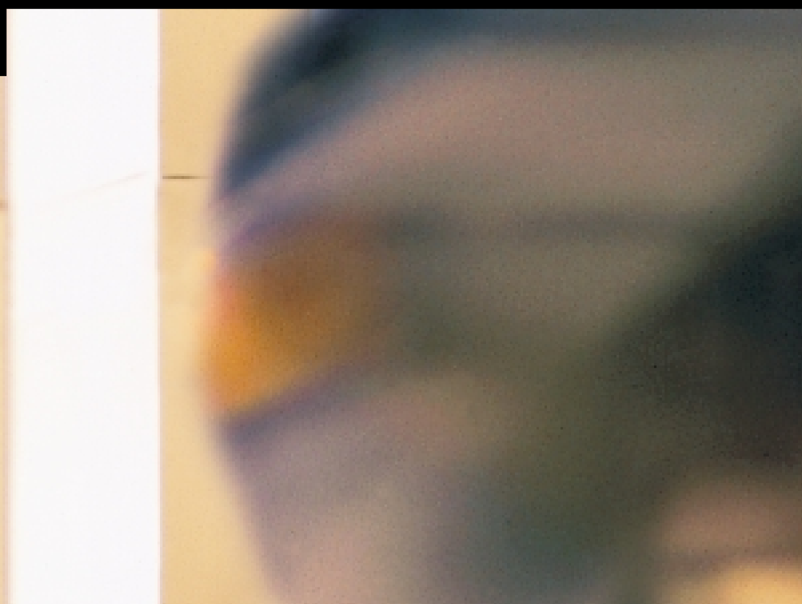
Individuals and corporations need assurance that online activities will be free from viruses, e-mails with malicious intent, loss of personal financial information or inappropriate Internet content flooding their computers. And so, increasingly, they look to Symantec.

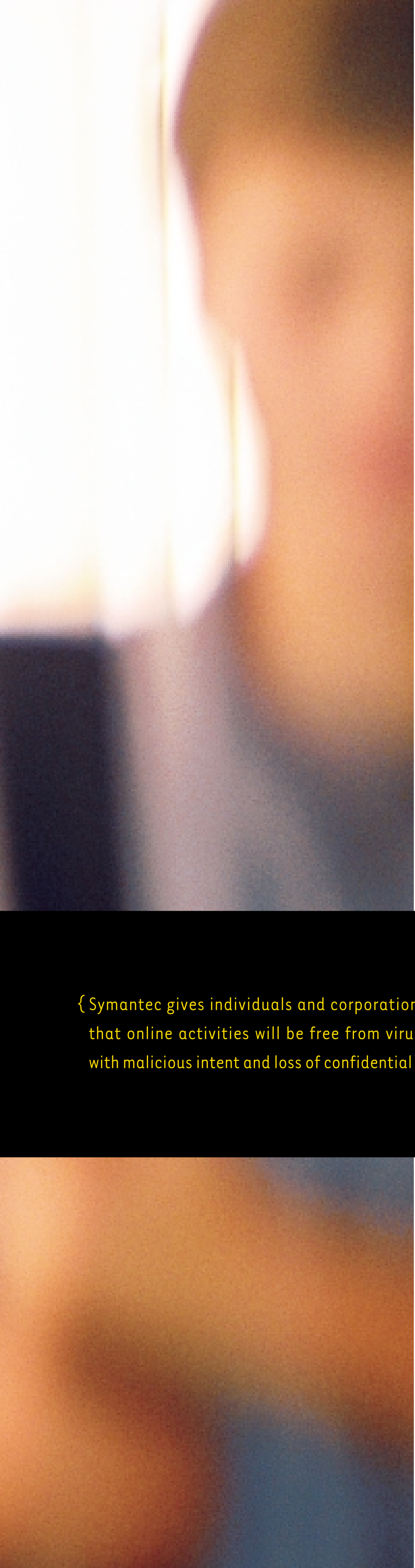
Expertise. Because of our unequalled expertise in security protection, Symantec was the only security company invited to join the U.S. delegation at the 2000 G-8 Conference on Safety and Confidence in Cyberspace, a worldwide symposium addressing cyber threats. We continue to work closely with governments and industry leaders to address significant threats posed by cyber crime and to enhance international efforts in identification and response.



TRUST

	Discovered	Time to Cure
Melissa	3.26.99	1 hour
Chernobyl	4.26.99	automatic fix
I Love You	5.4.00	2 hours
Very Funny	5.4.00	less than 1 hour





{ Symantec gives individuals and corporations assurance that online activities will be free from viruses, e-mails with malicious intent and loss of confidential information.

Symantec also was part of a select group that worked to create and promote British Standard 7799, an emerging world standard for information security management. BS 7799 ratings will allow companies to demonstrate compliance with customer information and confidentiality safeguards. At the same time, it will allow consumers to recognize sites where their information is secure.

Symantec's Global Response Centers continue to expand and evolve with four strategically located offices around the world. These centers assessed and neutralized a growing number of viruses last year — 520% more than the previous year. Our burgeoning database of virus definitions currently protects users from over 50,000 threats, including the well-known "Melissa" and "I Love You" viruses.

Solutions. Symantec is a leader in protecting individuals and enterprises from malicious attacks. Our Norton AntiVirus™ product ranks consistently in the top 10 business software category and has won an unprecedented number of honors including the Secure Computing Millennium Awards in 1999. More recently, Yahoo! chose Symantec's anti-virus solution to protect the e-mail of its 38 million subscribers. Brightmail, Inc., the world's leader in protecting users from unwanted e-mail or spam, recently licensed the right to sell Symantec products along with their own to Internet access providers.

Internet connections that are "always-on" increase individual and corporate vulnerability to hackers who steal information or "borrow" the computer to launch denial-of-service attacks. Symantec's Norton Internet Security provides a complete suite of Internet security solutions, including a personal firewall to detect and stop hackers. Corporations also use this

{ Toshiba America Information Systems, Inc., Computer Systems Group }

"A Toshiba customer is a connected customer. Symantec's Norton Internet Security and Norton AntiVirus are exactly the products we were seeking to protect our customers from both virus and Internet perils."

Mike Wagner, *Vice President, Marketing, Commercial, Desktops, Toshiba America Information Systems, Inc., Computer Systems Group*

product to protect thousands of remote workers from having their systems used as an open door for malicious attacks on the corporate network.

Our e-mail scanning software goes beyond virus prevention. These solutions protect confidential information from escaping in e-mails and prevent hate, sexual harassment and content with inappropriate language from traveling through a corporation's e-mail network.

FamilyClick™ incorporated our web filtering technologies into its online service, ensuring families see only appropriate content. Similarly, we worked closely with teachers, administrators and parents in Virginia's Fairfax County School system to develop Internet filters that match content with age and educational needs. The county praised the flexibility and ease of use of Symantec's URL filtering products. This same filtering technology was used by a Fortune 500 refinery company to track sites most visited by employees. As a result, the company was able to develop a comprehensive electronic use policy and determine the need for additional bandwidth.

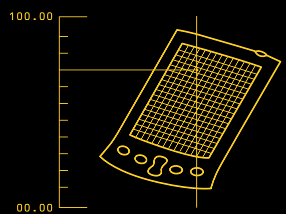
One of the most challenging tasks facing corporate security officers is identifying the network's weak spots and analyzing which operations are at risk. Symantec's security assessment and planning products, our professional services team, our award-winning technical support and certified partners help organizations around the world develop comprehensive security policies and implement Symantec technologies that are tailored to the needs of the company and its employees.

So, whether it is a teenager using the computer at home, a mobile worker connected to the company network or thousands of employees connected to a global corporate network via the Internet, Symantec security products and services provide the ability to use the Internet confidently and securely.

Symantec's promise to its customers is to provide the confidence necessary for communicating and doing business in a connected world.

Why? Because in a recent FBI survey, 97% of corporations, government agencies and universities reported insider abuse of Internet privileges. Over half reported unauthorized access by employees. Add viruses and denial-of-service attacks — and cyber crime experts say this is just the beginning.

Action. In this fiscal year, we are bolstering our investment in Symantec's Global Response Centers in the U.S., Asia Pacific and Europe to enhance around-the-clock surveillance. These centers are the first line of defense against viruses and intrusions. The global response teams detect new viruses, worms and malicious code, then assess, find remedies and distribute protective code to customers — in many cases, before their customers' work day even begins. Working with our researchers worldwide, we use time zones to our advantage, identifying and neutralizing threats often before they cause widespread damage.

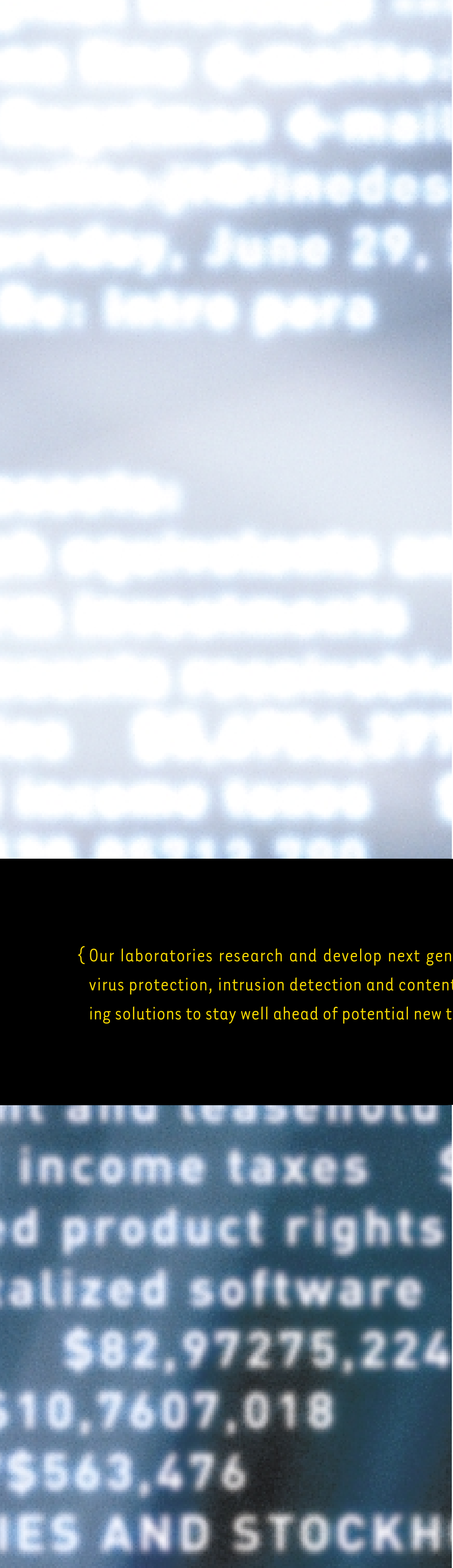


INNOVATION

{ Brightmail, Inc. }

"With Symantec, we are providing the industry's first integrated anti-virus and anti-spam solution for ISPs and ASPs. This comprehensive solution incorporating filtering products and services greatly enhances the usability of e-mail, enabling ISPs and ASPs to extend the Brightmail platform to differentiate their offering."

Sunil Paul, *Founder and Chairman, Brightmail, Inc.*



{ Our laboratories research and develop next generation virus protection, intrusion detection and content filtering solutions to stay well ahead of potential new threats.

We are equipping these Global Response Centers with automatic capabilities far beyond previous virus protection methods. Symantec's Digital Immune System™, a key component of our anti-virus products, allows a computer network to identify potentially harmful agents and take protective measures instantly. Potential threats are automatically identified, isolated and in most cases neutralized. If these captured threats are suspect, but are too complex to be handled by an automated response, an expert virus researcher examines them in person and provides a fix if necessary. This combination of speed and thoroughness ensures problems are detected, diagnosed and immunized before they bring down corporate servers and desktops. The Digital Immune System represents the highest level of service.

Symantec is determined to remain an industry leader in providing innovative services and products that protect Internet users and vulnerable environments from cyber threats — no matter what new technologies may bring. Our laboratories research and develop next generation virus protection, risk management, intrusion protection and content filtering solutions to stay well ahead of potential new threats. For example, although there are currently no known viruses aimed at hand-held access devices, Symantec developed the world's first anti-virus technology for the Palm OS® platform. By leveraging our technology, we created a smaller virus detection program that opens the door for protection of other devices such as telephones, appliances and wireless devices.

Protection. In June 2000, we introduced Symantec Enterprise Security™, the first comprehensive enterprise security solution that includes

{ Tele Danmark }

"As Denmark's largest Internet Service Provider, we consider Symantec's Norton AntiVirus to be one of the best on the market and use it to protect subscribers of our Opasia Internet service from virus attack. By using the free access to virus updates through LiveUpdate, our customers will have increased protection against new viruses."

Per B. Hansen, *Head of Security, Tele Danmark*

proactive assistance and policy guidance for today's complex Internet environment. The system integrates best-of-breed, multi-platform products in intrusion prevention, content filtering and virus protection. This allows our enterprise customers to determine, monitor and enforce security levels and practices to secure critical business and e-commerce assets. We will broaden the solution by providing network mapping, host- and network-based vulnerability scanning, policy compliance testing and risk-based security policy recommendations, thereby allowing enterprise customers to find the appropriate balance between risk, cost, performance and protection.

Since not all customers want to manage their security needs, a new division of Symantec is focused specifically on building highly scalable versions of Symantec security technologies to be delivered via Application or Internet Service Providers (ASPs or ISPs) and Value-Added Resellers (VARs). Our goal is to build three sets of services: carrier class solutions, web-hosted applications and managed services. These solutions will include virus protection, scanning and filtering tools and intrusion prevention. This is an enormous opportunity for Symantec, and we are convinced that significant rewards await us in this arena.

Finally, as complex and more destructive threats begin to emerge, Symantec researchers around the world are working closely with governments, law enforcement agencies, international security bodies and academic institutions to bring innovative solutions and new technologies to market, providing the peace of mind customers need in a connected world.

RESULTS

{ Financial Review

16 Selected Financial Data

17 Business Overview

22 Management's Discussion and Analysis of Financial Condition and Results of Operations

30 Quantitative and Qualitative Disclosures about Market Risk

32 Consolidated Financial Statements

36 Summary of Significant Accounting Policies

38 Notes to Consolidated Financial Statements

56 Report of Independent Auditors

Forward-Looking Statements The following discussion contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others things, those risk factors set forth in our previously filed Form 10K for the year ended March 31, 2000. We identify forward-looking statements by words such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or similar terms that refer to the future. We cannot guarantee future results, levels of activity, performance or achievements.

Introduction Symantec, a world leader in Internet security technology, provides a broad range of content and network security solutions to individuals and enterprises. We are a leading provider of virus protection, risk management, Internet content and e-mail filtering, remote management and mobile code detection technologies to enterprise and individual customers. Founded in 1982, we have offices in 33 countries worldwide.

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 2000, we acquired URLabs, L-3 Network Security's operations and 20/20 Software. During fiscal 1999, we acquired Quarterdeck, Intel's and IBM's anti-virus businesses and the operations of Binary. Each of these acquisitions was accounted for as a purchase and, accordingly, the operating results of these businesses have been included in our consolidated financial statements since their respective dates of acquisition. We did not complete any acquisitions during fiscal 1998. During fiscal 1997, we acquired Fast Track, Inc. in a transaction accounted for as a pooling of interests. Since the results of operations of Fast Track were not material to our consolidated financial statements, amounts prior to the date of acquisition were not restated to reflect the combined operations of the companies. In fiscal 1996, we acquired Delrina Corporation in a transaction accounted for as a pooling of interests, and therefore, we have restated the results of operations for all periods presented to reflect the consolidated results of Delrina and Symantec.

On December 31, 1999, we divested our ACT! and Visual Café product lines. Because the divestitures of the ACT! and Visual Café product lines were effective at the close of business on December 31, 1999, these product lines are included in the results of operations through that date for the year ended March 31, 2000.

Five-Year Summary

	Year Ended March 31,				
(In thousands, except net income (loss) per share)	2000	1999	1998	1997	1996
Statements of Operations Data:					
Net revenues	$ 745,725	$ 592,628	$ 532,940	$ 452,933	$ 445,432
Acquisition, restructuring and other expenses	13,318	38,395	—	8,585	27,617
Operating income (loss)	135,203	27,841	54,924	17,550	(48,279)
Net income (loss)	170,148	50,201	85,089	26,068	(39,783)
Net income (loss) per share - basic	$ 2.94	$ 0.89	$ 1.52	$ 0.48	$ (0.76)
Net income (loss) per share - diluted	$ 2.73	$ 0.86	$ 1.42	$ 0.47	$ (0.76)
Shares used to compute net income (loss) per share - basic	57,870	56,601	56,097	54,705	52,664
Shares used to compute net income (loss) per share - diluted	62,214	59,289	60,281	55,407	52,664

	March 31,				
(In thousands)	2000	1999	1998	1997	1996
Balance Sheet Data:					
Working capital	$ 319,020	$ 94,036	$ 175,537	$ 129,569	$ 134,643
Total assets	846,027	563,476	476,460	339,398	282,674
Long-term obligations, less current portion	1,553	1,455	5,951	15,066	15,393
Stockholders' equity	617,957	345,113	317,507	217,979	180,317

Quarterly Financial Data

(In thousands, except net income per share; unaudited)	Fiscal 2000 Mar. 31 2000	Dec. 31, 1999	Sep. 30, 1999	Jun. 30, 1999
Net revenues	$ 187,205	$ 200,847	$ 182,535	$ 175,138
Gross margin	158,196	170,048	151,893	144,515
Restructuring and other expenses	7,059	2,246	1,240	2,773
Income, net of expense, from sale of technologies and product lines	7,491	89,967	5,010	4,890
Net income	31,576	89,013	25,832	23,727
Net income per share-basic	$ 0.53	$ 1.52	$ 0.45	$ 0.42
Net income per share-diluted	$ 0.49	$ 1.41	$ 0.43	$ 0.41

(In thousands, except net income per share; unaudited)	Fiscal 1999 Mar. 31, 1999	Dec. 31, 1998	Sep. 30, 1998	Jun. 30, 1998
Net revenues	$ 169,618	$ 155,206	$ 130,034	$ 137,770
Gross margin	141,168	128,718	108,697	117,487
Restructuring and other expenses	740	7,560	10,122	19,973
Income, net of expense, from sale of technologies and product lines	5,957	9,850	10,027	15,321
Net income	24,758	15,883	1,945	7,615
Net income per share-basic	$ 0.44	$ 0.29	$ 0.03	$ 0.13
Net income per share-diluted	$ 0.43	$ 0.28	$ 0.03	$ 0.13

Market Information Common Stock

Our 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 2000 Mar. 31, 2000	Dec. 31, 1999	Sep. 30, 1999	Jun. 30, 1999
High	$ 80.81	$ 66.44	$ 35.97	$ 28.00
Low	48.06	36.75	25.75	13.00

	Fiscal 1999 Mar. 31, 1999	Dec. 31, 1998	Sep. 30, 1998	Jun. 30, 1998
High	$ 22.88	$ 21.81	$ 28.00	$ 32.13
Low	14.47	8.69	10.13	22.63

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 our common stock.

(In Canadian Dollars)	Fiscal 2000 Mar. 31, 2000	Dec. 31, 1999	Sep. 30, 1999	Jun. 30, 1999
High	$ 116.00	$ 99.00	$ 54.00	$ 40.50
Low	70.00	55.00	38.50	20.00

(In Canadian Dollars)	Fiscal 1999 Mar. 31, 1999	Dec. 31, 1998	Sep. 30, 1998	Jun. 30, 1998
High	$ 34.60	$ 33.00	$ 41.75	$ 46.50
Low	22.45	13.20	16.60	32.75

As of March 31, 2000, there were approximately 663 stockholders of record, including approximately 22 holders of record of Delrina exchangeable shares. We have not paid cash dividends in the last three years. In addition, our bank line of credit does not allow for the payment of cash dividends on our common stock.

Business Overview

In the past, we have organized our business on a product group basis. In fiscal 2000, we restructured our internal operations and management to allow us to organize our resources by customer segment. We currently view our business in five customercentered segments; Consumer and Small Business, Enterprise Solutions, e-Support, Professional Services and Other.

In addition to our internal restructuring, we added key technologies by acquiring URLabs, L-3 Network Security's operations and 20/20 Software. These acquisitions will enable us to:

- increase our addressable market opportunities;
- broaden our security offerings;
- acquire a talented base of UNIX employees; and
- develop a consulting service organization within our company.

Furthermore, we divested the ACT! and Visual Café product lines to focus our strategy in the Internet security market.

Consumer and Small Business Our Consumer and Small Business segment provides solutions to individual users, home offices and small businesses. The division's charter is to ensure that consumers and their information are secure and protected in a connected world. Most of the products that we are currently marketing or developing feature LiveUpdate. This feature enables users to easily download content updates including virus definitions, firewall rules, URL databases and uninstall scripts.

Enterprise Solutions The objective of our Enterprise Solutions segment is to provide a broad range of security solutions for our enterprise customers. Our corporate customers need to protect their businesses from the threats associated with the use of the Internet. These threats are both external and internal to the organization. External threats include such things as viruses or hacker intrusions; internal threats include undesired use of network resources or potential liability stemming from abuse of Internet access.

Our Enterprise Solutions products are available to customers in a variety of ways. We offer each product as either a stand-alone product or as a combined solution, allowing the customer to determine what is most effective for them. The Enterprise Solutions segment currently focuses on two areas: Content Security and Network Security.

Enterprise Solutions – Content Security Content security is a core element of Internet security that combines multi-tier protection against viruses and mobile code with the management of Internet communications for sensitive content or misuse of data. Mobile code, frequently referred to as viruses or malicious code, refers to executable programs that are used with a specific malicious intent in mind. Users of our content security solutions are able to take action to protect their enterprise from risks associated with using Internet resources. This includes scanning or monitoring data that enters, leaves or travels inside the organization, as well as detecting and eliminating malicious code that may be introduced into a company's network. Using Symantec's content security software solutions, managers can control user access to information from the Internet and help ensure that users focus on data for work productivity, rather than leisure activities. Elements of content security include virus and mobile code protection and e-mail and Internet content scanning and filtering.

Virus and Mobile Code Protection Our anti-virus solutions protect computers and networks at multiple entry points from known and unknown threats. Anti-virus protection provides automatic protection from virus attacks that can occur when files are exchanged over the Internet. Protection from virus attacks is the most well-known and largest market component within the content security space.

E-mail Content Scanning and Filtering Our e-mail content scanning and filtering solutions help protect proprietary information and can reduce liability exposure and improve productivity for e-mail application users. Content can be scanned for proprietary information and for inappropriate words and phrases to ensure a company's e-mail policies are enforced. Filtering can also increase bandwidth by countering e-mail address forgery attacks.

Internet Content Scanning and Filtering Our Internet content scanning and filtering solutions allow organizations and individuals to control and focus Internet usage for increased productivity and potentially decreased liability exposure. Content is scanned and filtered based on lists of sensitivities, specific addresses and context.

Enterprise Solutions – Network Security Network security is another core element of Internet security that encompasses network vulnerability assessment of the potential dangers to the organization from information flows to and from the Internet. Users of our network security solutions are able to assess vulnerabilities to the network or system and/or detect the occurrence of malicious activities on systems and networks.

Our vulnerability assessment solutions provide the tools and services to automate the detection and correction of common inactive and network configuration errors.

e-Support Our e-Support segment offers products that enable companies to be more effective and efficient within their IT departments. Remote management solutions help remote professionals to remain productive while providing companies access to information, applications and data from any location.

Professional Services Our Professional Services division provides fee-based technical support and consulting services to enterprise customers to assist them with the planning, design and implementation of enterprise security solutions in the anti-virus and Internet content filtering technologies. In addition, we provide complete vulnerability and security assessments of enterprise customer information systems.

Recent Acquisitions and Divestitures

Acquisitions Since our initial public offering on June 23, 1989, we have completed acquisitions of 22 businesses. Our recent acquisitions are as follows:

- 20/20 Software, Inc. in the March 2000 quarter;
- L-3 Network Security's operations, also in the March 2000 quarter;
- URLabs in the September 1999 quarter;
- Quarterdeck Corporation in the March 1999 quarter;
- Intel Corporation's anti-virus business in the September 1998 quarter;
- Binary Research Limited's operations in the June 1998 quarter;
- International Business Machine's anti-virus business, also in the June 1998 quarter;
- Fast Track, Inc. in the June 1996 quarter; and
- Delrina Corporation in the December 1995 quarter.

With the exception of Fast Track and Delrina, we accounted for each of these acquisitions as a purchase and, accordingly, we have included the operating results of these businesses in our consolidated financial statements since their respective dates of acquisition. Fast Track and Delrina were accounted for as poolings of interest. Accordingly, we have restated all financial information to reflect the combined operations of Delrina; however, since Fast Track had results of operations that were not material to our consolidated financial statements, we did not restate any financial information related to Fast Track. In the past, we have acquired businesses, including Peter Norton Computing, Inc. on August 31, 1990. We continue to use the Norton brand name for products subsequently developed and marketed by us.

Divestitures We divested the Visual Café and substantially all of the ACT! product lines on December 31, 1999, and have included their results in our Other business segment. These divestitures enabled us to focus our efforts and resources on our Internet security business. These products comprised a significant part of our business prior to their disposition.

Sales and Marketing, International Sales and Customer Support

We market our products worldwide utilizing a multi-channel strategy of direct and indirect sales through independent software distributors, major retail chains and resellers.

Sales and Marketing We sell our products to individuals and enterprise users primarily through distributors and resellers. Our products are available to customers through channels that include: distributors, retail, mail order, corporate resellers, Internet-based resellers or "e-tailers," value added resellers, original equipment manufacturers, educational institutions and Internet service providers ("ISPs"). We also sell some of our products and product upgrades through direct mail and over the Internet. We sell corporate site licenses through our distribution and corporate reseller channels.

We maintain distribution relationships with major independent distributors. These distributors stock our products for redistribution to independent dealers, consultants and other resellers. We also maintain relationships with major retailers, while marketing to these retailers through independent distributors. Our sales force works closely with our major distributor and reseller accounts to manage the flow of orders, inventory levels and sell-through to customers. We also work closely with them to manage promotions and other selling activities.

Our agreements with distributors are generally nonexclusive and may be terminated by either party without cause. These distributors are not within our control and are not obligated to purchase products from us. These distributors also represent other vendors' product lines.

Our marketing activities include:

- advertising in trade, technical and business publications;
- on-line advertising;
- public relations;
- cooperative marketing with distributors, resellers and dealers;
- direct mailings to existing and prospective end-users; and
- participation in trade and computer shows.

We typically offer two types of rebate programs: volume incentive rebates and rebates to end-users. Volume incentive rebates are made available to our distributors and resellers. The distributor or reseller earns a rebate based upon their purchases and their sale of products to end-users. Volume incentive rebates are accrued when revenue is recorded. From time to time, we also make rebates available to end-users of various products acquired through major retailers. End-user rebates are accrued when revenue is recorded.

Our return policy allows distributors, subject to various limitations, to return purchased products in exchange for new products or for credit toward future purchases. End-users may return products through dealers and distributors for a full refund, within a reasonable period from the date of purchase. Also subject to limitations, retailers may return older versions of products. Various distributors and resellers have different return policies that may impact the level of products that are returned to us. Product returns occur when we introduce upgrades and new versions of products or when distributors order too much product. In addition, competitive factors often require us to offer rights of return for products that distributors or retail stores are unable to sell.

International Sales Revenues outside of North America represented approximately 41%, 37% and 34% of our net revenues for fiscal 2000, 1999 and 1998, respectively.

The majority of our net revenues from Europe are derived from sales by affiliates of our major United States distributors. In other countries, we sell our products through authorized distributors. In some countries, these distributors are restricted to specified territories. We adapt some of our products by translating the documentation and software, where necessary, and preparing marketing programs for each local market.

We have marketing offices in Argentina, Australia, Brazil, Canada, China, Columbia, Czech Republic, Finland, France, Germany, Holland, Hong Kong, Hungary, India, Israel, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Poland, Russia, Singapore, South Africa, Sweden, Switzerland, Taiwan, United Arab Emirates and the United Kingdom. These local offices facilitate our marketing and distribution in international markets. Our international operations are subject to various risks common to international operations, including:

- government regulations;
- import restrictions;
- currency fluctuations;
- repatriation restrictions; and
- in some jurisdictions, reduced protection for our copyrights and trademarks.

Customer Support Our product support program provides a wide variety of free and fee-based technical support services to our customers. We provide most of our customers with unlimited free online support. For some of our international customers we provide free telephone support, limited to a period of 30 to 90 days. We plan to transition a significant amount of these international customers to unlimited free online support over the next two years. Through LiveUpdate, we provide online access to application bug fixes and/or patches for most of our currently marketed and developed products. In addition, we offer both enterprise and consumer customers a variety of fee-based options designed to meet their technical support requirements. We revise these fee-based support programs from time to time as customer requirements change and as market trends dictate.

Product Development, Partnerships and Acquisitions

We use a multiple product sourcing strategy that includes, as necessary:

- internal development;
- licensing from third parties; and
- acquisitions of technologies, product lines or companies.

We develop software products that are designed to operate on a variety of operating systems. We typically develop new products and enhancements of existing products through our business segments with support from our core technology group. Each segment is responsible for its own design, development, documentation and quality assurance.

Independent contractors are used for aspects of the product development process. In addition, elements of some of our products are licensed from third-party developers.

We use strategic acquisitions, as necessary, to provide certain technology, people and products for our overall product strategy. We have completed a number of acquisitions and dispositions of technologies, companies and products and may acquire and dispose of other technologies, companies and products in the future.

Competition The computer software market is intensely competitive and is subject to rapid changes in technology. It is influenced by the strategic direction of major computer hardware manufacturers, ISPs, Application Service Providers ("ASPs") and operating system providers. Our competitiveness depends on our ability to deliver products that meet our customers' needs by enhancing existing solutions and offering successful new solutions on a timely basis. We have limited resources, and as a result, we must deploy resources thoughtfully. The principal competitive factors in our Consumer and Small Business, Enterprise Solutions and e-Support segments are quality, employment of the most advanced technology, price, reputation, breadth of product offerings, customer support and sales and marketing terms. In our Professional Services segment, the principal competitive factors include technical capability, responsiveness, price and reputation within the industry. This section should be read in conjuction with the risk factors set forth in our previously filed Form 10K for the year ended March 31, 2000.

Competition in the consumer and small business market is intense. Some of the companies that offer competing products to our Consumer and Small Business offerings include Network Associates, McAfee.com, PowerQuest, Network ICE, Computer Associates, WebSense, Secure Computing, Panda, Norman and Trend Micro. With the recent outbreaks of viruses and other Internet-based security threats, several other companies have entered the market and may become significant competitors in the future.

We compete against several companies in the virus and mobile code protection market, which is where we sell our anti-virus products. Some of the companies that we compete against in this area are Network Associates, McAfee.com, Computer Associates, Panda, Norman and Trend Micro. WebSense, N2H2, JSB Software, Network Associates, Trend Micro and Secure Computing have products that compete directly with our e-mail and Internet content scanning and filtering products. We compete against ISS Group, AXENT Technologies and Network Associates in the network security marketplace. Our e-Support products, pcAnywhere and Norton Ghost Enterprise Edition, compete with Traveling Software, Stac Software, Netopia and other programs.

Price competition is intense with most of our products. We expect price competition to continue to increase and become even more significant in the future, which may reduce our profit margins.

We also face competition from a number of other products that offer levels of functionality different from those offered by our products, or that were designed for a somewhat different group of end-users than those targeted by us. Operating system vendors such as Microsoft have added features to new versions of their products that provide some of the same functions offered in our products. Microsoft has incorporated advanced utilities in Windows 95, Windows 98 and Windows 2000, and we believe this trend will continue. In addition, several other operating systems are gaining market acceptance, such as Red Hat Linux, Solaris and UNIX-based operating systems, and they may also incorporate advanced utilities or other functionality offered in our products. While we plan to continue to improve our products with a view toward providing enhanced functionality over that provided in current and future operating systems, these efforts may be unsuccessful and any improved products may not be commercially accepted by users. We will also continue to attempt to cooperate with operating system vendors to make our products compatible with those operating systems, while at the same time, differentiating our utility products from features included in these operating systems. Our efforts in this regard may be unsuccessful.

The demand for some of our products, including those currently under development, may decrease, if, among other reasons:

- Microsoft includes additional product features in future releases of Windows;
- hardware vendors incorporate additional server-based network management and security tools into network operating systems; or
- competitors license certain of their products to Microsoft or original equipment manufacturers for inclusion in their operating systems or products.

In addition, we compete with other computer software companies for access to retail distribution channels and for the attention of customers at the retail level and in corporate accounts. We also compete with other software companies to acquire products or companies and to publish software developed by third parties.

Many of our existing and potential competitors may have greater financial, marketing or technological resources than we do. We believe that competition in the industry will continue to intensify as most major software companies expand their product lines into additional product categories.

Manufacturing Our product development groups produce a set of master CD-ROMs or diskettes and documentation for each product that are then duplicated and packaged into products by the manufacturing organization. All of our domestic manufacturing and order fulfillment is performed by an outside contractor under the supervision of our manufacturing organization. Domestic purchasing of all raw materials is done by Symantec personnel in our Cupertino, California facility. The manufacturing steps that are subcontracted to outside organizations include the duplication of diskettes and replication of CD-ROMs, printing of documentation materials and assembly of the final packages. We perform diskette duplication and assembly of the final package in our Dublin, Ireland manufacturing facility for most products distributed outside of North America.

Intellectual Property We regard our software as proprietary. We attempt to protect our software technology by relying on a combination of copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. Litigation may be necessary to enforce our intellectual property rights, to protect trade secrets or trademarks or to determine the validity and scope of the proprietary rights of others. Furthermore, other parties have asserted and may, in the future, assert infringement claims against us. These claims and any litigation may result in invalidation of our proprietary rights. Litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention.

Employees As of March 31, 2000, we employed approximately 2,600 people worldwide, including approximately 1,500 in sales, marketing and related staff activities, 500 in product development and 600 in management, manufacturing, administration and finance. None of our employees are represented by a labor union and we have experienced no work stoppages. We believe that relations with our employees are good. Competition in recruiting personnel in the software industry is intense. We believe that our future success will depend in part on our ability to recruit and retain highly skilled management, marketing and technical personnel. We believe that we must provide personnel with a competitive compensation package, which necessitates the continued availability of stock options and shares to be issued under our employee stock option and purchase plans.

Management's Discussion and Analysis of Financial Condition and Results of Operations

During the last three fiscal years, we completed the following acquisitions and divestitures:

In March 2000, we purchased 100% of the outstanding common stock of 20/20 Software. The transaction was accounted for as a purchase and will be paid for in cash. We recorded goodwill and acquired product rights in connection with this acquisition. We are amortizing these intangible assets over five years.

Also in March 2000, we acquired L-3 Network Security's operations. The transaction was accounted for as a purchase and was paid for with cash. We recorded goodwill and other intangible assets in the transaction. We wrote-off the acquired in-process research and development. We are amortizing the value of the goodwill, acquired product rights and other intangibles over five years.

In July 1999, we purchased 100% of the outstanding common stock of URLabs. The transaction was accounted for as a purchase and was paid for with cash. We recorded goodwill and other intangible assets in connection with the acquisition. We wrote-off the acquired in-process research and development. We are amortizing the value of the goodwill, acquired product rights and other intangibles over a five-year period.

In November 1998, we completed a tender offer for the common stock of Quarterdeck, obtaining 63% of the outstanding shares. In March 1999, Quarterdeck shareholders approved the acquisition by Symantec of the remaining outstanding shares of Quarterdeck. The acquisition of Quarterdeck was accounted for as a purchase and was paid for with cash. We recorded acquired product rights, goodwill, workforce in place and other intangible assets for the respective purchases. We wrote-off the acquired in-process research and development. We are amortizing the value of the workforce in place over two years. We are amortizing the value of the remaining intangibles, acquired product rights and goodwill over five years.

In September 1998, we entered into an agreement with Intel to acquire its anti-virus business and to license its systems management technology. The acquisition was accounted for as a purchase and was paid for with cash. We recorded acquired product rights and other intangibles as of the date of the acquisition. We wrote-off the acquired in-process research and development. We are amortizing the value of the intangible assets over five years.

In June 1998, we acquired the operations of Binary. The acquisition was accounted for as a purchase and was paid for with cash. We recorded intangible assets of acquired product rights and workforce in place as of the date of the acquisition. We wrote-off the acquired in-process research and development. We are amortizing the value of the workforce in place and acquired product rights over four years.

In May 1998, we entered into an agreement with IBM to acquire its immune system technology and related anti-virus patents. The acquisition was accounted for as a purchase and was paid for with cash and debt. We recorded intangible assets of prepaid research and development, customer base and goodwill. We wrote-off the acquired in-process research and development. We amortized the value of prepaid research and development over one year. We are amortizing the value of both the goodwill and customer base over five years.

We did not complete any acquisitions during fiscal 1998.

On December 31, 1999, we divested our ACT! and Visual Café product lines. Because the divestitures of the ACT! and Visual Café product lines were effective at the close of business on December 31, 1999, these product lines are included in the results of operations through December 31, 1999.

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

Results of Operations

	Year Ended March 31, 2000	1999	1998	Period-to-Period Percentage Increase (Decrease) 2000 Compared to 1999	1999 Compared to 1998
Net revenues	100%	100%	100%	26%	11%
Cost of revenues	16	16	16	25	10
Gross margin	84	84	84	26	11
Operating expenses:					
Research and development	15	17	17	7	11
Sales and marketing	41	48	49	7	10
General and administrative	6	6	7	18	(6)
Amortization of goodwill	2	1	—	190	*
Amortization of intangibles from acquisitions	—	—	—	*	*
Acquired in-process research and development	1	5	—	(84)	*
Restructuring and other expenses	1	1	—	77	*
Litigation judgment	—	1	—	(100)	*
Total operating expenses	66	79	73	5	20
Operating income	18	5	11	386	(49)
Interest income	2	2	2	(1)	3
Interest expense	—	—	—	*	*
Income, net of expense, from sale of technologies and product lines	15	7	8	161	(9)
Other income (expense), net	—	—	—	*	*
Income before income taxes	35	14	21	209	(26)
Provision for income taxes	12	6	5	164	22
Net income	23%	8%	16%	239	(41)

* Percentage change is not meaningful

Net Revenues Net revenues increased 26% from $593 million in fiscal 1999 to $746 million in fiscal 2000. Net revenues increased 11% from $533 million in fiscal 1998 to $593 million in fiscal 1999. The increase in fiscal 2000 as compared to fiscal 1999 and the increase in fiscal 1999 as compared to fiscal 1998 were largely due to increased sales to our corporate customers, introductions of new products and increased sales outside of North America.

Consumer and Small Business Our Consumer and Small Business segment represented approximately 43%, 44% and 57% of total net revenues for fiscal 2000, 1999 and 1998, respectively. Although net revenues for this segment decreased as a percentage of net revenues, net revenues in absolute dollars increased in fiscal 2000 as compared to fiscal 1999. This increase was primarily due to outbreaks of significant viruses, new releases of both new and existing products and our customers preparing for the Year 2000 rollover. These factors contributed to growth in sales of Norton AntiVirus, Norton SystemWorks and Norton 2000. We have discontinued Norton 2000 and we no longer expect any future sales from this product.

Net revenues in absolute dollars decreased in the Consumer and Small Business segment in fiscal 1999 over fiscal 1998, due to price competition for some of our products. However, we did experience increased revenue from sales of Norton AntiVirus and our successful introduction of suite products. These increases were offset by reductions in net revenues for Norton Utilities. During fiscal 2000, 1999 and 1998, the financial impact of product price reductions for certain of our principal products was offset by the increase in the volume of products sold.

Enterprise Solutions and e-Support Our Enterprise Solutions and e-Support segments represented approximately 49%, 43% and 29% of total net revenues for fiscal 2000, 1999 and 1998, respectively. Net revenues increased in fiscal 2000 as compared to fiscal 1999 primarily due to strong demand for our e-Support products, Norton

Ghost and pcAnywhere, and increases due to virus outbreaks and Year 2000 preparation by enterprises. Net revenues increased in fiscal 1999 as compared to fiscal 1998 primarily due to increased sales of pcAnywhere and the new release of Norton Ghost.

International Net revenues outside of North America represented 41%, 37% and 34% of total net revenues for fiscal 2000, 1999 and 1998, respectively. International net revenues increased by $89 million in fiscal 2000 to $308 million, from $219 million in fiscal 1999. This increase in net revenues was the result of increased sales in Europe and Japan. Net revenues from sales outside of North America were $219 million and $179 million and represented 37% and 34% of net revenues in fiscal 1999 and 1998, respectively. The increase was also largely due to stronger sales to Europe and Japan. Weaknesses in currencies fixed to the euro during fiscal 2000, slightly offset by strengths in other currencies, negatively impacted our international revenue growth by approximately $15 million. The impact in fiscal 1999 was less than $1 million.

Pro Forma Revenue Giving Effect to Divestitures For comparative purposes, the following table displays, on a pro forma basis, our net revenues excluding the ACT! and Visual Café product lines:

	Year ended March 31,		
(In thousands)	2000	1999	1998
Pro forma net revenues	$ 704,875	$ 530,100	$ 469,623

Product Returns We estimate and maintain reserves for product returns. Product returns principally relate to stock balancing and the replacement of obsolete products, which are offset by orders of equal or greater value for the current versions of the products. The mix of products returned from the distributors/resellers as compared to products sold to the distributors/resellers does not impact the gross margins, as our gross margins are consistent across our various product families. Changes in the level of product returns and related product returns provision are generally offset by a change in the level of gross revenue. As a result, the product returns provision did not have a material impact on reported net revenues in any period presented.

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. Gross margin was 84% of net revenues in fiscal 2000, 1999 and 1998.

Capitalized Software As indicated in the overview, during fiscal 2000 we acquired URLabs, L-3 Network Security's operations and 20/20 Software. As a result, we recorded acquired capitalized software, or acquired product rights, of approximately $5 million, $3 million and $2 million, respectively. In fiscal 1999 we acquired Binary's operations, Intel's anti-virus business and Quarterdeck. After adjusting for the final purchase price allocations, we recorded acquired product rights of approximately $17 million, $10 million and $8 million, respectively.

Amortization of acquired product rights, which are included in cost of revenues, totaled approximately $10 million, $6 million and $1 million in fiscal 2000, 1999 and 1998, respectively. The decrease in fiscal 2000 from fiscal 1999 is primarily due to a full year of amortization on our fiscal 1999 acquisitions and the acquisition of URLabs in fiscal 2000. As the L-3 Network Security and 20/20 Software acquisitions were not complete until late March 2000, there was no significant amortization in fiscal 2000 related to these acquisitions. The increase in fiscal 1999 from fiscal 1998 is primarily due to additional amortization related to acquired product rights associated with our acquisition of Intel's anti-virus business and the acquisitions of Binary's operations and Quarterdeck. The amortization of our fiscal 2000 and 1999 acquisitions will occur over the next three to five years.

Research and Development Expenses We charge research and development expenditures to operations as incurred. As a percentage of net revenues, research and development expenses were 15% for fiscal 2000 and remained flat at 17% for fiscal 1999 and fiscal 1998. The decrease in research and development expenses as a percentage of net revenues in fiscal 2000 from fiscal 1999 largely resulted from overall growth in our net revenues.

Although research and development expenses decreased as a percentage of net revenues, absolute dollars increased 7% to approximately $108 million in fiscal 2000 from $102 million in fiscal 1999. The increase was a result of increases in software development costs paid to additional contractors, employee related expenses and additional costs for settlements related to disputes over technology rights in fiscal 2000, offset by a reduction of research and development expenses resulting from our divestitures of the Visual Café and ACT! product lines.

Research and development expenses increased 11% to approximately $102 million in fiscal 1999 from $91 million in fiscal 1998. The increase was a result of increased spending on new product development.

Sales and Marketing Expenses Sales and marketing expenses were 41%, 48% and 49%, of net revenues for fiscal 2000, 1999 and 1998, respectively.

The sales and marketing expenses were approximately $307 million, $286 million and $261 million in fiscal 2000, 1999 and 1998, respectively. The absolute dollar increase in sales and marketing expenses in fiscal 2000 as compared to fiscal 1999 is primarily related to increased headcount and related salaries, commissions and other performance-based compensation. The absolute dollar increase in sales and marketing dollars for fiscal 1999 over fiscal 1998 is primarily due to increased headcount, as well as increased spending in advertising and promotional expenses.

General and Administrative Expenses General and administrative expenses were 6% of net revenues in fiscal 2000 and 1999 and 7% of net revenues in fiscal 1998.

General and administrative expenses were approximately $42 million, $36 million and $38 million in fiscal 2000, 1999 and 1998, respectively. The absolute dollar increase in general and administrative expenses in fiscal 2000 as compared to fiscal 1999 was primarily due to increases in salaries and benefits, legal fees and write-offs of certain uncollectible receivables, offset by reductions in certain consulting expenses incurred in fiscal 1999. General and administrative expenses in absolute dollars decreased in fiscal 1999 as compared to fiscal 1998, primarily due to reductions in our information system costs.

Amortization of Goodwill Amortization of goodwill increased 190% from approximately $6 million in fiscal 1999 to $18 million in fiscal 2000. The increase is primarily related to the acquisitions in fiscal 2000 and 1999. Amortization of goodwill in fiscal 2000 is primarily related to amortization of goodwill associated with the acquisitions of Quarterdeck, URLabs and IBM's anti-virus business with amortization of approximately $10 million, $5 million and $2 million, respectively.

Acquired In-Process Research and Development Expenses In fiscal 2000 we acquired URLabs and L-3 Network Security's operations. In fiscal 1999, we acquired IBM's and Intel's anti-virus businesses, Binary's operations and Quarterdeck.

We wrote-off approximately $4 million and $28 million of acquired in-process research and development associated with these acquisitions in fiscal 2000 and 1999, respectively. These write-offs were necessary because the acquired technologies had not yet reached technological feasibility and there were no alternative uses.

We are using the acquired in-process research and development associated with the fiscal 2000 acquisitions to create Internet security intrusion detection, vulnerability assessment, new anti-virus products and enhanced management and administrative capabilities to be integrated into our products over the next year. There were no acquired in-process research and development expenses in fiscal 1998.

The efforts required to develop the acquired in-process technology principally relate to the completion of all planning, designing, development and testing activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions and performance. We expect the acquired in-process technology to be developed into commercially feasible products. However, there are no assurances that this will occur. If we fail to complete these products in their entirety, or in a timely manner, we may not continue to attract new users, we may be unable to retain our existing users and the value of the other intangible assets may become impaired.

We determined the fair value of the acquired in-process technology for each of the purchases by estimating the projected cash flows related to these projects, including the cost to complete the acquired in-process technologies and future revenues to be earned upon commercialization of the products. We discounted the resulting cash flows back to their net present values. We based the net cash flows from such projects on our analysis of the respective markets and estimates of revenues and operating profits related to these projects.

A valuation specialist used our estimates to establish the amount of acquired in-process research and development to be written off for these acquisitions in fiscal 2000 and 1999. As a result, we wrote-off $3.1 million and $1.2 million in connection with our acquisitions of L-3 Network Security and URLabs, respectively, in fiscal 2000 using the following analyses:

L-3 Network Security This discussion contains forward-looking statements of certain aspects of our future operating results from the operations of L-3 Network Security ("L-3"). Actual results may differ from the estimates expressly or implicitly referred to by these forward-looking statements.

The in-process technology acquired in the L-3 acquisition consisted primarily of research and development related to the next generation of Retriever and Expert. Retriever and Expert products are designed for assisting enterprises in vulnerability assessment.

L-3's research and development was focused on providing more robust features in its development of the next generation products of Retriever and Expert. We plan on discontinuing sales of the Expert product since many of its functionalities are expected to be largely superseded by the next generation of Retriever.

We assumed that revenue attributable to L-3's in-process technology would be approximately $1 million in the first year and increase in the second and third years of the six-year projection period at annual rates of 543% and 82%, respectively, and then decrease at rates of 3%, 20% and 45%, over the remaining three years. We projected annual revenues to range from approximately $1 million to $13 million over the projected period. These projections were based on:

- aggregate growth rates for the business as a whole;
- individual product revenues;
- anticipated product development cycles; and
- the life of the underlying technology.

We estimated selling, general and administrative expenses for the in-process technology to be 221% of revenue in the first year, reducing to 45% in each of the remaining five years of the six-year projection period.

We projected operating results before acquisition related amortization charges to range from a $2 million loss during the first year to a $3 million profit during the third year. The operating profits would then decrease 3% in the fourth year to 45% by the sixth year, resulting in profits of approximately $3 million, $3 million and $1 million, respectively. Because we assumed that most product development costs would be incurred in the first year, thereby reducing operating expenses as a percentage of revenue in later years, we anticipate that operating profit will increase faster than revenue in the early years.

We estimated costs to be incurred to reach technological feasibility of the in-process technologies from L-3 as of the date of the acquisition to total approximately $0.3 million. We estimated the in-process technology to be between 68% to 77% complete at that time. In addition, we began building an intrusion detection product leveraging L-3's core technology, which we plan to release in the second half of fiscal 2001.

We used a discount rate of 25% for valuing the in-process technologies from L-3, which we believe reflects the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate is higher than the weighted average cost of capital of 20%, due to the fact that the technology had not reached technological feasibility as of the date of the valuation.

The assumptions and projections discussed for the technologies acquired from L-3 were based on information available at the time and should not be taken as indications of actual results, which could vary materially based on the risks and uncertainties identified in the risk factors set forth in our previously filed Form 10K for the year ended March 31, 2000.

URLabs This discussion contains forward-looking statements of certain aspects of our future operating results from URLabs. Actual results may differ from the estimates expressly or implicitly referred to by these forward-looking statements.

The in-process technology acquired in the URLabs acquisition primarily consisted of research and development related to the next generation of URLabs' two main products, I-Gear 3.5 and Mail Gear 1.2. The I-Gear and Mail Gear product lines are designed for content management use in URL filtering and e-mail filtering, respectively. URLabs' research and development was focused on providing more robust features in its development of the next generation products of I-Gear 3.5 and Mail Gear 1.2.

We assumed that revenue attributable to URLabs' in-process technology would be approximately $4 million in the first year and increase in the second and third years of the five-year projection period at annual rates of 77% and 40%, respectively, and then decrease at rates of 2% and 38% over the remaining two years. We projected annual revenues to range from approximately $4 million to $11 million over the projected period. These projections were based on:

- aggregate growth rates for the business as a whole;
- individual product revenues;
- anticipated product development cycles; and
- the life of the underlying technology.

We estimated selling, general and administrative expenses for the in-process technology to be approximately 69% of revenue in the first year, reducing to approximately 50% in each of the remaining four years of the five-year projection period.

We projected operating profit before acquisition related amortization charges to increase from less than $1 million during the first year to approximately $2.5 million during the third year. We projected that operating profits would then decrease from 7% to 35% during the remaining two years, resulting in profits of approximately $2.4 million and $1.5 million, respectively. Because we assumed that most product development costs would be incurred in the first year, reducing operating expenses as a percentage of revenue in later years, we anticipate operating profit to increase faster than revenue in the early years.

We estimated costs to be incurred to reach technological feasibility of the in-process technologies from URLabs as of the date of the acquisition to total approximately $0.2 million. We estimated the in-process technology to be between 30% to 40% complete at that time. We projected the introduction of acquired in-process technologies in the marketplace during calendar year 2000, and it was introduced at the end of the December 1999 quarter.

We used a discount rate of 30% for valuing the in-process technologies from URLabs, which we believe reflects the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate is higher than the weighted average cost of capital of 25%, due to the fact that the technology had not reached technological feasibility as of the date of the valuation. The rates used for URLabs are higher than the rates used for L-3 due to differences in the economic environments at the time of each acquisition, such as the equities market and the interest rate environment.

The assumptions and projections discussed for the technologies acquired from URLabs were based on information available at the time and should not be taken as indications of actual results, which could vary materially based on the risks and uncertainties identified in the risk factors set forth in our previously filed Form 10K for the year ended March 31, 2000.

IBM The in-process technology acquired in the IBM purchase primarily consisted of the IBM immune system technology and related anti-virus patents. We have integrated this technology into our anti-virus products. The original assumptions and projections discussed in prior filings for the immune system and related anti-virus technology acquired from IBM have not significantly changed.

Binary The in-process technology acquired in the Binary acquisition primarily consisted of disk cloning technologies associated with Ghost, the flagship product of Binary, which has been added to our product offerings. The assumptions and projections discussed in prior filings for the disk cloning technologies acquired from Binary have not significantly changed.

Intel The in-process technology acquired in the Intel purchase consists of the LANDesk anti-virus technology, which resides in the LANDesk virus protect product line. This technology has been integrated into our corporate anti-virus offerings. The assumptions and projections discussed in prior filings for the LANDesk anti-virus technology acquired from Intel have not significantly changed.

Quarterdeck The in-process technology acquired in our acquisition of Quarterdeck consisted of projects related to Quarterdeck's CleanSweep product line. These technologies have been integrated into Norton SystemWorks and is sold as a stand-alone product. The assumptions and projections discussed in prior filings for the projects related to Quarterdeck's CleanSweep product line have not significantly changed.

Restructuring and Other Expenses During the March 2000 quarter, we reduced our operations in our Melville and Toronto sites, thereby reducing our workforce by 96 employees. Each of these employees received a separation package. As a result, we vacated the facility in Melville and we are reducing the space occupied in Toronto. We recorded approximately $3.4 million for employee severance, outplacement and abandonment of certain facilities and equipment during the March 2000 quarter. In addition, we provided approximately $0.7 million for costs of severance, related benefits and outplacement services for two members of senior management due to the realignment of our business units and their resulting departures during the March 2000 quarter.

During the December 1999 quarter, we reduced our Internet Tools business unit's workforce and reduced our Sales workforce. There were 48 employees in the Internet Tools business unit affected, resulting in approximately $1.8 million of severance, related benefits and outplacement services being accrued during the December 1999 quarter. The Sales workforce reduction affected 10 employees, resulting in approximately $0.4 million of severance, related benefits and outplacement services being accrued in the December 1999 quarter.

During the September 1999 quarter, we provided approximately $0.7 million for costs of severance, related benefits and outplacement services for two members of senior management due to the realignment of our business units and their resulting departures. We also accrued approximately $2.7 million for certain costs related to an agreement reached with our former CEO in the June 1999 quarter. These costs were comprised of severance and acceleration of unvested stock options.

During the September 1998 quarter, we made a decision to restructure our operations and outsource domestic manufacturing operations. As a result, we originally recorded a $3.8 million charge for personnel severance to reduce the workforce by approximately 5% in both domestic and international operations and a $1.3 million charge for the planned abandonment of a manufacturing facility lease. These estimates were subsequently revised in the September 1999 quarter, resulting in a reduction in the personnel severance and outplacement accruals by approximately $0.7 million.

There were no restructuring and other expenses incurred in fiscal 1998.

Litigation Judgment During the June 1998 quarter, we accrued litigation expenses of approximately $6 million related to a judgment by a Canadian court on a decade-old copyright action assumed by us as a result of our acquisition of Delrina Corporation.

Interest Income, Interest Expense and Other Income (Expense) Interest income was relatively flat at approximately $13 million in fiscal 2000, 1999 and 1998.

Interest expense was approximately $2 million in fiscal 1999 and $1 million in fiscal 1998. The interest expense in fiscal 1999 and 1998 was principally related to our convertible subordinated debentures, which were converted into our common stock in February 1999 and for interest on Quarterdeck's subordinated notes that were paid off in March 1999.

Other income (expense) is primarily comprised of foreign currency exchange gains and losses from fluctuations in currency exchange rates. In fiscal 2000 there was approximately $1 million in income due to gains on unhedged foreign currency exposures. Foreign currency exchange gains and losses accounted for approximately $2 million in income in fiscal 1999, which primarily resulted from the write-off of the cumulative translation adjustment related to the payoff of an intercompany loan.

Income, Net of Expense, from Sale of Technologies and Product Lines The components of income, net of expense, from sale of technologies and product lines are as follows:

	Year Ended March 31,		
(In thousands)	2000	1999	1998
Gain on divestiture of:			
Visual Café product line	$ 68,523	$ —	$ —
ACT! product line	18,285	—	—
Royalties from Interact	5,000	—	—
Transition fees	894	—	—
Payments from HP and JetForm	14,656	41,155	45,421
Income, net of expense, from sale of technologies and product lines	$ 107,358	$ 41,155	$ 45,421

Gain on Divestiture of Visual Café On December 31, 1999, we sold the principal assets and liabilities of the Visual Café product line to WebGain, Inc. ("WebGain"). The assets primarily consisted of fixed assets and intangible assets. The liabilities related to certain revenue deferrals. In exchange for the assets and liabilities sold to WebGain, we received $75.0 million in a lump-sum cash payment on December 31, 1999. We wrote-off or transferred approximately $4.7 million of capitalized software, fixed assets and inventory related to the Visual Café product line. In addition, we accrued approximately $1.4 million in transaction costs and $0.4 million in retention packages for the affected employees. As a result, we recorded a pre-tax gain of approximately $68.5 million on the divestiture.

Gain on Divestiture of ACT! and Royalties from Interact On December 31, 1999, we licensed, on an exclusive basis, to Interact Commerce Corporation, previously SalesLogix Corporation ("Interact"), substantially all of the ACT! product line technology for a period of four years. In addition, we sold the inventory and fixed assets related to the ACT! product line to Interact. In consideration for the license and assets, Interact transferred to us 623,247 shares of its unregistered common stock. These shares were valued at approximately $20 million as of December 6, 1999, the date the license was signed and the date the number of shares was determined. As a result of the license, we recognized approximately $20 million of income from the shares received and wrote-off or transferred to Interact approximately $0.4 million of inventory and fixed assets attributed to the ACT! product line. In addition, we accrued approximately $1.3 million for transaction related costs incurred at December 31, 1999. After recognizing the above amounts, we recorded a pre-tax gain of approximately $18.3 million.

In addition to the shares received from Interact, we will receive quarterly royalty payments for four years. Interact will pay these royalties based on future revenues, up to an aggregate maximum of $57 million. Because the royalties are not guaranteed and the quarterly amounts to be received are not determinable until earned, we are recognizing these royalties as payments are due. The first payment of $5 million, which was due and payable on March 31, 2000, was recorded as income, net of expense, from sale of technologies and product lines in the March 2000 quarter. The payment was subsequently received in the June 2000 quarter.

Transition Fees In accordance with individual transition agreements, WebGain and Interact will pay us a fee for invoicing, collecting receivables, shipping and other operational and support activities, until such time as they have the ability to take over these activities. As of March 31, 2000, we billed them for a total amount of $4 million. Approximately $3.1 million of these fees were reimbursement of incremental costs incurred during the transition period to provide these services, which we would otherwise not have incurred, and as such, we have offset our operating expenses by this amount and have recorded the remaining amount of $0.9 million in income, net of expenses, from sale of technologies and product lines.

Payments from HP and JetForm Payments from HP and JetForm are associated with our sale of certain software products, technologies and tangible assets to JetForm Corporation ("JetForm") and the Hewlett-Packard Company ("HP") during fiscal 1997. The payments decreased from approximately $41 million in fiscal 1999 to $15 million in fiscal 2000. These payments also decreased $4 million from approximately $45 million in fiscal 1998 to $41 million in fiscal 1999. The payments declined in fiscal 2000 and 1999, because the HP payments ended in the December 1998 quarter and the payments from JetForm have been declining in accordance with the payment terms. The last JetForm payment of approximately $0.4 million was received in the June 2000 quarter.

Income Taxes Our effective tax rate on income before one-time charges (acquired in-process research and development and restructuring and other expenses), goodwill amortization expense and gain on sale of product lines, was 32% for fiscal 2000 and 1999. Our effective tax rate was 24% for fiscal 1998. Our fiscal 2000 and 1999 effective tax rates were lower than the U.S. federal and state combined statutory rate primarily due to a lower statutory tax rate on our Ireland operations. In addition, our fiscal 1998 effective tax rate was lower due to the utilization of previously unbenefited losses and credits. We project our effective tax rate to be 32% in fiscal 2001. This projection, however, is subject to change due to potential tax law changes and fluctuations in the geographic allocation of earnings.

The effective tax rate on income after goodwill amortization, but before one-time charges was 34%, 32% and 24% for fiscal 2000, 1999 and 1998, respectively, reflecting the partial non-deductibility of goodwill amortization in fiscal 2000. In addition, for fiscal 2000, tax has been provided on the gain on sale of product lines at an effective tax rate of 34%. This rate is also lower than the U.S. federal and state combined statutory rate because a portion of the gain is attributable to our Ireland operations and, accordingly, subject to a lower tax rate.

Our tax provision for fiscal 2000, 1999 and 1998 includes tax benefits attributable to one-time charges of $3.9 million, $2.0 million and zero, respectively.

Realization of a significant portion of the $79 million of net deferred tax assets is dependent on our ability to generate sufficient future U.S. taxable income. The amount of future U.S. taxable income that would have to be generated in order to realize the net deferred tax assets is approximately $175 million. We believe it is more likely than not that the $79 million of net deferred tax assets will be realized based on historical earnings and expected levels of future U.S. taxable income. Levels of future taxable income are subject to the various risks and uncertainties identified in the risk factors set forth in our previously filed Form 10K for the year ended March 31, 2000. A valuation allowance against net deferred tax assets may be necessary if it is more likely than not that all or a portion of the net deferred tax assets will not be realized. We will assess the need for a valuation allowance on a quarterly basis.

Liquidity and Capital Resources Cash, cash equivalents, short-term investments and long-term investments increased approximately $235 million to $432 million at the end of fiscal 2000 from $197 million at the end of fiscal 1999. This increase is largely due to cash provided from operations, net proceeds from the exercise of stock options under our stock option plans, sales of common stock through our employee stock purchase plan and the receipt of restricted stock and cash from our divestitures of the ACT! and Visual Café product lines.

Quarterdeck had issued $25 million of 6% convertible senior subordinated notes, or Notes, due in 2001. These Notes were issued to an institutional investor in a private placement pursuant to the terms of a Note Agreement dated March 1, 1996. These Notes were paid in full on March 30, 1999.

In addition to cash and short-term investments, we have $82 million of restricted investments related to collateral requirements under certain lease agreements. We are obligated under these lease agreements for two office buildings in Cupertino, California to maintain a restricted cash balance invested in U.S. Treasury securities with maturities not to exceed three years. In accordance with the lease terms, these funds are not available to meet our operating cash requirements. We are in compliance with our covenants on these lease agreements as of March 31, 2000. Future acquisitions or other events could cause us to be in violation of these covenants.

In May 2000, we amended our $10 million line of credit, which expires in May 2001, to minimize the potential violation of certain financial covenants due to future acquisitions. The amendment allows for future acquisitions of less than $75 million in cash, annually. We were in compliance with the debt covenants for this line of credit as of March 31, 2000. As of March 31, 2000, there were no borrowings and less than $1 million of standby letters of credit outstanding under this line. Future acquisitions could cause us to be in violation of the line of credit covenants. However, we believe that if the line of credit is canceled or amounts are not available under the line, there will not be a material adverse impact on our financial results, liquidity or capital resources.

Net cash provided by operating activities was approximately $224 million and was comprised of net income of approximately $170 million, non-cash related expenses of $55 million and a net increase in assets and liabilities of $109 million.

Net trade accounts receivable decreased $26 million to approximately $47 million and to 30 days sales outstanding at March 31, 2000 from approximately $76 million and 39 days sales outstanding at March 31, 1999.

Net cash used in investing activities was approximately $330 million and was comprised of $75 million in proceeds from our divestiture of the Visual Café product line, offset by $87 million in payments made in connection with our recent acquisitions, $288 million in net purchases of marketable securities and $30 million of capital expenditures.

On June 9, 1998, the Board of Directors of Symantec authorized the repurchase of up to 5% of our outstanding common stock before December 31, 1998. We completed the repurchase as of October 31, 1998, repurchasing approximately three million shares for approximately $56 million at prices ranging from $13.10 to $27.21 per share. The repurchased shares were used for employee stock purchase programs and option grants.

On March 22, 1999, the Board authorized the repurchase of up to $75 million of our outstanding common stock. As of March 31, 2000, we have purchased one million shares at prices ranging from $17.90 to $19.90, for an aggregate amount of $18.7 million.

We believe that existing cash and short-term investments and cash generated from operating results will be sufficient to fund operations for the next year.

Quantitative and Qualitative Disclosures about Market Risk

We do not have significant exposure to changing interest rates because of the low levels of marketable securities on our balance sheet. We do not undertake any specific actions to cover our exposure to interest rate risk and we are not a party to any interest rate risk management transactions. We do not purchase or hold any derivative financial instruments for trading purposes.

Interest Rate Sensitivity As of March 31, 2000, the fair market value of our financial instruments with exposure to interest risk was approximately US $308 million and euro 133 million. Sensitivity analysis for a six-month horizon was performed on our floating rate and fixed rate financial investments and floating rate liabilities.

Parallel shifts in the yield curve of both +/-50 basis points (+/-10% of our weighted average interest rate) would result in changes in fair market values for these investments and floating rate liabilities of less than $1 million. For the euro investments, parallel shifts in the yield curve of both +/-50 basis points (+/-10% of our weighted average interest rate) would result in changes in fair market values for these investments of approximately less than euro 1 million.

Equity Sensitivity We are exposed to equity price risk on the marketable portion of our portfolio of equity securities. We typically do not attempt to reduce or eliminate the market exposure on our securities. As of March 31, 2000, these securities consisted of approximately 600,000 shares of Interact Commerce Corporation, a publicly traded company (Nasdaq symbol "IACT"), with a market value of approximately $16.9 million. We believe that it is reasonably possible that the prices of these securities could experience a 50% adverse change in the near term. Assuming a 50% adverse change, these securities would decrease in value by approximately $8.5 million, based on the value of the securities as of March 31, 2000. Since April 2000, many high-technology stocks experienced increased volatility and a significant decrease in value, including these shares. If these securities had been valued using prices as of June 16, 2000, the value of these securities would have decreased by approximately an additional $9.3 million subsequent to March 31, 2000. The value of these securities may vary over time and the value as of June 16, 2000 of approximately $7.6 million is not necessarily indicative of future performance.

Exchange Rate Sensitivity We conduct business in 37 international currencies through our worldwide operations. We have established a foreign currency hedging program, utilizing foreign currency forward exchange contracts, or forward contracts, of one fiscal month duration to hedge various foreign currency transaction exposures. Under this program, increases or decreases in our foreign currency transactions are offset by gains and losses on the forward contracts to mitigate the risk of material foreign currency transaction losses. We do not use forward contracts for trading purposes. At the end of each fiscal month, all foreign currency assets and liabilities are revalued using the month end spot rate of the maturing forward contracts and the realized gains and losses are recorded and included in net income as a component of other income (expense).

We believe that the use of foreign currency financial instruments should reduce the risks that arise from conducting business in international markets. We employ established policies and procedures governing the use of financial instruments to manage our exposure to such risks.

We use sensitivity analyses to quantify the impact market risk exposure may have on the fair market values of our financial instruments. The financial instruments included in the sensitivity analyses consist of all of our foreign currency assets and liabilities and all derivative instruments, principally forward contracts. The sensitivity analyses assesses the risk of loss in fair market values from the impact of hypothetical changes of instantaneous, parallel shifts in exchange rates and interest rates yield curves on market sensitive instruments over a six-month horizon. Exchange rates rarely move in the same direction. The assumption that exchange rates change in a parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency.

As of March 31, 2000, the net fair value liability of our foreign currency financial instruments was approximately US $230 million. A 10% movement in the levels of foreign currency exchange rates against the US dollar would result in a decrease in the fair value of our financial instruments by approximately US $21 million or an increase in the fair value of our financial instruments by approximately US $23 million.

This quantification of exposure to the market risk associated with foreign financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

CONSOLIDATED FINANCIAL STATEMENTS

SYMANTEC CORPORATION CONSOLIDATED BALANCE SHEETS

	March 31,	
(In thousands)	2000	1999
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	$ 431,550	$ 192,755
Trade accounts receivable	47,266	76,386
Inventories	5,675	6,377
Deferred income taxes	40,189	22,636
Other	20,857	12,790
Total current assets	545,537	310,944
Long-term investments	—	4,270
Restricted investments	81,956	71,405
Equipment and leasehold improvements	51,905	52,887
Deferred income taxes	38,827	5,519
Purchased product rights and capitalized software	34,070	36,209
Goodwill	82,972	75,224
Other	10,760	7,018
	$ 846,027	$ 563,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 43,030	$ 45,862
Accrued compensation and benefits	25,714	20,788
Deferred revenue	90,813	55,965
Other accrued expenses	61,594	75,954
Income taxes payable	5,366	18,339
Total current liabilities	226,517	216,908
Long-term obligations	1,553	1,455
Commitments and contingencies		
Stockholders' equity:		
Preferred stock (par value: $0.01 authorized: 1,000; issued and outstanding: none)	—	—
Common stock (par value: $0.01 authorized: 100,000; issued and outstanding: 60,309 and 56,872 shares)	603	569
Capital in excess of par value	435,663	315,698
Notes receivable from stockholders	(24)	(144)
Accumulated other comprehensive loss	(27,707)	(19,110)
Unearned compensation	(677)	—
Retained earnings	210,099	48,100
Total stockholders' equity	617,957	345,113
	$ 846,027	$ 563,476

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

SYMANTEC CORPORATION CONSOLIDATED STATEMENTS OF INCOME

	Year Ended March 31,		
(In thousands, except net income per share)	2000	1999	1998
Net revenues	$ 745,725	$ 592,628	$ 532,940
Cost of revenues	121,073	96,558	87,431
Gross margin	624,652	496,070	445,509
Operating expenses:			
Research and development	108,425	101,563	91,332
Sales and marketing	306,755	286,144	261,190
General and administrative	42,150	35,722	38,063
Amortization of goodwill	17,884	6,175	—
Amortization of intangibles from acquisitions	917	230	—
Acquired in-process research and development	4,300	27,465	—
Restructuring and other expenses	9,018	5,105	—
Litigation judgment	—	5,825	—
Total operating expenses	489,449	468,229	390,585
Operating income	135,203	27,841	54,924
Interest income	13,408	13,552	13,160
Interest expense	(22)	(1,839)	(1,218)
Income, net of expense, from sale of technologies and product lines	107,358	41,155	45,421
Other income (expense), net	1,344	2,464	(190)
Income before income taxes	257,291	83,173	112,097
Provision for income taxes	87,143	32,972	27,008
Net income	$ 170,148	$ 50,201	$ 85,089
Net income per share - basic	$ 2.94	$ 0.89	$ 1.52
Net income per share - diluted	$ 2.73	$ 0.86	$ 1.42
Shares used to compute net income per share - basic	57,870	56,601	56,097
Shares used to compute net income per share - diluted	62,214	59,289	60,281

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

SYMANTEC CORPORATION CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock	Capital in Excess of Par Value	Notes Receivable From Stockholders	Accum. Other Comp. Loss	Unearned Compensation	Retained Earnings (Accum. Deficit)	Total Stockholders' Equity
Balances, March 31, 1997	$ 554	$ 291,572	$ (144)	$ (7,604)	$ —	$ (66,399)	$ 217,979
Components of comprehensive income:							
Net income	—	—	—	—	—	85,089	85,089
Unrealized gain on short-term investments	—	—	—	181	—	—	181
Translation adjustment	—	—	—	(5,136)	—	—	(5,136)
Total comprehensive income							80,134
Issued common stock:							
2,622 shares under stock plans	26	32,998	—	—	—	—	33,024
60 shares from conversion of convertible debentures	1	715	—	—	—	—	716
Repurchased 1,000 shares of common stock	(10)	(21,336)	—	—	—	—	(21,346)
Income tax benefit related to stock options	—	7,000	—	—	—	—	7,000
Balances, March 31, 1998	571	310,949	(144)	(12,559)	—	18,690	317,507
Components of comprehensive income:							
Net income	—	—	—	—	—	50,201	50,201
Unrealized loss on short-term investments	—	—	—	(461)	—	—	(461)
Translation adjustment	—	—	—	(6,090)	—	—	(6,090)
Total comprehensive income							43,650
Issued common stock:							
1,447 shares under stock plans	15	19,798	—	—	—	—	19,813
1,190 shares from conversion of convertible debentures	12	14,272	—	—	—	—	14,284
Repurchased 2,875 shares of common stock	(29)	(35,521)	—	—	—	(20,791)	(56,341)
Income tax benefit related to stock options	—	6,200	—	—	—	—	6,200
Balances, March 31, 1999	569	315,698	(144)	(19,110)	—	48,100	345,113
Components of comprehensive income:							
Net income	—	—	—	—	—	170,148	170,148
Unrealized loss on short-term investments	—	—	—	(2,069)	—	—	(2,069)
Translation adjustment	—	—	—	(6,528)	—	—	(6,528)
Total comprehensive income							161,551
Issued common stock:							
4,338 shares under stock plans	43	70,640	—	—	—	—	70,683
100 shares of restricted stock	1	1,299	—	—	(1,300)	—	—
Amortization of unearned compensation	—	—	—	—	623	—	623
Agreement with former CEO	—	1,232	120	—	—	—	1,352
Repurchased 1,000 shares of common stock	(10)	(10,571)	—	—	—	(8,149)	(18,730)
Income tax benefit related to stock options	—	57,365	—	—	—	—	57,365
Balances, March 31, 2000	$ 603	$ 435,663	$ (24)	$ (27,707)	$ (677)	$ 210,099	$ 617,957

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

SYMANTEC CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands)	Year Ended March 31, 2000	1999	1998
OPERATING ACTIVITIES:			
Net income	$ 170,148	$ 50,201	$ 85,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of equipment and leasehold improvements	25,011	23,988	25,231
Amortization and write-off of purchased product rights and capitalized software costs	7,719	6,031	1,466
Amortization of goodwill	17,884	6,175	—
Write-off of equipment and leasehold improvements	3,283	1,210	1,225
Acquired in-process research and development	4,300	27,465	—
Deferred income taxes	(26,263)	(8,528)	(6,915)
Gain on divestiture of ACT! product line	(18,285)	—	—
Gain on divestiture of Visual Café product line	(68,523)	—	—
Net change in assets and liabilities, excluding effects of acquisitions:			
Trade accounts receivable	26,495	(6,487)	(22,873)
Inventories	(150)	(2,997)	1,040
Other current assets	(2,184)	4,386	(1,839)
Other assets	(4,508)	(716)	(556)
Accounts payable	(1,463)	869	5,568
Accrued compensation and benefits	5,931	(2,363)	5,371
Deferred revenue	34,848	30,428	13,987
Other accrued expenses	2,858	(5,817)	31
Income taxes payable	(11,432)	(6,511)	17,051
Long-term obligations	1,190	—	—
Income tax benefit from stock options	57,365	6,200	7,000
Net cash provided by operating activities	224,224	123,534	130,876
INVESTING ACTIVITIES:			
Capital expenditures	(28,455)	(25,141)	(26,339)
Purchased intangibles	(1,138)	(4,555)	(948)
Proceeds from divestiture of Visual Café product line	75,000	—	—
Purchase of L-3 Network Security's operations	(20,090)	—	—
Purchase of URLabs	(42,100)	—	—
Payment of debt related to purchase of IBM's anti-virus business	(8,000)	(8,000)	—
Payment for remaining minority interest in Quarterdeck	(16,394)	—	—
Purchase of majority interest in Quarterdeck	—	(32,857)	—
Purchase of Intel's anti-virus business	—	(11,889)	—
Purchase of Binary Research Limited's operations	—	(27,500)	—
Cash acquired in business purchases	61	922	—
Purchases of marketable securities	(569,688)	(242,096)	(230,891)
Proceeds from sales of marketable securities	286,607	313,530	174,087
Purchases of long-term, restricted investments	(10,551)	(12,035)	(11,922)
Proceeds from sales of long-term investments	4,270	—	—
Net cash used in investing activities	(330,478)	(49,621)	(96,013)
FINANCING ACTIVITIES:			
Repayment of subordinated debentures	—	(25,000)	—
Repurchases of Company's common stock	(18,730)	(56,341)	(21,346)
Net proceeds from sale of common stock and other	71,314	19,352	33,108
Principal payments on long-term obligations	(1,092)	—	—
Net cash provided by (used in) financing activities	51,492	(61,989)	11,762
Effect of exchange rate fluctuations on cash and cash equivalents	(1,128)	(7,074)	(3,370)
(Decrease) increase in cash and cash equivalents	(55,890)	4,850	43,255
Beginning cash and cash equivalents	143,863	139,013	95,758
Ending cash and cash equivalents	$ 87,973	$ 143,863	$ 139,013
Supplemental cash flow disclosures:			
Income taxes paid (net of refunds) during the year	$ 66,309	$ 39,923	$ 6,037
Interest paid on convertible subordinated debentures and long-term obligations	$ —	$ 1,616	$ 1,150
Conversion of subordinated debentures	$ —	$ 14,284	$ —

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

Summary of Significant Accounting Policies

Business Symantec, a world leader in Internet security technology, provides a broad range of content and network security solutions to individuals and enterprises.

Principles of Consolidation The accompanying consolidated financial statements include the accounts of Symantec Corporation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Acquisitions and Divestitures During the September 1999 quarter, we acquired URLabs. During the March 2000 quarter, we acquired L-3 Network Security's operations and 20/20 Software. Each of these acquisitions was accounted for as a purchase and, accordingly, their operating results have been included in our consolidated financial statements since their respective dates of acquisition.

During the March 1999 quarter, we acquired Quarterdeck. During the September 1998 quarter, we acquired Intel's anti-virus business. During the June 1998 quarter, we acquired IBM's anti-virus business and Binary Research Limited's operations. Each of these acquisitions was accounted for as a purchase and, accordingly, their operating results have been included in our consolidated financial statements since their respective dates of acquisition.

We made no acquisitions during fiscal 1998.

On December 31, 1999, we divested our Visual Café and substantially all of our ACT! product lines. Because these divestitures were effective at the close of business on December 31, 1999, these product lines are included in the results of operations through December 31, 1999 and are included in our results of operations for fiscal 1999 and 1998.

Fiscal Years Symantec has a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 2000, 1999 and 1998 reflect amounts as of and for the periods ended March 31, 2000, April 2, 1999 and April 3, 1998, respectively. The fiscal accounting years ended March 31, 2000 and April 2, 1999 each comprised 52 weeks of operations and the fiscal accounting year ended April 3, 1998 comprised 53 weeks of operations.

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 our foreign subsidiaries is the local currency. Assets and liabilities denominated in foreign currencies are translated using the exchange rate on the balance sheet dates. The 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.

Revenue Recognition Under Statement of Position ("SOP") 97-2 as modified by SOP 98-4 and SOP 98-9, we recognize revenue upon:

- persuasive evidence of an arrangement;
- delivery of software to the customer;
- determination that there are no significant post-delivery obligations; and
- collection of a fixed or determinable license fee considered probable.

We defer revenue relating to all distribution and reseller channel inventory in excess of defined inventory levels in these channels. We offer the right of return of our products under various policies. We estimate and maintain reserves for product returns. We recognize revenue upon shipment when no significant vendor obligations remain and collection of the receivable, net of provisions for estimated returns, is probable.

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 for providing post-contract support (generally telephone support) is accrued at the time of the sale and is included in sales and marketing expense.

Royalty revenues are recognized as earned unless collection of such revenues is not assured. When collection is not assured, revenues are recognized as payments are received.

Cash Equivalents, 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 our cash equivalents, short-term investments, long-term investments and restricted investments are classified as available-for-sale as of the balance sheet dates. These securities are reported at fair market value and any unrealized gains and losses, net of applicable tax effects, are 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.

Derivative Financial Instruments Symantec utilizes natural hedging to mitigate our foreign currency exposures and hedges certain residual exposures through the use of one-month foreign exchange forward contracts. We enter into foreign exchange forward contracts with financial institutions primarily to minimize currency exchange risks associated with certain balance sheet positions. Gains and losses on the contracts are included in other income in the period that gains and losses on the underlying transactions are recognized and generally offset. The fair value of foreign currency exchange forward contracts approximates cost due to the short maturity periods.

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.

Purchased Product Rights and Capitalized Software Purchased product rights, technologies and capitalized software are comprised of acquired software ("product rights") and are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the respective assets, generally three to five years.

Goodwill Goodwill is recorded through acquisitions and is stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the respective assets, generally four to five years. Reviews are regularly performed to determine whether facts or circumstances exist which indicate that the carrying values of assets are impaired. Impairment, if any, is based on the excess of the carrying amount over the fair value of the assets. No impairment has been indicated to date.

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

Net Income Per Share Basic net income per share is computed using the weighted average number of common shares outstanding during the periods. Diluted net income per share is computed using the weighted average number of common shares outstanding and potentially dilutive common shares during the periods. Diluted net income per share also includes the assumed conversion of all of the outstanding convertible subordinated debentures and assumed exercising of options, if dilutive in the period.

Concentrations of Credit Risk Symantec's product revenues are concentrated in the 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 our revenues 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 us to concentrations of credit risk consist principally of short-term and long-term investments, restricted investments and trade accounts receivable. Our investment portfolio is diversified and consists of investment grade securities. We are 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 our trade accounts receivable is substantially mitigated by our credit evaluation process, reasonably short collection terms and the geographical dispersion of sales transactions. We generally do not require collateral and maintain reserves for potential credit losses and such losses have been within management's expectations.

Legal Expenses We accrue estimated legal expenses for lawsuits only when both of the conditions of SFAS No. 5, Accounting for Contingencies, are met. Costs for external attorney fees are accrued when the likelihood of the incurrence of the related costs is probable and management has the ability to estimate such costs. If both of these conditions are not met, management records the related legal expenses when incurred. Amounts accrued by us are not discounted. The material assumptions used to estimate the amount of legal expenses include:

- The monthly legal expense incurred by our external attorneys on the particular case being evaluated;
- Communication between us and our external attorneys on the expected duration of the lawsuit and the estimated expenses during that time;
- Our intentions regarding these lawsuits, e.g. to defend vigorously, to take to trial and the minimum amounts within the estimated range for which we would be willing to settle if settlement discussions were to occur;
- Deductible amounts under our insurance policies; and
- Past experiences with similar lawsuits.

Recent Accounting Pronouncements In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133, which defers the adoption of SFAS No. 133 for one year. SFAS 133 will be effective for us at the beginning of the June 2001 quarter for both annual and interim reporting periods. We are currently evaluating the potential impact of this accounting pronouncement on our required disclosures and accounting practices.

In March 2000, the FASB issued Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25. This Interpretation clarifies the application of Opinion No. 25 for certain issues including: (a) the definition of an employee for purposes of applying Opinion No. 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award and (d) the accounting for an exchange of stock compensation awards in a business combination. In general, this Interpretation is effective July 1, 2000. We do not expect the adoption of Interpretation No. 44 to have a material effect on our consolidated financial position or results of operations.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements. In March 2000, the SEC released SAB No. 101A, which defers reporting the effects of the adoption of SAB No. 101 until our first fiscal quarter of fiscal 2001. We are currently evaluating the potential impact of SAB No. 101 on our required disclosures and accounting practices.

Reclassifications Certain previously reported amounts have been reclassified to conform to the current presentation format with no impact on net income. All financial information has been restated to conform to this presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BALANCE SHEET INFORMATION

	March 31,	
(In thousands)	2000	1999
Cash, cash equivalents and short-term investments:		
Cash	$ 60,103	$ 41,031
Cash equivalents	27,870	102,832
Short-term investments	343,577	48,892
	$ 431,550	$ 192,755
Trade accounts receivable:		
Receivables	$ 53,710	$ 81,332
Less: allowance for doubtful accounts	(6,444)	(4,946)
	$ 47,266	$ 76,386
Inventories:		
Raw materials	$ 2,483	$ 1,887
Finished goods	3,192	4,490
	$ 5,675	$ 6,377
Equipment and leasehold improvements:		
Computer hardware and software	$ 142,290	$ 134,745
Office furniture and equipment	39,330	33,705
Leasehold improvements	19,585	22,516
	201,205	190,966
Less: accumulated depreciation and amortization	(149,300)	(138,079)
	$ 51,905	$ 52,887
Purchased product rights and capitalized software:		
Purchased product rights and technologies	$ 54,592	$ 47,181
Capitalized software development costs	2,397	2,377
Less: accumulated amortization of purchased product rights and technologies	(20,522)	(11,112)
Less: accumulated amortization of capitalized software development costs	(2,397)	(2,237)
	$ 34,070	$ 36,209
Goodwill:		
Goodwill	$ 107,032	$ 81,400
Less: accumulated amortization	(24,060)	(6,176)
	$ 82,972	$ 75,224
Accumulated other comprehensive loss:		
Unrealized loss on available-for-sale investments	$ (2,373)	$ (304)
Cumulative translation adjustment	(25,334)	(18,806)
	$ (27,707)	$ (19,110)

NOTE 2. INCOME STATEMENT INFORMATION

(In thousands)	Year Ended March 31, 2000	1999	1998
Technical support costs included in sales and marketing	$ 32,427	$ 34,219	$ 38,582
Advertising expense	$ 43,630	$ 50,779	$ 46,814

Technical support costs included in sales and marketing relate to the estimated cost of providing post-contract support (generally telephone support) that is accrued at the time of product sale. Advertising expenditures are charged to operations as incurred.

NOTE 3. ACQUISITIONS AND DIVESTITURES

Acquisition of 20/20 Software On March 31, 2000, we purchased 100% of the outstanding common stock of 20/20 Software ("20/20") for up to $16.5 million. The terms of the agreement require two guaranteed payments totaling approximately $7.5 million plus contingent payments based on targeted future sales of certain of our products. The contingency period will be from July 1, 2000 to June 30, 2001. The maximum contingency payment per the agreement is $9.0 million. The transaction was accounted for as a purchase. In connection with the transaction, we recorded approximately $6.1 million for goodwill and $2.3 million for acquired product rights, offset by $0.9 million in related income tax liabilities. As we pay additional amounts over the contingency period, we will record additional goodwill equal to these payments. The goodwill and acquired product rights will be amortized over a five-year period.

Acquisition of L-3 Network Security On March 9, 2000, we acquired the operations of L-3 Network Security ("L-3") for a one-time cash payment of approximately $20.1 million. The transaction was accounted for as a purchase. In connection with the transaction, we recorded approximately $3.1 million for acquired in-process research and development, $12.4 million for goodwill, $3.4 million for acquired product rights and $1.2 million for other tangible and intangible assets. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. The goodwill and other intangibles are being amortized over a five-year period.

Acquisition of URLabs On July 21, 1999, we purchased 100% of the outstanding common stock of URLabs for a one-time cash payment of approximately $42.1 million. The transaction was accounted for as a purchase. In connection with the transaction, we recorded approximately $1.2 million for acquired in-process research and development, $37.0 million for goodwill, $5.0 million for acquired product rights and $1.6 million for other intangible assets, offset by approximately $2.7 million in related income tax liabilities. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. The goodwill and other intangibles are being amortized over a five-year period.

The following table outlines the values of the above referenced fiscal 2000 acquisitions' net tangible and intangible assets:

Fiscal 2000 Acquisitions

(in thousands)	Purchase Price	Acquired In-Process R&D	Acquired Product Rights	Goodwill	Other Intangibles	Income Tax Liabilities	Other Assets Acquired
		Allocated Purchase Price Components					
URLabs	$ 42,700	$ 1,200	$ 5,000	$ 37,000	$ 1,610	$ (2,710)	$ 600
L-3	20,240	3,100	3,400	12,396	1,060	—	284
20/20	7,538	—	2,250	6,111	—	(900)	77
Total	$ 70,478	$ 4,300	$ 10,650	$ 55,507	$ 2,670	$ (3,610)	$ 961

The consolidated financial statements reflect the preliminary allocations of the purchase price for these fiscal 2000 acquisitions. The allocation has not been finalized due to certain pre-acquisition contingencies identified. Accordingly, in fiscal 2001 the allocation of purchase price and its components may change, as these contingencies are resolved.

Acquisition of Quarterdeck On October 15, 1998, we signed a definitive merger agreement to acquire Quarterdeck. On November 17, 1998, we completed our tender offer for the common stock of Quarterdeck acquiring an approximately 63% interest. On March 29, 1999, we acquired Quarterdeck's remaining shares through a cash merger at the tender offer price of $0.52 per share in accordance with the definitive merger agreement. The transaction was accounted for as a purchase. Under the transaction, we recorded approximately $8.3 million of acquired in-process research and development, $8.5 million of acquired product rights, $65.9 million of goodwill and $2.7 million of other intangibles. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. The amounts related to workforce in place are being amortized over two years. The acquired product rights, goodwill and other intangibles are being amortized over a five-year period. During fiscal 2000, we resolved certain pre-acquisition contingencies, and as a result, we made final purchase price allocations and reduced the purchase price and the amount allocated to goodwill by approximately $1.7 million. In addition, we reclassified the amount initially allocated to goodwill by $26 million due to a change in the characterization of the purchase for tax purposes. As a result of this change, goodwill was reduced and deferred tax assets were increased by $26 million. In addition, Quarterdeck had issued $25 million of 6% convertible senior subordinated notes, due in 2001, to an institutional investor in a private placement pursuant to the terms of a Note Agreement dated March 1, 1996. The Notes were paid in full without any premium on March 30, 1999.

Acquisition of Intel's Anti-Virus Business On September 28, 1998, we entered into an agreement whereby we purchased Intel Corporation's anti-virus business for approximately $16.5 million. We also licensed Intel's systems management technology. Intel promoted Norton AntiVirus through its worldwide reseller channels. The transaction was accounted for as a purchase. Under the transaction, we recorded approximately $5.0 million for acquired in-process research and development, $10.7 million for acquired product rights and $0.8 million for certain intangible assets. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. The acquired product rights and intangibles are being amortized over a five-year period. During fiscal 2000, we resolved certain pre-acquisition contingencies and as a result, we made final purchase price allocations and reduced the purchase price and the amount allocated to acquired product rights by approximately $0.9 million.

Acquisition of Binary Operations On June 24, 1998, we purchased the operations of Binary, an Auckland, New Zealand-based company, for approximately $27.9 million. The transaction was accounted for as a purchase. Under the transaction, we recorded approximately $7.1 million for acquired in-process research and development and $16.9 million for acquired product rights, with the remaining $3.8 million of the purchase price allocated to goodwill and net tangible and intangible assets. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. The acquired product rights, goodwill and intangibles are being amortized over a four-year period. During fiscal 2000, we resolved certain pre-acquisition contingencies and as a result, we made final purchase price allocations and reduced the purchase price and the amount allocated to goodwill by $2.3 million.

Acquisition of IBM's Anti-Virus Business Effective May 18, 1998, we entered into a Master Agreement with IBM to acquire rights to IBM's digital immune technology. In addition, we assumed the majority of IBM's license arrangements with customers of IBM anti-virus products. In return for the various rights we acquired from IBM, we agreed to pay $16 million in installments over a specified period as well as pay royalties on revenues received by us from distribution of immune-enabled Symantec products and immune services provided by us using the digital immune technology. The royalties are subject to specified maximums and vary by time periods with ultimate termination of royalties as of a specified date. We also entered into a patent cross-licensing agreement under which the parties licensed to each other their respective patent portfolios. The transaction was accounted for as a purchase. As of March 31, 2000, we paid the entire $16 million to IBM. In addition, we assumed liabilities of $3.0 million and incurred additional expenses of approximately $1.0 million as part of the transaction. Under the transaction, we recorded approximately $7.1 million for acquired in-process research and development, $11.9 million for goodwill and $1.2 million for certain prepaid research and development and other assets. A valuation specialist used our estimates to establish the amount of acquired in-process research and development. Goodwill will be amortized over five years.

The following table outlines the value of the above referenced fiscal 1999 acquisitions' net tangible and intangible assets, adjusted for final purchase price allocations, as certain pre-acquisition contingencies that existed upon acquisition have been resolved:

Fiscal 1999 Acquisitions

(in thousands)	Purchase Price	Acquired In-Process R&D	Acquired Product Rights	Goodwill	Other Intangibles	Prepaid R&D	Deferred Tax Asset
				Allocated Purchase Price Components			
IBM	$ 20,250	$ 7,100	$ —	$ 11,850	$ 100	$ 1,200	$ —
Binary	25,571	7,100	16,900	1,451	120	—	—
Intel	15,625	5,017	9,797	—	811	—	—
Quarterdeck	83,732	8,300	8,480	38,223	2,729	—	26,000
Total	$ 145,178	$ 27,517	$ 35,177	$ 51,524	$ 3,760	$ 1,200	$ 26,000

We made no acquisitions during fiscal 1998.

Pro Forma The following unaudited pro forma results of operations for fiscal 2000 and 1999 are as if the acquisitions of Binary, Quarterdeck, URLabs, L-3 and 20/20 had occurred at the beginning of fiscal 1999. The pro forma information excludes approximately $19.7 million of acquired in-process research and development. The pro forma information has been prepared for comparative purposes only and is not indicative of what operating results would have been if the acquisitions had taken place at the beginning of fiscal 1999 or of future operating results. Financial information for IBM's and Intel's anti-virus businesses were not available and as such have not been included in this pro forma information.

(In thousands, except per share data; unaudited)	Year Ended March 31, 2000	1999
Net revenues	$ 748,930	$ 619,947
Net income	$ 158,586	$ 22,494
Basic net income per share	$ 2.74	$ 0.40
Diluted net income per share	$ 2.55	$ 0.38

Divestiture of the Visual Café and ACT! Product Lines

On December 31, 1999, we entered into an Asset Purchase Agreement, whereby we sold the principal assets and liabilities of the Visual Café product line to WebGain, Inc. ("WebGain"). The assets primarily consisted of fixed assets and intangible assets. The liabilities related to certain revenue deferrals recorded on our balance sheet as of December 31, 1999. In exchange for the assets and liabilities sold, we received $75.0 million in a lump-sum cash payment on December 31, 1999. We wrote-off or transferred approximately $4.7 million of capitalized software, fixed assets and inventory related to the Visual Café product line. In addition, we accrued approximately $1.4 million in transaction costs and $0.4 million in retention packages for the affected employees. As a result, we recorded a pre-tax gain of approximately $68.5 million on the divestiture, which is recorded in income, net of expenses, from sale of technologies and product lines on the Consolidated Statements of Income.

On December 31, 1999, we entered into an exclusive Software License Agreement ("License") and licensed, on an exclusive basis, to Interact Commerce Corporation, previously SalesLogix ("Interact"), substantially all of the ACT! product line technology for a period of four years. In addition, the inventory and fixed assets related to the ACT! product line were sold to Interact. In consideration for the license and assets, Interact transferred to us 623,247 shares of its unregistered common stock. These shares were valued at approximately $20.0 million as of December 6, 1999, the date the License was signed and the date the number of shares were determined. In addition to these shares received, we will receive quarterly royalty payments for four years, and the first payment of $5.0 million was due and payable on March 31, 2000. The payment was subsequently received in the June 2000 quarter. Interact will pay these royalties based on a formula set forth in the License, up to an aggregate maximum of $57.0 million, which will be recorded in income, net of expenses, from sale of technologies and product lines on the Consolidated Statements of Income.

Because the royalties from Interact are not guaranteed and the quarterly amounts to be received were not determinable at December 31, 1999, we will recognize the royalties as earned. At the end of the four-year period, Interact has the exclusive option, for a period of 30 days, to purchase the licensed technology from us for $60.0 million less all royalties paid to us to date. As a result of the License, we recognized approximately $20.0 million from the shares received and wrote-off or transferred to Interact $0.4 million of inventory and fixed assets attributed to the ACT! product line. In addition, we accrued approximately $1.3 million for transaction related costs. After recognizing these above amounts, we recorded a pre-tax gain of approximately $18.3 million, which is recorded in income, net of expenses, from sale of technologies and product lines on the Consolidated Statements of Income.

Transition Fees In accordance with individual transition agreements, WebGain and Interact will pay us a fee for invoicing, collecting receivables, shipping and other operational and support activities, until such time as they have the ability to take over these activities. As of March 31, 2000, we billed them for a total amount of approximately $4.0 million. Approximately $3.1 million of these fees were reimbursement of incremental costs incurred during the transition period to provide these services, which we would otherwise not have incurred, and as such, we have offset our operating expenses by this amount and have recorded the remaining amount of $0.9 million in income, net of expenses, from sale of technologies and product lines.

Divestiture of Network Administration In March 1997, we sold our network administration technologies and related tangible assets to the Hewlett-Packard Company ("HP"), resulting in the receipt of approximately $1 million of income, net of expenses, from sale of technologies and product lines and a $2 million research and development reimbursement in fiscal 1997. Additionally, a two-year quarterly royalty payment stream, not to exceed a present value of $27 million as of March 1997, commenced in fiscal 1998, which was solely contingent on future sales of certain HP products. Royalty payments from HP ended during the December 1998 quarter. Due to the uncertainty regarding the amounts upon which these royalties would have been determined, we recognized these amounts as they were received from HP. We recognized income, net of expenses, from sale of technologies and product lines of approximately $7 million and $22 million from HP during fiscal 1999 and 1998, respectively.

In connection with the sale to HP during fiscal 1997, we wrote-off approximately $7 million of unamortized software development costs and less than $1 million of unamortized purchased product rights, as well as incurred approximately $2 million of legal, accounting and other costs associated with the transaction.

Divestiture of Electronic Forms During September 1996, we sold our electronic forms software product line and related tangible assets to JetForm Corporation ("JetForm") for approximately $100 million, payable over four years in quarterly installments through the June 2000 quarter. During February 1998, the purchase agreement was amended to accelerate certain quarterly payments during the remaining payment term in exchange for a reduction in the total sale price to approximately $93 million. During June 1998, the purchase agreement was amended once again to modify certain payments, however, the total sales price remained at $93 million. 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, we are recognizing the related amounts as payments are due and collectibility is assured from JetForm. We recognized income, net of expenses, from sale of technologies and product lines of approximately $15 million, $34 million and $24 million from JetForm during fiscal 2000, 1999 and 1998, respectively.

The components of income, net of expenses, from sale of technologies and product lines are as follows:

	Year Ended March 31,		
(In thousands)	2000	1999	1998
Gain on divestiture of:			
Visual Café product line	$ 68,523	$ —	$ —
ACT! product line	18,285	—	—
Royalties from Interact	5,000	—	—
Transition fees	894	—	—
Payments from HP and JetForm	14,656	41,155	45,421
Income, net of expense, from sale of technologies and product lines	$ 107,358	$ 41,155	$ 45,421

NOTE 4. PURCHASED PRODUCT RIGHTS AND CAPITALIZED SOFTWARE

During fiscal 2000, we recorded approximately $11 million of acquired product rights, primarily related to our acquisitions of URLabs, L-3 and 20/20. During fiscal 1999, we recorded approximately $35 million of acquired product rights, primarily related to our acquisitions of Binary, Intel's anti-virus business and Quarterdeck.

Amortization of purchased product rights and capitalized software expense totaled approximately $10 million, $6 million and $1 million in fiscal 2000, 1999 and 1998, respectively, and is recorded in cost of revenues. The amortization will occur over the next three to five years.

NOTE 5. CASH EQUIVALENTS, INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Available-For-Sale Investments and Trading Investments All cash equivalents, short-term investments, long-term investments and restricted investments have been classified as available-for-sale securities, except for our trading securities. During fiscal 2000, we maintained a trading asset portfolio to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The trading assets consist of marketable equity securities and, have a fair value of approximately $0.8 million and $0.5 million as of March 31, 2000 and 1999, respectively. These trading assets have been included in the available-for-sale tabular disclosure, due to their immaterial amounts.

The estimated fair value of the cash equivalents, short-term investments and long-term investments consisted of the following:

Cash equivalents, short and long-term investments (in thousands)	March 31, 2000	1999
Money market funds	$ 8,929	$ 19,891
Corporate securities	324,834	53,839
Bank securities and deposits	4,790	60,322
Taxable auction rate securities	16,027	10, 010
US government and government-sponsored securities	—	11,932
Equity securities	16,867	—
Total available-for-sale and trading investments	$ 371,447	$ 155,994

The estimated fair value of available-for-sale and trading investments by contractual maturity as of March 31, 2000 is as follows:

Cash equivalents, short and long-term investments (in thousands)	
Due in one year or less	$ 354,580
No maturity (equity securities)	16,867
	$ 371,447

Except for equity securities, fair values of cash equivalents, short-term investments, long-term investments and trading assets approximate cost primarily due to the short-term maturities of the investments and the absence of changes in security credit ratings. Equity securities consist of 623,247 unregistered shares of Interact Commerce Corporation, a publicly traded company, with an unrealized loss of approximately $3 million as of March 31, 2000. Since April 2000, many high-technology stocks experienced a significant decrease in value, including these shares. As of June 16, 2000, the value of these shares was approximately $7.6 million, reflecting an additional unrealized loss of $9.3 million subsequent to March 31, 2000. These shares are not registered, and therefore, are subject to restrictions upon sale. However, we do have the ability, at our option, to register and sell these shares within twelve months following March 31, 2000.

As of March 31, 2000 and 1999, the estimated fair value of our restricted investments were $82 million and $71 million, respectively, and consisted of US government and government–sponsored securities. The restricted marketable securities have a contractual maturity of less than one year.

Our available-for-sale restricted investments relate to certain collateral requirements for lease agreements associated with our corporate facilities in Cupertino, California. Fair values of the restricted investments approximate cost due to the short-term maturities of the investments and the absence of changes in security credit ratings.

Unrealized losses on all available-for-sale securities are reported as a component of stockholders' equity, net of tax effect, of approximately $2.4 million and $0.3 million as of March 31, 2000 and 1999, respectively.

During the period covered by the consolidated financial statements, we did not use any derivative instrument for trading purposes. We utilize some natural hedging to mitigate our foreign currency exposures and we hedge certain residual exposures through the use of one-month foreign exchange forward contracts. We enter into foreign exchange forward contracts with financial institutions primarily to protect against currency exchange risks associated with certain balance sheet positions. The fair value of foreign exchange forward contracts is based on quoted market prices. At March 31, 2000, outstanding forward exchange contracts had a notional amount of approximately $163 million, all of which mature in 35 days or less. The net liability of forward contracts was a notional amount of approximately $43 million at March 31, 2000. The fair value of foreign currency exchange forward contracts approximates cost due to the short maturity periods. We do not hedge our translation risk.

NOTE 6. CONVERTIBLE SUBORDINATED DEBENTURES

On April 2, 1993, we issued convertible subordinated debentures totaling $25 million. The debentures bore interest at 7.75% payable semiannually and were convertible into Symantec common stock at $12 per share at the option of the investor. The debentures were due in three equal annual installments beginning in 1999 and were 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 its assets. At our option, we could redeem the notes at any time with 30 to 60 days notice; however, we would have incurred a prepayment penalty for early redemption. The holders were entitled to certain registration rights relating to the shares of common stock resulting from the conversion of the debentures. In fiscal 1996 and 1998, convertible subordinated debentures totaling approximately $11 million were converted into Symantec common stock. During February 1999, the entire remaining $14 million principal amount of our convertible subordinated debentures was converted into approximately 1.2 million shares of Symantec common stock. The conversion to shares of common stock was exempt from registration under the Securities Act of 1933.

Our acquired subsidiary, Quarterdeck, had issued 6% convertible senior subordinated notes totaling $25 million, due in 2001, to an institutional investor in a private placement pursuant to the terms of a Note Agreement dated March 1, 1996. These Notes were paid in full on March 30, 1999.

NOTE 7. LINE OF CREDIT

We have a $10 million bank line of credit, which expires in May 2001. The line of credit was renewed and amended in May 2000, to minimize the potential violation of certain financial covenants due to future acquisitions. The amendment permits future acquisitions of less than $75 million in cash, annually. The line of credit is available for general corporate purposes and bears interest at either the banks' reference (prime) interest rate (9.00% at March 31, 2000); the U.S. offshore rate (6.29% at March 31, 2000) plus 1.25%; a CD rate (6.23% at March 31, 2000), plus 1.25%; or LIBOR (6.29% at March 31, 2000) plus 1.25%, at our discretion. As of March 31, 2000, we are in compliance with all covenants under this credit agreement and there were no borrowings and less than $1 million in standby letters of credit outstanding under this line. Future acquisitions or payment of dividends by us may cause us to be in violation of the line of credit covenants. However, we believe that if the line of credit was canceled or amounts were not available under the line, there would not be a material adverse impact on our financial results, liquidity or capital resources.

NOTE 8. COMMITMENTS

We lease all of our facilities and certain equipment under operating leases that expire at various dates through 2026. We currently sublease some space under various operating leases that will expire at various dates through 2004.

The future fiscal year minimum operating lease commitments were as follows at March 31, 2000:

(In thousands)	
2001	$ 14,462
2002	11,131
2003	9,222
2004	8,155
2005	6,732
Thereafter	26,703
Operating lease commitments	76,405
Sublease income	(12,420)
Net operating lease commitments	$ 63,985

Rent expense charged to operations totaled approximately $16 million, $15 million and $14 million for the years ended March 31, 2000, 1999 and 1998, respectively.

In fiscal 1997, we entered into lease agreements for two existing office buildings, City Center One ("CC1") and World Headquarters ("WHQ"), land and one office building under construction in Cupertino, California, City Center Five ("CC5"). In fiscal 1999, the landlord exchanged CC5 for another building, City Center Two ("CC2") in Cupertino, California and committed to sell WHQ. In fiscal 2000, we completed the appropriate leasehold improvements to CC2 and vacated WHQ. As we have moved into CC2, we were relieved of the lease liability associated with WHQ. Lease payments are based on the three-month LIBOR in effect at the beginning of each fiscal quarter. We have the right to acquire the related properties at any time during the seven-year lease period. If, at the end of the lease term we do not renew the lease, purchase the property under lease or arrange a third party purchase, then we will be obligated to the lessor for a guaranteed residual amount equal to a specified percentage of the lessor's purchase price of the property. We will 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 office buildings totals approximately $68 million. As security against these guaranteed residual payments, we are required to maintain a corresponding investment in U.S. Treasury securities with maturities not to exceed three years. We are restricted in our use of these investments per the terms of the lease agreement. At March 31, 2000, the investments total approximately $82 million and are classified as non-current restricted investments within the financial statements. In accordance with the lease terms, these funds are not available to meet operating cash requirements. In addition, we are obligated to comply with certain financial covenants. Future acquisitions may cause us to be in violation of these financial covenants.

We currently occupy a portion of these office buildings and have assumed the right to sub-lease income provided by the other tenants. The sub-lease agreements have terms expiring in February 2001 through October 2004.

NOTE 9. INCOME TAXES

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

(In thousands)	Year Ended March 31, 2000	1999	1998
Current:			
Federal	$ 51,193	$ 11,649	$ 13,615
State	16,600	5,335	4,879
International	27,995	22,226	15,368
	95,788	39,210	33,862
Deferred:			
Federal	(5,735)	(1,949)	(5,788)
State	(1,957)	(597)	(2,247)
International	(953)	(3,692)	1,181
	(8,645)	(6,238)	(6,854)
	$ 87,143	$ 32,972	$ 27,008

The difference between our effective income tax rate and the federal statutory income tax rate as a percentage of income before income taxes was as follows:

	Year Ended March 31, 2000	1999	1998
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.0	3.5	1.5
Acquired in-process research and development charges with no tax benefit	—	7.1	—
Non-deductible goodwill amortization	2.1	—	—
Impact of international operations	(5.6)	(3.9)	(4.0)
Benefit of pre-acquisition losses of acquired entities	—	—	(10.1)
Other, net	(0.6)	(2.1)	1.7
	33.9%	39.6%	24.1%

The principal components of deferred tax assets were as follows:

(In thousands)	March 31, 2000	1999
Tax credit carryforwards	$ 3,891	$ 232
Net operating loss carryforwards of acquired companies	18,949	2,927
Inventory valuation accounts	1,756	3,057
Other reserves and accruals not currently tax deductible	6,749	10,943
Accrued compensation and benefits	3,751	3,722
Deferred revenue	4,864	6,019
Sales incentive programs	5,768	5,195
Reserve for returns and allowances	15,806	9,536
Acquired in-process research and development expenses and other intangible assets	7,535	9,135
Unrealized loss on available-for-sale investments	2,224	—
Other	7,723	7,854
	79,016	58,620
Valuation allowance	—	(30,465)
	$ 79,016	$ 28,155

Realization of a significant portion of the $79 million of net deferred tax asset is dependent upon our ability to generate sufficient future U.S. taxable income. We believe that it is more likely than not that the asset will be realized based on historical and forecasted U.S. earnings, and accordingly, the valuation allowance has been reduced to zero as of March 31, 2000. The change in the valuation allowance for the years ended March 31, 2000, 1999 and 1998 was a net decrease of approximately $30 million, a net increase of $5 million, and a net decrease of $15 million, respectively. Of the $30 million decrease in the valuation allowance during the year ended March 31, 2000, approximately $21 million was attributable to previously unbenefitted stock option deductions, the benefit of which was credited to stockholders' equity.

In the December 2000 quarter, we made a decision to forego a Section 338 election in connection with our acquisition of Quarterdeck. Accordingly, a $26 million deferred tax asset was established for the tax carryforward attributes of Quarterdeck. The offsetting adjustment reduced goodwill. Additionally, we eliminated the accounting for $6 million of deferred tax assets and valuation allowance related to the acquired technology of Quarterdeck.

As of March 31, 2000, we have tax credit carryforwards of approximately $4 million that expire in fiscal 2003 through 2005. In addition, we have net operating loss carryforwards, attributable primarily to Quarterdeck, of approximately $46 million that expire in fiscal 2011 through 2019. Because of the "change in ownership" provisions of the Internal Revenue Code of 1986, the net operating loss carryforwards of Quarterdeck are subject to an annual limitation of approximately $2 million regarding their utilization against taxable income in future periods.

Pretax income from international operations was approximately $117 million, $64 million and $65 million for the years ended March 31, 2000, 1999 and 1998, respectively.

No provision has been made for federal or state income taxes on unremitted earnings of certain of our foreign subsidiaries (cumulative $195 million at March 31, 2000) since we plan to indefinitely reinvest all such earnings. At March 31, 2000, the unrecognized deferred tax liability for these earnings was approximately $50 million.

NOTE 10. EMPLOYEE BENEFITS

401(k) Plan We maintain a salary deferral 401(k) plan for all of our domestic employees. This plan allows employees to contribute up to 15% of their pretax salary up to the maximum dollar limitation prescribed by the Internal Revenue Code. We match 100% of the first $500 of employees' contributions and then 50% of the employee's contribution up to 6% of the employees' eligible compensation. Our contributions under the plan were approximately $2 million for each of the years ended March 31, 2000, 1999 and 1998.

Employee Stock Purchase Plans In October 1989, we established the 1989 Employee Stock Purchase Plan ("89 Plan") and reserved a total of approximately 3.4 million shares of common stock for issuance under this plan. Subject to certain limitations, our 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. As of March 31, 2000, approximately 3.1 million shares had been issued and 0.3 million shares remain available under the 89 Plan.

On September 17, 1998, our stockholders approved the 1998 Employee Stock Purchase Plan ("98 Plan"). The 98 Plan was subsequently amended by our stockholders on September 15, 1999, increasing the shares available for issuance from approximately 0.5 million to 1.3 million and to increase the limit on such shares by 1% of our outstanding shares of Common Stock on each subsequent January 1 during the term of the 98 Plan. On January 1, 2000, the number of shares available for issuance automatically increased by approximately 0.6 million shares to 1.9 million shares. As of March 31, 2000, approximately 0.1 million shares had been issued and 1.8 million shares remain available under the 98 Plan.

Stock Award Plans During fiscal 1996, we registered 0.4 million shares to be issued under the terms of the 1994 Patent Incentive Plan. The purpose of this plan is to increase awareness of the importance of patents to our business and to provide employees with incentives to pursue patent protection for new technologies that may be valuable to us. Our executive officers are not eligible for awards under the 1994 Patent Incentive Plan. As of March 31, 2000, a total of approximately 26,000 shares had been issued under this plan.

In March 1998, the Board of Directors approved the terms of the 1998 Star Award Bonus Plan, under which we may grant up to 5,000 shares of common stock to employees who perform exceptionally in a given quarter. Directors and executive officers are not eligible to receive awards under this plan. Stock awards under this plan are recorded as compensation expense at the time of issuance. The Board of Directors reserved 20,000 shares of common stock for issuance under this plan. As of March 31, 2000, a total of 1,300 shares had been issued under this plan.

Stock Option Plans We maintain stock option plans pursuant to which an aggregate total of approximately 26.3 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 us (or of any parent, subsidiary or affiliate of Symantec 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 our success by offering them an opportunity to participate in our 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 and a total of approximately 6.7 million shares of common stock had been reserved for issuance under this plan. On September 17, 1998, stockholders approved an amendment to increase the number of shares reserved for issuance by approximately 2.3 million to 9.0 million shares. On September 15, 1999, stockholders approved an additional amendment to increase the number of shares reserved for issuance by approximately 3.2 million to 12.2 million shares. As of March 31, 2000 a total of 8.4 million shares had been issued and are outstanding under this plan.

Stock option activity was as follows:

(In thousands, except weighted average exercise price per share)	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding at March 31, 1997	9,042	$ 13.61
Granted	3,857	22.74
Exercised	(2,158)	12.73
Canceled	(1,413)	15.29
Outstanding at March 31, 1998	9,328	17.32
Granted	3,331	20.18
Exercised	(991)	13.40
Canceled	(1,140)	19.28
Outstanding at March 31, 1999	10,528	18.37
Granted	5,181	44.93
Exercised	(3,937)	16.03
Canceled	(1,753)	20.46
Outstanding at March 31, 2000	10,019	$ 32.67

Stock option balances are as follows:

	March 31,	
(In thousands)	2000	1999
Authorized and/or outstanding	11,512	11,707
Available for future grants	1,493	1,179
Exercisable and vested	2,446	3,965

The following tables summarize information about options outstanding at March 31, 2000:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares (in thousands)	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price	Number of Shares (in thousands)	Weighted Average Exercise Price
$ 4.15 - $ 11.00	268	5.58	$ 10.54	224	$ 10.63
11.06 - 18.06	2,681	7.67	14.11	959	14.40
18.19 - 26.94	3,196	7.98	22.74	1,165	22.91
27.00 - 40.00	1,022	8.93	31.16	96	30.80
43.31 - 75.75	2,592	9.76	62.36	2	47.75
76.56 - 80.81	260	9.94	78.72	—	—
	10,019	8.44	$ 32.67	2,446	$ 18.78

These options will expire if not exercised by specific dates ranging from April 2000 to March 2010. Prices for options exercised during the three-year period ended March 31, 2000 ranged from $3.14 to $39.13.

In 1999, we issued 100,000 restricted shares to our CEO for a purchase price of par ($0.01 per share), vesting 50% at each anniversary date beginning April 14, 2000. Unearned compensation equivalent to the market value of the common stock on the date of grant, less par, was charged to stockholders' equity and is being amortized into compensation expense over the vesting term. At March 31, 2000, there were 100,000 restricted shares outstanding with none vested.

We elected to follow APB Opinion No. 25, Accounting for Stock Issued to Employees, in accounting for our 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 our employee stock options generally equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in our 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 we had accounted for our employee stock options (including shares issued under the Employee Stock Purchase Plans, 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 2000, 1999 and 1998 reported below has been estimated at the date of grant using the Black-Scholes option-pricing model assuming no expected dividends and the following weighted average assumptions:

	Employee Stock Options		
	2000	1999	1998
Expected life (years)	4.99	5.27	4.84
Expected volatility	0.65	0.66	0.61
Risk-free interest rate	6.5%	5.1%	5.4%

	Employee Stock Purchase Plans		
	2000	1999	1998
Expected life (years)	0.50	0.50	0.50
Expected volatility	0.68	0.79	0.55
Risk-free interest rate	5.2%	4.8%	5.2%

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 our 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 our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our options.

The weighted average estimated fair values of employee stock options for fiscal 2000, 1999 and 1998 were $27.24, $12.56 and $13.44 per share, respectively. The weighted average estimated fair value of employee stock purchase rights granted under the Employee Stock Purchase Plans during fiscal 2000, 1999 and 1998 were $20.05, $10.47 and $14.71, 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 Plans). Our pro forma information is as follows:

	Year Ended March 31,		
(In thousands, except per share data)	2000	1999	1998
Net income – Basic – Pro forma	$ 137,829	$ 25,100	$ 68,601
Net income – Diluted – Pro forma	137,829	25,727	69,293
Net income per share–			
Basic – Pro forma	2.49	0.47	1.29
Net income per share–			
Diluted – Pro forma	2.31	0.45	1.19

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 No. 123 is applicable only to options granted subsequent to March 31, 1995, its pro forma effect is not fully reflected until the beginning of fiscal 2000.

NOTE 11. COMMON STOCK REPURCHASES

On April 29, 1997, the Board of Directors of Symantec (the "Board"), authorized the repurchase of up to 1.0 million shares of Symantec common stock by June 13, 1997. As of June 13, 1997, we completed the repurchase of 0.5 million shares at prices ranging from $16.57 to $17.00 per share. Authorization to repurchase the remaining 0.5 million shares expired as of March 31, 1998.

On November 24, 1997, the Board authorized the repurchase of up to 0.5 million shares of Symantec common stock. As of December 4, 1997, we completed the repurchase of 0.5 million shares at prices ranging from $25.25 to $26.81 per share.

On June 9, 1998, the Board authorized the repurchase of up to 5% of our outstanding common stock before December 31, 1998. We completed the repurchase as of October 30, 1998, repurchasing a total of approximately 2.9 million shares at prices ranging from $13.10 to $27.21, for an aggregate amount of approximately $56 million.

On March 22, 1999, the Board authorized the repurchase of up to $75 million of Symantec common stock with no expiration date. As of March 31, 2000, we have repurchased one million shares at prices ranging from $17.90 to $19.87, for an aggregate amount of approximately $19 million.

NOTE 12. RESTRUCTURING AND OTHER EXPENSES

Restructuring and other expenses consist of the following:

	Year Ended March 31,		
(In thousands)	2000	1999	1998
Employee severance and outplacement	$ 8,065	$ 3,800	$ —
Excess facilities and equipment	953	1,305	—
Total restructuring and other expenses	$ 9,018	$ 5,105	$ —

During the March 2000 quarter, we reduced our operations in our Melville and Toronto sites, thereby reducing our workforce by 96 employees. Each of these employees received a separation package. As a result, we vacated the facility in Melville and we are reducing the space occupied in Toronto. We recorded approximately $3.4 million for employee severance, outplacement and abandonment of certain facilities and equipment during the March 2000 quarter. In addition, we provided approximately $0.7 million for costs of severance, related benefits and outplacement services for two members of senior management due to the realignment of our business units and their resulting departures during the March 2000 quarter.

During the December 1999 quarter, we reduced our Internet Tools business unit's workforce and reduced our Sales workforce. There were 48 employees in the Internet Tools business unit affected, resulting in approximately $1.8 million of severance, related benefits and outplacement services being accrued during the December 1999 quarter. The Sales workforce reduction affected 10 employees, resulting in approximately $0.4 million of severance, related benefits and outplacement services being accrued in the December 1999 quarter.

During the September 1999 quarter, we provided approximately $0.7 million for costs of severance, related benefits and outplacement services for two members of senior management due to the realignment of our business units and their resulting departures. We also accrued approximately $2.7 million for certain costs related to an agreement reached with our former CEO in the June 1999 quarter. These costs were comprised of severance and acceleration of unvested options, which were recorded in the Consolidated Statements of Income and Stockholders' Equity.

During the September 1998 quarter, we made a decision to restructure our operations and outsource domestic manufacturing operations. As a result, we originally recorded a $3.8 million charge for personnel severance to reduce the workforce by approximately 5% in both domestic and international operations and a $1.3 million charge for the planned abandonment of a manufacturing facility lease. These estimates were subsequently revised in the September 1999 quarter, resulting in a reduction in the personnel severance and outplacement accruals by approximately $0.7 million.

There were no restructuring and other expenses incurred in fiscal 1998.

Details of the fiscal 2000 restructuring charges are as follows:

(In thousands)	Cash/ Non-cash	Restructuring Charge	Amount Paid	Amount Adjusted	Balance at 3/31/00
Employee severance and outplacement	Cash	$ 8,733	$ (7,113)	$ —	$ 1,620
Excess facilities and equipment	Cash & Non-cash	953	(346)	—	607
Total restructuring and other expenses		$ 9,686	$ (7,459)	$ —	$ 2,227

Details of the fiscal 1999 restructuring charges are as follows:

(In thousands)	Cash/ Non-cash	Restructuring Charge	Amount Paid	Amount Adjusted	Balance at 3/31/00
Employee severance and outplacement	Cash	$ 3,800	$ (3,800)	$ —	$ —
Excess facilities and equipment	Cash & Non-cash	1,305	(392)	(668)	245
Total restructuring and other expenses		$ 5,105	$ (4,192)	$ (668)	$ 245

The exit plans associated with each of the reductions in workforce and facility closures above specifically identified all the significant actions, including:

- the names of individuals who would not continue employment with us;
- the termination dates and severance packages for each terminating employee;
- the planned date we would vacate the facilities which were under existing operating leases; and
- the specific excess equipment, furniture, fixtures and leasehold improvements to be disposed of.

Employee severance and outplacement was primarily comprised of severance packages for employees who were to be terminated as a result of the restructuring. As part of the restructuring plan, we specifically identified those individuals who would not continue employment with us. The severance periods ranged from one to six months. The total cost of the severance packages was accrued and included in the restructuring charge after the identified employees had their severance packages communicated to them. Additionally, we accrued estimated costs associated with outplacement services to be provided to terminating employees, as these costs have no future economic benefit to us. The remaining accrual at March 31, 2000 was for outstanding severance and outplacement costs.

Excess facilities and equipment included remaining lease payments associated with building leases subsequent to their abandonment dates. The cash outlays for these leases are to be made over the remaining term of each lease. In addition, we reserved for the write-off of site-specific equipment, furniture, fixtures and leasehold improvements, which would no longer be utilized. The accrual at March 31, 2000 relates to the remaining lease payments, which will be paid over the remaining lease term subsequent to the abandonment of each facility.

NOTE 13. NET INCOME PER SHARE

The components of net income per share were as follows:

(In thousands, except per share data)	Year Ended March 31, 2000	1999	1998
Basic Net Income Per Share			
Net income	$ 170,148	$ 50,201	$ 85,089
Weighted average number of common shares outstanding during the period	57,870	56,601	56,097
Basic net income per share	$ 2.94	$ 0.89	$ 1.52
Diluted Net Income Per Share			
Net income	$ 170,148	$ 50,201	$ 85,089
Interest on convertible subordinated debentures, net of income tax effect	—	627	692
Net income, as adjusted	$ 170,148	$ 50,828	$ 85,781
Weighted average number of common shares outstanding during the period	57,870	56,601	56,097
Shares issuable from assumed exercise of options	4,344	1,684	2,964
Shares issuable from assumed conversion of convertible subordinated debentures	—	1,004	1,220
Total shares for purpose of calculating diluted net income per share	62,214	59,289	60,281
Diluted net income per share	$ 2.73	$ 0.86	$ 1.42

For the twelve months ended March 31, 2000, shares issuable from assumed exercise of options exclude approximately 464,000 options, as their effect on diluted net income per share would have been anti-dilutive.

NOTE 14. OTHER COMPREHENSIVE INCOME (LOSS)

We adopted SFAS No. 130, Reporting Comprehensive Income, beginning with the quarter ended June 30, 1998. SFAS No. 130 established new rules for the reporting and disclosure of other comprehensive income (loss) and its components; however, it has no impact on our net income or stockholders' equity. The components of other comprehensive income (loss), net of tax, are as follows:

(In thousands)	Year Ended March 31, 2000	1999	1998
Other comprehensive loss:			
Change in unrealized (loss) gain on available-for-sale investments, net of a tax (benefit) provision of ($983), ($290) and $35	$ (2,089)	$ (616)	$ 181
Reclassification adjustment for gains included in net income, net of a tax provision of $9, $73 and $0	20	155	—
Change in cumulative translation adjustment, net of a tax (benefit) of ($3,072), ($1,476) and ($993)	(6,528)	(6,090)	(5,136)
Total other comprehensive loss	$ (8,597)	$ (6,551)	$ (4,955)

NOTE 15. LITIGATION

On March 18, 1996, a class action complaint was filed by the law firm of Milberg, Weiss, Bershad, Hynes & Lerach in the Superior Court of the State of California, County of Santa Clara, against us and several of our current and former officers and directors. The complaint alleged that our insiders inflated our stock price and then sold stock based on inside information that our sales were not going to meet analysts' expectations. The complaint sought damages of an unspecified amount. The complaint had been refiled twice in State Court, most recently on January 13, 1997, following our demurrers directed to previous complaints. On January 7, 1997, the same plaintiffs filed a complaint in the United States District Court, Northern District of California, based on the same facts as the state court complaint, for violation of the Securities Exchange Act of 1934. The district court dismissed that complaint and plaintiffs served an amended complaint in April 1998. Our motion to dismiss the new federal complaint was granted in part, substantially narrowing the complaint. In July 1999, we reached an agreement in principle to settle these cases on terms that would have no material financial impact on us. In October 1999, the Federal Court approved the settlement, and in December 1999, the state court action was dismissed.

On April 23, 1997, we filed a lawsuit against McAfee Associates, Inc., which pursuant to a merger has become Network Associates, Inc. ("Network Associates"), in the United States District Court, Northern District of California, for copyright infringement and unfair competition. On October 6, 1997, the court found that we had demonstrated a likelihood of success on the merits of certain copyright claims and issued a preliminary injunction (i) prohibiting Network Associates from infringing our rights in specified materials by marketing, selling, transferring or directly or indirectly copying into any new Network Associates product or new version of an existing product that has our code, (ii) requiring Network Associates to notify distributors who were still selling versions of PC Medic 97 that had our code to tell customers that they should upgrade to versions that did not contain our code and (iii) requiring Network Associates to provide us and the court with a sample of the notice to be used. On October 17, 1997, we amended our complaint to include additional claims for copyright infringement and misappropriation of trade secrets, based on additional evidence found in the discovery process. On April 1, 1998, we amended our complaint to add claims for misappropriation of trade secrets, Racketeer Influenced and Corrupt Organizations Act ("RICO") and related claims based on additional evidence uncovered in the litigation. Following motions by Network Associates, the court dismissed our unfair competition and trade secret claims regarding the copyrighted code and its RICO and interference claims. On October 22, 1998, the court consolidated this case with the case against Network Associates and the case brought by CyberMedia, both of which are described below. In December 1999, we agreed to a settlement resolving this and the consolidated cases discussed below. During the December 1999 quarter, we accrued approximately $3 million related to fees and settlement costs. This amount has been reflected in research and development expenses in the Consolidated Statements of Income.

On September 4, 1998, we filed a lawsuit against Network Associates in the United States District Court, Northern District of California, for copyright infringement, trade secret misappropriation and unfair competition. This case was also settled as part of the above mentioned case.

On February 4, 1998, CyberMedia, Inc. ("CyberMedia"), which in September 1998 was acquired by Network Associates, filed a lawsuit in the United States District Court, Northern District of California, against us, ZebraSoft Inc. and others, alleging that our Norton Uninstall Deluxe infringed CyberMedia's copyright and asserting related state law claims. This case was resolved as part of the settlement with Network Associates described above.

On September 15, 1997, Hilgraeve Corporation ("Hilgraeve") filed a lawsuit in the United States District Court, Eastern District of Michigan, against us, alleging that unspecified Symantec products infringe a patent owned by Hilgraeve. The lawsuit requested damages, injunctive relief, costs and attorney fees. In March 2000, the court granted our summary judgment motions and dismissed the case. The plaintiff has appealed the dismissal and we have cross-appealed.

On February 19, 1998, a class action complaint was filed by the law firm of Milberg, Weiss, Bershad, Hynes & Lerach in Santa Clara County Superior Court, on behalf of a class of purchasers of pre-version 4.0 Norton AntiVirus products. A similar complaint was filed in the same court on March 6, 1998, by an Oregon law firm. Those actions were consolidated and a consolidated amended complaint was filed in late October 1998. The complaint originally purported to assert claims for breach of implied warranty, fraud, unfair business practices and violation of California's Consumer Legal Remedies Act, among others, arising from the alleged inability of earlier versions of Norton AntiVirus to function properly after the year 2000. All but the unfair business practice claims have been dismissed following our demurrer. The complaint seeks unspecified damages and injunctive relief. We believe that these claims have no merit and we intend to defend the actions vigorously.

In July 1998, the Ontario Court of Justice (General Division) ruled that we should pay a total of approximately $6.8 million for damages and legal costs to Triolet Systems, Inc. and Brian Duncombe in a decade-old copyright action, for damages arising from the grant of a preliminary injunction against the defendant. The damages were awarded following the court's ruling that evidence presented later in the case showed the injunction was not warranted. We inherited this case through our acquisition of Delrina Corporation, which was the plaintiff in this lawsuit. We have appealed the decision, however, we recorded a charge of approximately $5.8 million in the June 1998 quarter, representing the unaccrued portion of the judgment plus costs. As of March 31, 2000, we believe that we have adequately accrued for both the judgment and all legal costs.

In March 1997, a class action complaint was filed against Quarterdeck in San Diego County Superior Court. The case was later transferred to Los Angeles County Superior Court. The complaint, purportedly on behalf of a class of purchasers of Quarterdeck's MagnaRAM2 product, sought damages and injunctive relief under the Consumers Legal Remedies Act and Business and Professions Code sections beginning with 17200 and 17500. In November 1999, we resolved this case with no material financial impact on the Company.

In October 1997, a complaint was filed in the United States District Court for the District of Utah on behalf of PowerQuest Corporation ("PowerQuest") against Quarterdeck. The complaint alleges that Quarterdeck's partitioning software (included in Partition-It and Partition-It Extra Strength) violates a patent held by PowerQuest. In January 1998, PowerQuest obtained a second patent relating to partitioning and has amended its complaint to allege infringement of that patent as well. The plaintiff seeks an injunction against distribution of Partition-It and Partition-It Extra Strength and monetary damages. We believe this claim has no merit and we intend to defend the action vigorously.

On July 30, 1998, a class action complaint was filed against Quarterdeck in the Supreme Court of the State of New York, County of New York, on behalf of a purported class of purchasers of Procomm Plus version 4.0 for Windows product ("Product"). The complaint purported to assert claims for breach of warranty and violation of New York's Consumer Protection From Deceptive Acts and Practices Act arising from the Product's inability to process dates containing the year 2000. The complaint was dismissed and the court entered judgment in Quarterdeck's favor in April 1999. This judgment was affirmed on appeal in December 1999.

On December 23, 1999, Altiris Inc. ("Altiris") filed a lawsuit in the United States District Court, District of Utah, against us, alleging that unspecified Symantec products including Norton Ghost Enterprise Edition, infringed a patent owned by Altiris. The lawsuit requests damages, injunctive relief, costs and attorney fees. We believe this claim has no merit and we intend to defend the action vigorously.

Over the past few years, it has become common for software companies, including us, to receive claims of patent infringement. We are currently evaluating claims of patent infringement asserted by several parties, with respect to certain of our products. While we believe that we have valid defenses to these claims, the outcome of any related litigation or negotiation could have a material adverse impact on our future results of operations or cash flows.

We are also involved in a number of other judicial and administrative proceedings incidental to our business. We intend to defend all of the aforementioned pending 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 affect on our financial condition, although it is not possible to estimate the possible loss or losses from each of these cases. Depending, however, on the amount and timing of an unfavorable resolution of these lawsuits, it is possible that our future results of operations or cash flows could be materially adversely affected in a particular period. We have accrued certain estimated legal fees and expenses related to certain of these matters; however, actual amounts may differ materially from those estimated amounts.

The legal expenses accrued by us are deemed probable because the lawsuits have been filed, management has determined its plans of action with regard to the cases and accordingly knows that it will incur legal expenses related to the particular lawsuit. Utilizing the assumptions noted in the accounting policy, management is able to estimate a minimum amount of legal fees to be incurred in these lawsuits.

The total amount of legal expenses accrued as of the respective year-ends and the amounts expensed for the years ended are reflected below:

Balance as of March 31, 1998	$ 2.5 million
Balance as of March 31, 1999	$ 7.2 million
Balance as of March 31, 2000	$ 8.7 million
Amount expensed in fiscal 1998	$ 4.9 million
Amount expensed in fiscal 1999	$ 10.1 million
Amount expensed in fiscal 2000	$ 7.3 million

NOTE 16. ADOPTION OF STOCKHOLDER RIGHTS PLAN

On August 11, 1998, the Board adopted a stockholder rights plan designed to ensure orderly consideration of any future unsolicited acquisition attempt to ensure fair value of the Company for its stockholders.

In connection with the plan, the Board declared a dividend of one preferred share purchase right for each share of Symantec common stock outstanding on August 21, 1998 (the "Record Date"). The Board further directed the issuance of one such right with respect to each share of Symantec common stock that is issued after the Record Date, except in certain circumstances. The rights will expire on August 12, 2008.

The rights are initially attached to Symantec common stock and will not trade separately. If a person or a group (an "Acquiring Person") acquires 20% or more of our common stock, or announces an intention to make a tender offer for 20% or more of our common stock, the rights will be distributed and will thereafter trade separately from the common stock. Each right will be exercisable for 1/1000th of a share of a newly designated Series A Junior Participating Preferred Stock at an exercise price of $150.00. The preferred stock has been structured so that the value of 1/1000th of a share of such preferred stock will approximate the value of one share of common stock. Upon a person becoming an Acquiring Person, holders of the rights (other than the Acquiring Person) will have the right to acquire shares of our common stock at a substantially discounted price.

If a person becomes an Acquiring Person and we are acquired in a merger or other business combination, or 50% or more of its assets are sold to an Acquiring Person, the holder of rights (other than the Acquiring Person) will have the right to receive shares of common stock of the acquiring corporation at a substantially discounted price. After a person has become an Acquiring Person, the Board, at its option, requires the exchange of outstanding rights (other than those held by the Acquiring Person) for common stock at an exchange ratio of one share of Symantec common stock per right.

The Board may redeem outstanding rights at any time prior to a person becoming an Acquiring Person at a price of $0.001 per right. Prior to such time, the terms of the rights may be amended by the Board. In addition, the Board also amended our bylaws to: permit only the Chairman, President or the Board to call a special meeting of the stockholders; require that the Board be given prior notice of a stockholder proposal to take action by written consent so that a record date for such action can be established; require advance notice to the Board of stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors; permit the Board to meet on one- rather than two-day advance notice; and conform the bylaws to applicable provisions of Delaware law regarding the inspection of elections at stockholder meetings.

NOTE 17. SEGMENT INFORMATION

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. We have five operating segments: Consumer and Small Business, Enterprise Solutions, e-Support, Professional Services and Other.

The Consumer and Small Business segment focuses on delivering our security and problem-solving products to individual users and small companies. The Enterprise Solutions segment focuses on delivering more complex and specialized products to meet the needs of organizations' networks and support for their large workforce throughout the organization. The e-Support segment focuses on helping IT departments be more effective and efficient through remote management solutions. The Professional Services segment is focused on providing technical support to our customers and assisting organizations to understand and implement Internet security infrastructure and policy management. The Other segment is comprised of sunset products, products nearing the end of their life cycle, and operations from our ACT! and Visual Café divested product lines. Also included in the Other segment are all indirect costs, general and administrative expenses and charges that are one-time in nature, such as acquired in-process research and development, judgment settlements and restructuring and other expenses which are not charged to the other operating segments.

We shifted our focus to these new business segments during fiscal 2000. In the past, our business segments were aligned more toward product groups. Due to this change, we have presented the fiscal 1999 and 1998 segment information to conform to our current segments.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no intersegment sales. Symantec's Chief Executive Officer and the Chief Financial Officer evaluate performance based on direct profit or loss from operations before income taxes not including nonrecurring gains and losses, foreign exchange gains and losses and miscellaneous other income and expenses. Assets and liabilities are not discretely allocated or reviewed by segment.

Segment Information

(In thousands)	Consumer and Small Business	Enterprise Solutions	e-Support	Professional Services	Other	Total Company
Fiscal 2000						
Revenue from external customers	$ 317,438	$ 152,654	$ 213,734	$ 19,434	$ 42,465	$ 745,725
Operating income (loss)	160,429	74,946	178,320	(3,201)	(275,291)	135,203
Depreciation & amortization expense	13,932	6,700	9,380	853	1,865	32,730
Fiscal 1999						
Revenue from external customers	263,483	90,277	166,724	8,501	63,643	592,628
Operating income (loss)	108,723	37,108	136,945	(2,440)	(252,495)	27,841
Depreciation & amortization expense	13,347	4,573	8,445	431	3,223	30,019
Fiscal 1998						
Revenue from external customers	303,529	36,874	119,684	3,910	68,943	532,940
Operating income (loss)	162,116	5,223	91,500	(3,732)	(200,183)	54,924
Depreciation & amortization expense	15,205	1,847	5,995	196	3,454	26,697

Geographical Information

			March 31,
(In thousands)	2000	1999	1998
Net revenues from external customers:			
United States	$ 409,952	$ 353,734	$ 334,976
Other foreign countries	335,773	238,894	197,964
	$ 745,725	$ 592,628	$ 532,940
Long-lived assets:			
United States	$ 159,392	$ 151,972	$ 36,126
Ireland	4,905	6,335	6,943
Japan	3,965	3,497	3,163
Canada	1,851	2,017	3,142
Other foreign countries	9,594	7,504	4,919
	$ 179,707	$ 171,325	$ 54,293

Significant Customers

The following distributors covered all segments and accounted for more than 10% of net revenues during fiscal 2000, 1999 and 1998:

			Year Ended March 31,
	2000	1999	1998
Ingram Micro, Inc.	39%	47%	36%
Tech Data Corp.	12	19	12
Merisel	11	13	11

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Symantec Corporation

We have audited the accompanying consolidated balance sheets of Symantec Corporation as of March 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Symantec Corporation at March 31, 2000 and 1999 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Ernst & Young LLP

San Jose, California
April 27, 2000

Corporate Directory and Shareholder Information

Corporate Directory

Board of Directors

Tania Amochaev
Chairman of the Executive Committee,
QRS Corporation

Charles M. Boesenberg
President and Chief Executive Officer,
Integrated Systems (Retired)

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

Carl D. Carman
General Partner,
Hill, Carman Ventures

Robert R. B. Dykes
President, Systems Group and Chief Financial Officer,
Flextronics International, LTD

Dr. Per-Kristian Halvorsen
Director of the Information Sciences and Technology
Laboratory (ISTL), Xerox Palo Alto Research Center

Robert S. Miller
Chairman of the Board,
Waste Management, Inc. (Retired)

Bill Owens
Co-Chief Executive Officer and Vice Chairman,
Teledesic LLC

Daniel H. Schulman
President and Chief Operating Officer,
Priceline.com

John W. Thompson
Chairman of the Board, President and Chief Executive Officer,
Symantec Corporation

Executive Officers

John W. Thompson
Chairman of the Board, President and Chief Executive Officer

Stephen G. Cullen
Senior Vice President, Consumer Products Division

Dieter Giesbrecht
Senior Vice President, International

Gail E. Hamilton
Senior Vice President, Enterprise Solutions Division

Ron Moritz
Senior Vice President, Chief Technical Officer

Greg Myers
Senior Vice President, Finance and Chief Financial Officer

Dana E. Siebert
Executive Vice President, Worldwide Sales,
Marketing and Services

Gary Warren
Senior Vice President, Market Development

Derek P. Witte
Senior Vice President,
Worldwide Operations and Secretary

Other Senior Executives

Michelle Amery
Vice President, Latin America

Cress Carter
Vice President, North American
Enterprise Sales and Marketing

Arthur Courville
Vice President and General Counsel

Donald E. Frischmann
Senior Vice President,
Communication and Brand Management

Akihiko Narita
President SKK and Vice President, Japan

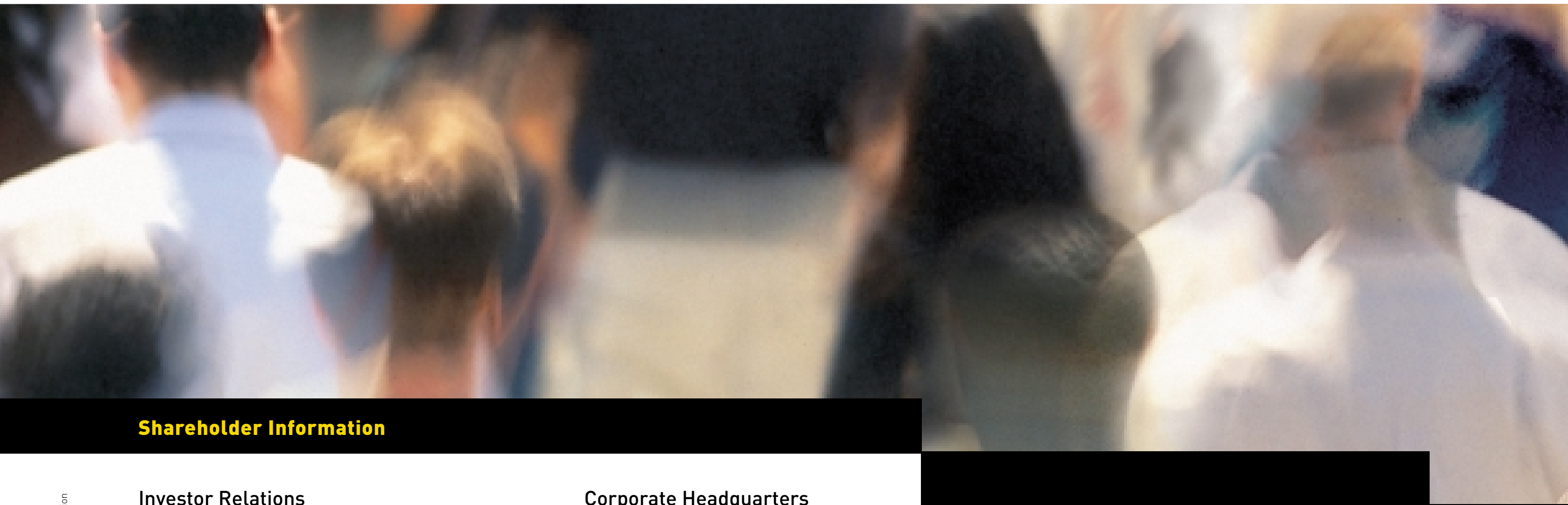
Rebecca Ranninger
Senior Vice President, Human Resources

Allyson Seelinger
Vice President, North American
Consumer Sales, Marketing and Services

Garry Sexton
Vice President, Asia Pacific

Phil Solk
Vice President, Professional Services

Giuseppe Verrini
Vice President, Europe, Middle East, Africa



Shareholder Information

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Investor Relations

A copy of the Company's Form 10K for the fiscal year ended March 31, 2000 as filed with the Securities and Exchange Commission is available without charge upon request or can be accessed at www.sec.gov.

Information on the Company and its products can be obtained by calling (800) 441-7234 toll free or (541) 334-6054, or accessed at www.symantec.com.

Please contact the Investor Relations Hotline at (800) 883-4497. Additional investment-oriented questions may be directed to:

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Independent Auditors

Ernst & Young LLP
303 Almaden Blvd.
San Jose, CA 95110

Annual Meeting

The annual meeting of stockholders will be held September 18, 2000 at Symantec Corporate Worldwide Headquarters, Cupertino, California.

Common Stock

The Company's stock is traded on the Nasdaq under the symbol SYMC.