Solutions. Services. Response.

symantec™ 2001 annual report

Symantec, a world leader in Internet security technology, provides a broad range of security solutions to individuals and enterprises. The company is a leading provider of virus protection, firewall and virtual private network, vulnerability management, intrusion detection, Internet content and e-mail filtering, remote management technologies and security services to enterprises around the world. Symantec's Norton brand of consumer security products leads the market in worldwide retail sales and industry awards. Headquartered in Cupertino, Calif., Symantec has worldwide operations in 37 countries.

dear fellow shareholders, From the boardroom to the living room, Internet security is one of today's hottest topics. IT executives and home PC users alike worry about destructive e-mail viruses, data theft, website disruption, privacy violations and the many other hazards of life in a networked world.

With the acquisition of AXENT Technologies in fiscal 2001, Symantec now has the breadth and scope necessary to help organizations and individuals around the world deal with every type of security threat. We currently offer the industry's widest range of Internet security solutions and services, and our security response capability is second to none.

In fiscal 2001, Symantec achieved record pro forma results. Sales grew to $944.2 million, net income grew 29% to $184.2 million and earnings per diluted share grew 25% to $2.35. Our execution was strong around the world, with 43% of our sales coming from outside North America. We expanded our global reach to 37 countries. Our enterprise revenue grew 21% year-over-year, accounting for 64% of our total revenues, and all our consumer products maintained market leadership positions.

As a result of hard work by the entire Symantec team, we've been able to dramatically grow our enterprise business while still holding our own in a tough consumer market. Without the contributions of everyone at Symantec, our accomplishments in 2001 would not have been possible. We also value the support of our customers and business partners worldwide.

I believe when customers choose a security partner, their decision comes down to four key factors: technology, services, response and, most important, trust. Although many security companies can meet one or two of these requirements, few are able to satisfy them all. Symantec's enhanced ability to deliver on the first three means we're better able to achieve the fourth . . . our customers' trust.

In the future, the top company in the security industry will be the one with the expertise and resources to deal with the increasing number and complexity of security threats. I'm convinced Symantec is uniquely positioned as the security partner of choice for enterprises, service providers, smaller businesses and individuals. In fact, one thing that sets Symantec apart is our dedication to serving both enterprise and individual customers.

With more than 100 million users around the world alerting us to new viruses and security threats, our enterprise customers can take advantage of an unparalleled early warning system.

In addition, Symantec offers the broadest array of products and services of any security vendor—including virus protection, intrusion detection, vulnerability management, content filtering and firewall/VPN (virtual private network) solutions, as well as managed security and professional services. Backing up this impressive portfolio is a global, industry-leading response team that constantly monitors networks, identifies threats, alerts customers and delivers fixes.

Our products continue to garner honors. Symantec AntiVirus™ was named a "Must Have" product by PC World. Symantec PowerVPN™ received a Business Impact award from InfoWorld. And our Norton AntiVirus™, Norton SystemWorks™ and Norton Ghost™ products for small businesses and individuals swept the PC Magazine Editor's Choice awards.

Our VelociRaptor™ firewall appliance won the Network Magazine Product of the Year award in the firewall category, which we expect to be an important growth area. Based on independent third-party tests, Symantec Enterprise Firewall™ solution outperformed its leading competitor in speed. It's no wonder our security solutions are used by 48 of the Fortune 50 companies to protect their most valuable information assets.

Another anticipated growth area is security appliances, plug-and-play hardware and software that's easy to use and manage. Joining our award-winning VelociRaptor firewall this year will be several other security appliances designed to protect small businesses and enterprise branch offices. Later in the year, we also plan to extend our lead in the host-based intrusion detection area by integrating network- and host-based intrusion detection.

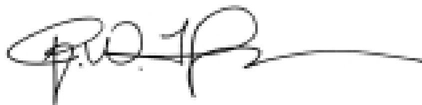
When I talk with our large enterprise customers, they tell me they're looking for a security partner for the long haul. A partner that is financially sound. And one that delivers rock-solid security products that work at all levels of the network—gateway, server and desktop—and can be managed from a single point with common tools. Finally, they want a partner with a globally based response capability.

We've built strong relationships in the enterprise sector by helping a number of large companies protect their networks: DaimlerChrysler™, BMW®, Morgan Stanley™, Wisconsin Power Company, Xerox® Europe, and Ford®, just to name a few. The U.S. Navy/Marine Corps intranet will soon be secured by a full spectrum of Symantec products. What's more, our highly scalable CarrierScan™ software safeguards many of the world's largest service providers, including Yahoo!® and its millions of e-mail users.

For organizations that want to outsource their security services, Symantec has established Security Operation Centers in Epsom, U.K., and San Antonio, Texas. These centers offer enterprise-level intrusion detection and response, Internet vulnerability management, security policy development, and firewall and VPN management. Additionally, our Professional Services group provides large customers with risk assessment, policy development and audit compliance expertise.

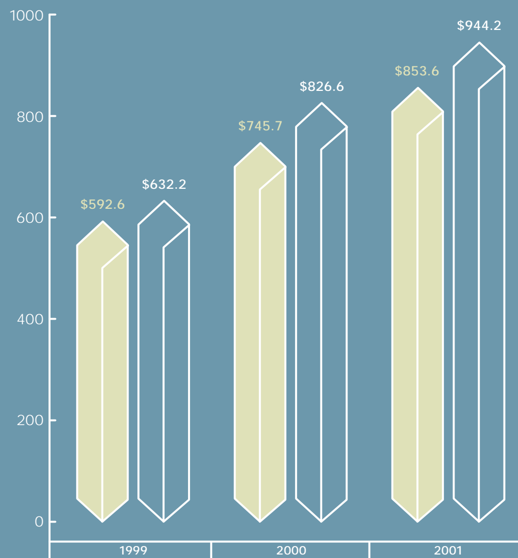
Symantec is renowned for fast response to virus emergencies. As part of the new Symantec Security Response™ organization, our intrusion experts, security engineers and virus hunters work together to provide comprehensive coverage around the clock. Our LiveUpdate™ technology delivers new virus protection signatures to millions of customers every week. Furthermore, this proven response technology will soon be used to augment our intrusion detection and vulnerability management products—a first in the industry.

Fiscal 2001 was a foundation-building year for Symantec's enterprise business and a year of continued success for us in the global consumer market. However, we know we have much more to accomplish. And we also know that uncertain economic conditions will likely make our jobs more challenging in the coming year. But I'm confident we're on the right track, and I want to thank you for your support.

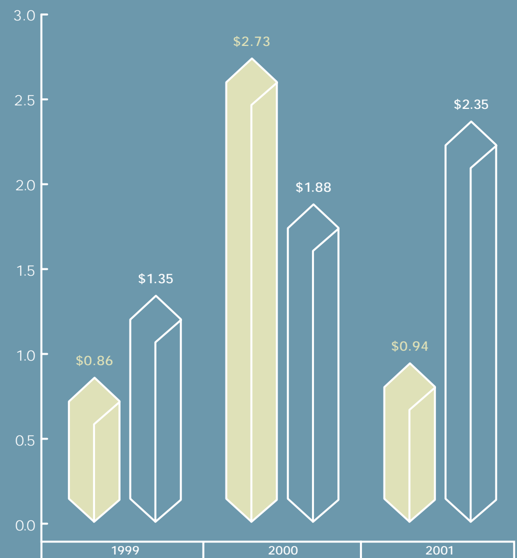


John W. Thompson
Chairman of the Board, President
and Chief Executive Officer

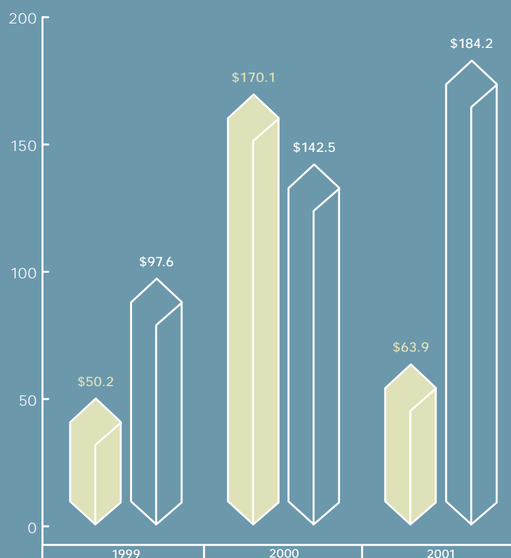
revenue (in millions)



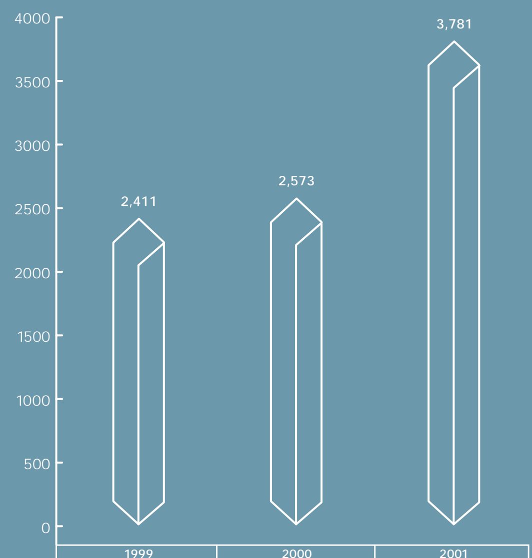
earnings per diluted share



net income (in millions)



number of employees



GAAP financial information

the pro forma financial information includes results of AXENT Technologies as if the acquisition had occurred at the beginning of fiscal year 1999 and exclude results from Visual Café and ACT! product lines divested on December 31, 1999, one-time charges and acquisition-related amortization charges

Solutions.

Lily De Los Rios and Rowan Trollope – Enterprise and Consumer Product Engineering

As a world leader in Internet security, Symantec draws on the diverse talents of our engineers to develop a broad range of virus protection, intrusion detection, firewall and enterprise administration solutions. Symantec's customers also contribute through our Strategic Advisory Council.

"A firewall is like the doorman out front. Intrusion detection is like the security guard inside catching a thief coming through an open window. They go hand in hand. With the addition of these technologies to Symantec's product portfolio, we can work with one partner who provides us just the right amount of protection when and where we need it."

Warner Watkins,
Senior Security Specialist, Coca-Cola Bottling Company Consolidated

Large enterprises ranging from Coca-Cola® Bottling Company Consolidated to the U.S. Navy/Marine Corps trust Symantec to deliver the security tools, services and response capabilities they need to protect their global information systems and support their security infrastructures.

With threats to information systems coming from all sides and growing in number and complexity, our enterprise customers know that hardening network perimeters isn't enough. They need security at all three network tiers: at the gateways between the network and the outside world, at the servers that act as the network's vital organs, and at end-user devices as diverse as desktop PCs, laptops, handhelds and cell phones. Symantec provides best-of-breed security solutions for each of these tiers.

Firewall Solutions Large companies employ Symantec's Enterprise Firewall at the network perimeter to protect data and assets without slowing performance. They also use Symantec Desktop Firewall™ to protect remote and mobile users from hackers and to secure corporate networks from back-door attacks. For small to midsize businesses and enterprise branch offices, our award-winning VelociRaptor firewall appliance combines enterprise-class security with plug-and-play simplicity. And now, especially with the popularity of easily targeted broadband connections, small businesses and consumers are shielding their data and privacy with Norton™ Personal Firewall or Norton Internet Security.™

Intrusion Detection Though firewalls are a potent deterrent, companies also need a "security force" inside the perimeter to spot intruders that penetrate the outer defenses. With today's businesses increasingly relying on partner-accessible extranets and customer-accessible Internet links, the threat of computer crime and sabotage keeps IT managers awake at night. Our Intruder Alert™ and NetProwler™ solutions let them rest easy by monitoring their network for signs of unauthorized activity, enforcing security policies, and keeping key systems, applications and data safe and sound.

Vulnerability Management Enterprises are getting a firmer grip on their networks by establishing comprehensive security policies. Symantec's Enterprise Security Manager™ gives IT managers the means to define and enforce these policies from a central location. Our NetRecon™ software scans and probes for network vulnerabilities, then suggests remedies.

Virus Protection Internet-delivered viruses are more dangerous than ever. They spread faster, are harder to detect and attack more types of computing platforms. Symantec's anti-virus solutions offer protection at every tier of the enterprise network. We have powerful virus protection software for Windows® and Macintosh® computers, for Palm®-compatible handhelds, and for various networked systems. What's more, Symantec's CarrierScan™ Server 2.0 solution allows service providers such as Yahoo!® to scan dozens of e-mail files per second, shielding millions of users from viruses.

Enterprise Administration Secure, economical, centralized network management is critical for corporations today. Symantec Ghost™ gives enterprise IT managers toolsets that let them roll out thousands of new PCs or migrate existing PCs to new operating systems easily and efficiently, reducing cost of ownership. Equally important to IT managers is highly secure remote control and access. Symantec pcAnywhere™ is the leading solution for managing servers and networks enterprise-wide, and providing help-desk support to mobile workers worldwide.

Services.

Charlie Johnson and Jim McLendon – Symantec Security Services

Symantec's knowledgeable service engineers, technicians, consultants and instructors deliver security expertise when and where it's needed. Because security know-how is in short supply, enterprises are increasingly turning to Symantec's outsourcing services to safeguard their vital data and systems.

"If you have an organization like ours that is highly integrated with suppliers, partners and customers, you need a very sophisticated, wide-ranging approach to security and security policies. You have to balance the costs of hiring people and doing the job yourself against the advantages of going to a single supplier like Symantec."

Dr. Stuart Marvin,
Information Security Manager, Xerox Europe

Even large companies like Xerox® Corporation find it hard to recruit and retain enough knowledgeable security specialists. Setting up and managing an effective worldwide security infrastructure without that expertise is a daunting task for any corporate IT group. That's why industry analyst IDC forecasts that the security services market will grow from $5.5 billion in 1999 to an estimated $17 billion in 2004.

For Xerox, the challenge is enforcing security policies for thousands of computers at sites throughout Europe to protect the company's crown jewels—its intellectual property and customer data—as well as its vital business systems. Rather than take on the task in-house, Xerox has given Symantec the job of managing their corporate security services—one of the largest security outsourcing contracts ever.

Global Reach Symantec is building one of the largest and most extensive security service organizations in the industry, enabling us to scale our service offerings to keep pace with our customers' needs around the globe. Our services analysts work closely with our sales force to help customers understand basic security requirements, and to recommend appropriate service solutions. We're putting our leading-edge technologies, unparalleled know-how, and globe-spanning resources at the service of enterprise customers in a number of industries.

Managed Security Symantec Managed Security Services helps our customers minimize overhead and frees them to focus on their core business. With true round-the-clock monitoring and response from our Security Operations Centers (SOCs) in San Antonio, Texas, and Epsom, U.K., Symantec security analysts deliver cost-effective, outsourced services that minimize an organization's overhead while effectively addressing their security problems. Services include ongoing management of system vulnerabilities, security policy compliance, virus protection, intrusion detection and response, and firewall systems. Certified Symantec security analysts give personal attention to each customer, so our services become a trusted extension of the company's own IT organization.

Professional Services Augmenting Symantec's security service portfolio are implementation, consulting and education services. Customers can tap our wealth of security expertise to help them plan, deploy and integrate a security technology into their enterprise. Symantec consultants are experienced in assisting clients in the assessment and design of security solutions for the enterprise, and they're adept at helping to build cost-effective, best-practice security infrastructures. Symantec also provides security education and product training to customers using a combination of classroom presentations, instructor-facilitated discussions and hands-on laboratories.

Support Plans Symantec offers a number of plans designed to give our customers the level of support they require. For instance, the Platinum Support program delivers some of the best security services available, ranging from self-service information repositories to live, 24/7 support in all time zones and many languages. Platinum customers get proactive, real-time virus alerts for all their sites worldwide. Plus, they receive personalized care from a support analyst with detailed knowledge of their unique business and networking environment. Besides support plans for enterprises, Symantec also offers carrier-grade security support for Internet and other network service providers.

Response.

Motoaki Yamamura and Carey Nachenberg – Symantec Security Response

Working around the clock, analysts in Symantec's Security Response facilities worldwide do the keen detective work that cures virus infections, keeps malicious intruders from invading networks, and brings system vulnerabilities to light before they can be exploited by hackers.

"The integration of Symantec's Security Response services into our incident handling processes has enhanced both our malicious code awareness and incident response capabilities. The services offered have become an integral component of our function and a 24/7 extension of our Information Security Response Team."

Derek Alphin,
Vice President Information Security, Bank One

According to the comprehensive 2001 Computer Crime and Security Survey sponsored by the FBI and the Computer Security Institute, 85 percent of the companies and agencies surveyed detected security breaches within a 12-month period. Of those, 64 percent suffered financial losses. For the 186 respondents that were willing to quantify the damage, losses totaled over $377 million.

New virus outbreaks and hacker attacks constantly threaten to disrupt businesses and destroy assets. Symantec Security Response combines virus fighting, intrusion detection and vulnerability management capabilities to give our customers in-depth, round-the-clock emergency coverage. Symantec is one of the few security companies with the reach and resources necessary to respond to customers immediately wherever and whenever they face a security threat. Our response team receives submissions of suspicious files and potential threats from a global network of more than 100 million users—both individuals and enterprises. The team turns one submission from one customer into a proactive solution for every customer.

Intruder Spotting The Symantec Security Response intrusion detection team collects information about current hacker incidents worldwide, looking for attacks that exploit vulnerabilities in operating systems, network protocols and other computing resources. Our test and validation engineers re-create these attacks and vulnerabilities in the laboratory. They then send out advisories to customers that detail the nature, impact and severity of the threat, and offer policies and other instructions on how to thwart it. This team also provides updates to Symantec intrusion detection and vulnerability management products designed to neutralize the threat.

Virus Fighting Symantec maintains a global infrastructure dedicated to rapid virus response that continually feeds information to team members in Sydney, Tokyo, Leiden, Santa Monica and other locations worldwide. When a new virus submission arrives, Symantec engineers simultaneously decrypt and analyze it, alert customers and the media, and start formulating an antidote. Subscribers to our Symantec Alerting Service™ get real-time, 24/7 alerts, sometimes in mere minutes, through a variety of channels: e-mail, phone, fax, pager and mobile messaging. To speed the process, our automated Digital Immune System™ delivers many virus definitions without human intervention.

Critical Advisories Symantec Security Response delivers the latest program updates to Symantec products via our LiveUpdate system. This includes anti-virus updates as well as enhancements to Enterprise Security Manager, NetProwler and other solutions. In addition, the response organization issues time-critical advisories and bulletins about security risks and vulnerabilities. It also posts web articles discussing best practices, technical guidelines and other matters of interest to the security community.

Proactive Defense Customers benefit from our research into viruses, intrusion methods and other threats. The results go into our immune system and policy management technologies, and important discoveries are also shared with industry groups. Moreover, Symantec is very active in various security alerting, research and standards organizations. It's all in the interest of helping companies and individual users proactively defend themselves at multiple levels, making it too time-consuming and costly for a hacker to carry out a successful attack against them.

Results.

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2001

forward-looking statements

The following discussion contains forward-looking statements that involve known and unknown risks and uncertainties. Our actual results, levels of activity, performance or achievements may be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that may cause or contribute to this difference include, among others things, those risk factors set forth in the Business Overview and Business Risk Factors sections. 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.

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 2001, we acquired AXENT Technologies, Inc. (“AXENT”). 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 Research. 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.

On December 31, 1999, we divested our Visual Café and ACT! product lines. Because the divestitures of the Visual Café and ACT! 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 per share)	2001	2000	1999	1998	1997
Statements of Income Data:					
Net revenues	$ 853,554	$ 745,725	$ 592,628	$ 532,940	$ 452,933
Amortization of goodwill	71,336	17,884	6,175	—	—
Acquired in-process research and development	22,300	4,300	27,465	—	3,050
Litigation judgment, restructuring and other expenses	3,664	9,018	10,930	—	5,535
Operating income	109,600	135,203	27,841	54,924	17,550
Net income	63,936	170,148	50,201	85,089	26,068
Net income per share - basic	$ 0.99	$ 2.94	$ 0.89	$ 1.52	$ 0.48
Net income per share - diluted	$ 0.94	$ 2.73	$ 0.86	$ 1.42	$ 0.47
Shares used to compute net income per share - basic	64,737	57,870	56,601	56,097	54,705
Shares used to compute net income per share - diluted	68,237	62,214	59,289	60,281	55,407

					March 31
(In thousands)	2001	2000	1999	1998	1997
Balance Sheet Data:					
Working capital	$ 369,184	$ 319,020	$ 94,036	$ 175,537	$ 129,569
Total assets	1,791,581	846,027	563,476	476,460	339,398
Long-term obligations, less current portion	2,363	1,553	1,455	5,951	15,066
Stockholders’ equity	1,376,501	617,957	345,113	317,507	217,979

Quarterly Financial Data

(In thousands, except net income (loss) per share; unaudited)	Fiscal 2001 Mar. 31 2001	Dec. 31 2000	Sep. 30 2000	Jun. 30 2000	Fiscal 2000 Mar. 31 2000	Dec. 31 1999	Sep. 30 1999	Jun. 30 1999
Net revenues	$ 250,606	$ 219,294	$ 192,296	$ 191,358	$ 187,205	$ 200,847	$ 182,535	$ 175,138
Gross margin	212,129	188,356	165,688	163,521	158,196	170,048	151,893	144,515
Amortization of goodwill	48,994	11,965	5,202	5,175	4,493	4,287	5,169	3,935
Acquired in-process research and development	—	22,300	—	—	3,100	—	1,200	
Restructuring and other expenses	2,382	1,282	—	—	3,959	2,246	40	2,773
Income, net of expense, from sale of technologies and product lines	4,250	5,000	5,284	5,914	7,491	89,967	5,010	4,890
Net income (loss)	(27,448)	13,874	39,113	38,397	31,576	89,013	25,832	23,727
Net income (loss) per share -								
basic	$ (0.37)	$ 0.22	$ 0.64	$ 0.63	$ 0.53	$ 1.52	$ 0.45	$ 0.42
diluted	$ (0.37)	$ 0.21	$ 0.61	$ 0.60	$ 0.49	$ 1.41	$ 0.43	$ 0.41

Market Information Common Stock

Our common stock is traded on the Nasdaq National Market under the symbol "SYMC." The high and low closing prices are as reported on the Nasdaq National Market.

	Fiscal 2001 Mar. 31 2001	Dec. 31 2000	Sep. 30 2000	Jun. 30 2000
High	$ 52.69	$ 45.25	$ 63.69	$ 71.50
Low	33.56	29.81	41.38	52.56

	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

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 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.

	Fiscal 2001 Mar. 31 2001	Dec. 31 2000	Sep. 30 2000	Jun. 30 2000
High	$ 80.00	$ 67.00	$ 93.00	$ 105.00
Low	58.05	42.50	63.00	79.00

	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

As of March 31, 2001, there were approximately 986 stockholders of record, including approximately 21 holders of record of Delrina exchangeable shares. We have not paid cash dividends in the last three years.

business overview

In fiscal 2001, we added key technologies by acquiring AXENT Technologies, Inc. This acquisition will enable us to:

- provide enterprise customers with comprehensive security solutions;
- combine service offerings to provide a broader range of security services and consulting; and
- accelerate new product development with one of the largest teams of enterprise security professionals in the industry.

We currently view our business in five operating segments: Consumer Products, Enterprise Security, Enterprise Administration, Services and Other.

Consumer Products Our Consumer Products segment provides solutions to individual users, home offices and small businesses. The segment'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 subscribe to easily downloadable content updates including virus definitions, firewall rules, URL databases and uninstall scripts. Our consumer products run primarily on Windows and Macintosh operating systems. Symantec AntiVirus also runs on Palm OS.

Norton AntiVirus runs in a computer's background and protects against, detects and eliminates computer viruses. This software covers multiple sources of infection, including the Internet, e-mail attachments, floppy disks, shared files and networks. Norton AntiVirus keeps virus definitions up to date. Automatic LiveUpdate detects new definitions created by Symantec AntiVirus Research Center and downloads and installs those definitions on the user's computer, eliminating the need for users to manually update virus definitions. Symantec AntiVirus Research Center provides 24 hours a day, seven days a week research and analysis capability to ensure that customers have the highest level of protection available.

Norton Internet Security is a fully integrated suite that provides total Internet protection for the home computer. The suite includes Norton AntiVirus, Norton Personal Firewall, and Norton Privacy Control. The Family Edition of Norton Internet Security includes Norton Parental Control. Norton AntiVirus stops viruses, malicious Java applets and ActiveX controls. Norton Personal Firewall prevents hackers from accessing the computer's files or using the computer in other Internet-based attacks. Norton Internet Security also helps restrict user access to specified Web sites and restricts the submission of personal information through Web forms without the user's approvals (Family Edition only). The users of Norton Internet Security also can block banner ads.

Norton SystemWorks is a fully integrated suite of problem-solving utilities that protects PC users from viruses and crashes, solves Windows problems, removes unneeded files, and updates users' applications. Included in this suite are the latest complete versions of our products: Norton AntiVirus, Norton Utilities, and Norton CleanSweep. Also included are Internet-based services such as Norton Web Services, provided by CNET and Symantec Web Partners.

Enterprise Security The objective of our Enterprise Security segment is to provide organizations with technology, services and response capabilities to deal with their specific security needs. In addition to our virus protection and filtering products, we have expanded our technology offerings to include intrusion detection, vulnerability management, web access management, and firewalls/VPN protection. We have also expanded our solutions to multiple platforms and to all levels of the enterprise network: gateways, servers and clients (desktop PCs, laptops, mobile devices, and PDAs). At the gateway level, our products run on Windows NT, Solaris, and Linux platforms. Our products at the server level operate on Windows NT, UNIX, Linux, and other key server platforms. At the end user level, our products run on the Windows platform.

Virus Protection and Filtering

Our virus protection and filtering technology is a core element of Internet security that combines multi-tier protection against viruses with the management of Internet communications for sensitive content or misuse of data. Users of our virus protection and filtering products 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. Our virus protection and e-mail and Internet content filtering technologies protect gateways, servers and clients at multiple entry points from known and unknown threats. Protection from virus attacks is the most well-known and largest market component of the enterprise security area.

Symantec AntiVirus provides virus protection for computers running in every tier of an enterprise's network, including Internet gateways, desktops, file and print servers, mail servers and firewalls. Symantec AntiVirus also enables corporations to keep their virus definitions up to date via LiveUpdate.

CarrierScan Server enables companies to tightly integrate anti-virus scanning and repair capabilities into services such as Web-based e-mail, Web-based file sharing, Internet-available databases and other applications that deliver files over the Internet. CarrierScan Server can be deployed on one or more servers inside a company's infrastructure.

Firewalls/ VPN

We offer firewall solutions from the gateway to end devices. Firewalls are not only installed at the Internet gateways, but desktop firewalls also are installed at clients as well as internal firewalls around key servers.

Symantec Desktop Firewall enables administrators to quickly roll out a highly effective solution that works intelligently in the background, monitoring both inbound and outbound communications. Since Symantec Desktop Firewall is optimized for always-on broadband connections such as DSL and cable modems that are favored by mobile users, it is a highly effective solution for securing remote communications.

Symantec Enterprise Firewall provides an advanced perimeter security solution without compromising network performance. It protects against unwanted intrusion, while allowing approved business traffic to traverse the enterprise network.

VelociRaptor Firewall appliance is an integrated hardware/software solution that ensures the security of vital information. With VelociRaptor Firewall, one simply "plugs and protects" to provide a robust, secure connection to the Internet, regardless of the organization size.

PowerVPN Server is designed to reduce the cost of managing remote access to enterprise networks while enabling improved integration with valuable supply-chain partners. Its technology ensures that corporations know and can control traffic passing at the application and network levels.

Intrusion Detection

Organizations must protect information from unwanted users and hackers and control access to information to maintain business integrity. At the gateway and server level, our intrusion detection products will monitor systems for such patterns of misuse and abuse and can warn organizations before systems are misused or information is stolen.

Intruder Alert detects unauthorized and malicious activity, keeping systems, applications and data secure from misuse and abuse. If these systems are threatened, Intruder Alert can notify the user and take action to prevent information theft or loss.

NetProwler complements existing security countermeasures and fortifies a company's e-business initiatives by offering dynamic network intrusion detection that transparently examines network traffic. It instantly identifies, logs, and terminates unauthorized use, misuse and abuse of computer systems by internal saboteurs and external hackers.

Vulnerability Management

At the gateway and server level, our vulnerability management products find system vulnerabilities and ensure security policy compliance to proactively reduce business risk. The initial step to reduce corporate risk is to effectively measure compliance to a business security policy and detect vulnerabilities where critical information resides. It is important to understand the effectiveness of a security policy in order to properly define, manage and enforce business policies and assess possible threats.

Enterprise Security Manager gives companies the ability to automate the planning, management and control of security policies from a single location, thereby saving time and money. Enterprise Security Manager provides an efficient means of managing and controlling the policy while providing reports that enable companies to prove tangible evidence of progress across the enterprise, from their own workstations.

NetRecon is a network vulnerability management tool that discovers, analyzes and reports holes in network security. NetRecon achieves this by conducting an external review of network security by scanning and probing systems on the network. NetRecon reenacts common intrusion or attack scenarios to identify and report network vulnerabilities, while suggesting corrective actions.

Web Access Management

Our Web Access Management solutions enable customers, partners, suppliers and employees to connect to a network safely, reducing operational costs and enabling new business opportunities.

Webthority's advanced product architecture provides sophisticated and secure control of valuable e-business data by handling user identification, authorization and access control through the combination of a proxy server, authentication agents and central management server.

Enterprise Administration Our Enterprise Administration 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.

pcAnywhere offers secure, reliable, fast and flexible point-to-point remote computing via a multitude of communications media including Internet, serial, LAN, ISDN, DSL, cable modems and infrared. pcAnywhere enables a remote PC user to control and transfer data to and from a host PC. In addition, the remote PC, laptop or PC terminal controls the operation of the often-distant host PC and allows users at the host machine to view the operations being conducted from the remote site.

Ghost Corporate Edition is a PC cloning solution that allows fast disk image management, rollout and ongoing PC configuration. Ghost Corporate Edition provides technology for fast, reliable PC imaging and management that serves to reduce IT costs by providing a means to restore and configure machines that have been cloned. The centralized management console enables IT personnel to initiate, configure and manage the cloning of workstations across the network from a single location, saving valuable time and resources.

Services Symantec Security Services provides information security solutions that incorporate best-of-breed technology, security best practices and expertise and global resources to help enable e-business success. Through its comprehensive offerings, Symantec Security Services delivers holistic security assessments, planning and implementation, proactive solutions for security management and response, and knowledge transfer to develop internal security skills.

Consulting Services enables organizations to implement best-practices security measures across the enterprise through comprehensive security assessments and holistic planning and design. Consulting Services develops strategies for managing and reducing risks to help organizations protect business-critical assets.

Implementation Services provides the expertise that enables rapid technology implementations and maximizes the value of security investments. Through hands-on deployments of advanced security systems and technologies, Implementation Services allows organizations to leverage the best-practices security experience of industry experts in order to gain maximum enterprise protection.

Managed Security Services provides a comprehensive array of outsourced security management, monitoring, and response services that helps organizations solve security problems cost effectively. Managed Security Services allows organizations to leverage the knowledge of Internet security experts in order to protect the value of their networked assets and infrastructure.

Education Services provides the training, skills development, and certifications that enable organizations to optimize the operation and administration of their security systems. By developing and maintaining internal staff knowledge, organizations can maximize the return on their security investments.

Other Our Other segment is comprised of sunset products, products nearing the end of their life cycle, and operations from our Visual Café and ACT! divested product lines.

Recent Acquisitions and Divestitures

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

- AXENT Technologies, Inc. in the December 2000 quarter;
- 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; and
- IBM Corporation's anti-virus business also in the June 1998 quarter.

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. We have acquired several businesses in the past, 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 the results prior to disposition in our Other operating 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, resellers, and value-added resellers focusing on security solutions and system integrators.

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 ("ISP"s). 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, corporate reseller, value-added resellers and system integrator channels, in addition to our direct sales force.

We maintain distribution relationships with major independent distributors. These distributors stock our packaged products for redistribution to independent dealers, consultants and other resellers. We also maintain relationships with major retailers, while marketing directly to these retailers through independent distributors and cooperative marketing arrangements. Our indirect 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 marketing 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;
- radio broadcast 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 within the United States: 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 the volume of their purchases and their sale of products to end-users. Volume incentive rebates are accrued as an offset to revenue when revenue is recorded. From time to time, we also make rebates available to individual end-users or consumers of various products acquired through major retailers. End-user rebates are accrued as an offset to revenue when revenue is recorded.

Product returns occur when we introduce upgrades and new versions of products or when distributors or retailers have excess inventories, subject to various contractual limitations. Our return policy allows distributors, subject to these contractual limitations, to return purchased products in exchange for new products or for credit towards future purchases. End users may return our products through dealers and distributors for a full refund within a reasonably short period from the date of purchase. We estimate and maintain reserves for such product returns.

International Sales Revenues outside of North America represented approximately 45%, 41% and 37% of our net revenues for fiscal 2001, 2000 and 1999, respectively.

The majority of our net revenues from Europe are derived from sales by affiliates of our major United States distributors. Additionally, we sell our products through authorized distributors, which may be restricted to specified territories. For some of our products, we translate the documentation, software and packaging into the local language and prepare marketing programs for each local market.

We have marketing offices in Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Columbia, Czech Republic, Denmark, Finland, France, Germany, Holland, Hong Kong, Hungary, India, Israel, Italy, Japan, Malaysia, Mexico, New Zealand, Norway, Poland, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, 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

Consumer Product Support Our product support program provides free self-help online services to all consumer customers worldwide. In some countries, access to free telephone support is also provided for a limited period of 30 to 90 days depending upon the country. After the initial period, telephone support is provided for a fee throughout North America, as well as portions of Asia Pacific and Europe. For some of our international customers, we continue to transition our product support to be entirely fee based telephone support, along with free self-help online support. Through LiveUpdate, we provide online access to application bug fixes and/or patches for most of our currently marketed and developed products.

Enterprise Security Support Our product support program provides annual support contracts to all enterprise customers worldwide. Our annual support contracts provide 1) hot-line service delivered by telephone, fax, e-mail and over the Internet; 2) immediate patches for severe problems; 3) periodic software updates; 4) access to our technical knowledge base and FAQ facility; and 5) an invitation to the annual user group meeting.

We revise these fee-based support programs from time to time as customer requirements change and as market trends dictate.

Product Development, Partnerships, Investments and Acquisitions We use a multiple product sourcing strategy that includes, as necessary:

- internal development;
- licensing from third parties;
- investment in companies; 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 focused product development groups 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 invest in companies with emerging technologies and companies that promote the sale and use of our products. These investments are done in lieu of an acquisition when timing is inappropriate or when the business models and sectors fall out of our strategic requirements. These investments are complementary and can enhance both financial returns and market growth.

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 of technologies, companies, and products and dispositions of technologies and products and may acquire and/or 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 ("ASP"s), key application software vendors and operating system providers. Our competitiveness depends on our ability to deliver products that meet our customers' needs by enhancing our existing solutions and offering reliable, scalable and standardized 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 products and enterprise security and administration segments are quality, employment of the most advanced technology, time to market, price, reputation, breadth of product offerings, customer support, brand recognition, and sales and marketing teams. In our services segment, the principal competitive factors include technical capability, customer responsiveness, price, ability to attract and retain talented and experienced personnel, and reputation within the industry.

Competition in the consumer products market is intense. Some of the companies that offer competing products to our Consumer Products offerings include F-Secure, Internet Security Services, McAfee.com, Network Associates, Norman, Panda, Secure Computing, Sophos, and ZoneLabs. 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.

In the Enterprise Security and Administration market, we compete against several companies who offer competing products to our technology solutions (firewalls/VPN, intrusion detection, vulnerability management, web access management, and virus protection) and support. Some of the companies that we compete against are BindView, Checkpoint, Cisco, Computer Associates, ISS, Netopia, Network Associates, Norman, Nortel, Panda, PentaSafe, PowerQuest, Stac Software, SonicWALL, Traveling Software, Trend Micro, and WebSense.

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, Windows 2000, Windows Millennium Edition, and Windows XP, 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 or replicated and packaged into products by our logistics organization. All of our domestic manufacturing and order fulfillment is performed by an outside contractor under the supervision of our domestic logistics organization. Purchasing of all raw materials is done by Symantec personnel in our Cupertino, California facility and Dublin, Ireland facility for products manufactured in those countries. The manufacturing steps that are subcontracted to outside organizations include the duplication of diskettes and replication of CD-ROMs, printing of documentation materials and retail boxes, and assembly of the final packages. We perform diskette duplication, assembly of the final packages, and order fulfillment in our Dublin, Ireland manufacturing facility for most products distributed outside of North and South 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, 2001, we employed approximately 3,800 people worldwide, including approximately 1,950 in sales, marketing and related staff activities, 950 in product development, 100 in consulting services, and 800 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 December 2000, we acquired 100% of the outstanding common stock of AXENT in exchange for Symantec common stock. The transaction was accounted for as a purchase. We recorded goodwill and other intangible assets in connection with this acquisition and are amortizing these assets over four years. We wrote off the acquired in-process research and development at the time of acquisition.

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

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 connection with the acquisition and are amortizing these assets over five years. We wrote off the acquired in-process research and development at the time of acquisition.

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 and are amortizing these assets over five years. We wrote off the acquired in-process research and development at the time of acquisition.

In November 1998, we completed a tender offer for the common stock of Quarterdeck, obtaining 63% of the outstanding shares. In March 1999, we acquired 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 in connection with the acquisition. We amortized 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. We wrote off the acquired in-process research and development at the time of acquisition.

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 and are amortizing the value of these assets over five years. We wrote off the acquired in-process research and development at the time of acquisition.

In June 1998, we acquired the operations of Binary Research, including the "Ghost" product line. 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 and are amortizing the value of the workforce-in-place and acquired product rights over four years. We wrote off the acquired in-process research and development at the time acquisition.

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. We recorded intangible assets of prepaid research and development, customer base and goodwill. 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 wrote off the acquired in-process research and development at the time of acquisition.

On December 31, 1999, we divested our Visual Café and ACT! product lines. Because the divestitures of the Visual Café and ACT! 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.

	Year Ended March 31			Period-to-Period Percentage Increase (Decrease)	
	2001	2000	1999	2001 Compared to 2000	2000 Compared to 1999
Net revenues	100 %	100 %	100 %	14 %	26 %
Cost of revenues	15	16	16	2	25
Gross margin	85	84	84	17	26
Operating expenses:					
Research and development	15	15	17	17	7
Sales and marketing	41	41	48	14	7
General and administrative	5	6	6	6	18
Amortization of goodwill	8	2	1	299	190
Amortization of intangibles from acquisitions	—	—	—	*	*
Acquired in-process research and development	3	1	5	419	(84)
Restructuring and other expenses	—	1	1	(59)	77
Litigation judgment	—	—	1	—	(100)
Total operating expenses	72	66	79	27	5
Operating income	13	18	5	(19)	386
Interest income	4	2	2	148	(1)
Interest expense	—	—	—	*	*
Income, net of expense, from sale of technologies and product lines	2	15	7	(81)	161
Other income (expense), net	(3)	—	—	*	*
Income before income taxes	16	35	14	(45)	209
Provision for income taxes	9	12	6	(12)	164
Net income	7 %	23 %	8 %	(62)	239

* Percentage change is not meaningful

Net Revenues Net revenues increased 14% from $746 million in fiscal 2000 to $854 million in fiscal 2001. Net revenues increased 26% from $593 million in fiscal 1999 to $746 million in fiscal 2000. The increase in fiscal 2001 as compared to fiscal 2000 and the increase in fiscal 2000 as compared to fiscal 1999 were largely due to increased sales to our enterprise customers, introductions of new products and increased sales outside of North America. During the December 2000 quarter, we acquired AXENT, which contributed approximately $42 million to our total net revenues for fiscal 2001.

Consumer Products Our Consumer Products segment represented approximately 39%, 43% and 45% of total net revenues for fiscal 2001, 2000 and 1999, respectively. Although net revenues for this segment decreased as a percentage of net revenues, net revenues in absolute dollars increased in fiscal 2001 as compared to fiscal 2000. Despite the slow-down in the personal computer sales environment, the absolute dollars increased primarily due to the increase in customer focus on protecting their home computers from Internet related attacks. This factor contributed to growth in sales of our Norton Internet Security product, which was introduced in the March 2000 quarter.

Net revenues in absolute dollars increased in the Consumer Products segment in fiscal 2000 over fiscal 1999. This increase was primarily due to increased sales of our antivirus products following 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 since discontinued our Norton 2000 product.

During fiscal 2001, 2000 and 1999, the financial impact of product price reductions for certain of our products was offset by the increase in the volume of products sold.

Enterprise Security and Administration Our Enterprise Security and Administration segments represented approximately 60%, 51% and 44% of total net revenues for fiscal 2001, 2000 and 1999, respectively. Net revenues increased in fiscal 2001 as compared to 2000 due to the continued strength of our virus protection solution, growth from our vulnerability management and intrusion detection solutions, as a result of the AXENT acquisition, and the new release of our Ghost Corporate Edition product.

Net revenues increased in fiscal 2000 as compared to fiscal 1999 primarily due to strong demand for our Enterprise Administration products Ghost Corporate Edition and pcAnywhere and increases due to virus outbreaks and Year 2000 preparation.

Services and Other Our Services and Other segments represented approximately 1%, 6% and 11% of total net revenues for fiscal 2001, 2000 and 1999, respectively. The decrease in fiscal 2001 and 2000 is due to our divestiture of the Visual Café and ACT! product lines in December 1999, which is included in the Other segment.

International Net revenues outside of North America represented 45%, 41% and 37% of total net revenues for fiscal 2001, 2000 and 1999, respectively. International net revenues increased by $74 million in fiscal 2001 to $382 million from $308 million in 2000. This increase in net revenues was the result of increased sales in Europe and Japan. Net revenues from sales outside of North America increased by $89 million in fiscal 2000 to $308 million from $219 million in fiscal 1999. This increase was also largely due to stronger sales in Europe and Japan.

Weaknesses in currencies fixed to the euro during fiscal 2001, slightly offset by strengths in other currencies, negatively impacted our international revenue growth by approximately $44 million. The impact in fiscal 2000 was approximately $15 million.

Pro Forma Revenue Giving Effect to the Acquisition of AXENT and Divestitures For comparative purposes, the following table displays, on a pro forma basis, our net revenues as if the acquisition of AXENT had occurred at the beginning of fiscal 1999 and excluding the divested Visual Café and ACT! product lines:

	Year ended March 31		
(In thousands)	2001	2000	1999
Pro forma net revenues	$ 944,150	$ 826,587	$ 632,243

Quarterly pro forma net revenues for the year ended March 31, 2001 would have been as follows, for the quarter ended:

(In thousands)	Consumer Products	Enterprise Security	Enterprise Administration	Services	Other	Total Company
June 2000	$ 75,203	$ 85,998	$ 60,567	$ 2,836	$ 807	$ 225,411
September 2000	78,260	85,816	58,726	2,642	937	226,381
December 2000	93,761	92,005	53,747	1,995	244	241,752
March 2001	85,444	105,354	57,604	1,835	369	250,606

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 our distributors/resellers as compared to products sold to our distributors/resellers does not impact our gross margin, as our gross margin is materially 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 acquired product rights. Gross margin was 85% of net revenues in fiscal 2001 and 84% of net revenues in fiscal 2000 and 1999. The improvement in gross margin in fiscal 2001 was primarily due to higher margins associated with the increase in enterprise related sales and cost savings achieved in reduced packaging costs.

Acquired Product Rights As indicated in the overview, during fiscal 2001 we acquired AXENT and recorded approximately $86 million in acquired product rights. During fiscal 2000, we acquired URLabs, L-3 Network Security's operations and 20/20 Software and recorded approximately $11 million in acquired product rights. Amortization of these intangibles, which are included in cost of revenues, totaled approximately $17 million, $10 million and $6 million in fiscal 2001, 2000 and 1999, respectively. The amortization of intangible assets from our fiscal 2001 and 2000 acquisitions will occur over the next 5 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 remained flat at 15% for fiscal 2001 and 2000 and were 17% for fiscal 1999. The overall growth in our net revenues was the primary reason for the decrease in research and development expences as a percentage of net revenues in fiscal 2000 as compared to fiscal 1999.

Although research and development expenses remained flat as a percentage of net revenues, absolute dollars increased 17% to approximately $127 million in fiscal 2001 from $108 million in fiscal 2000. The increase was a result of Enterprise Security segment hiring, salary increases and other employee related expenses and AXENT related research and development expences which were included from the date of acquisition. This increase was partially offset by the lack of expenses in fiscal 2001 associated with the divested Visual Café and ACT! product lines and the patent claim settlements in the Consumer Products segment.

Research and development expenses 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.

Sales and Marketing Expenses Sales and marketing expenses as a percentage of net revenues remained flat at 41% for fiscal 2001 and 2000 and was 48% for fiscal 1999. Sales and marketing expenses were approximately $350 million, $307 million and $286 million in fiscal 2001, 2000 and 1999, respectively. The absolute dollar increase in sales and marketing expenses in fiscal 2001 as compared to fiscal 2000 was primarily related to Enterprise Security segment hiring and increase in salaries, commissions and other performance based compensation and AXENT related sales and marketing expences which were included from the date of acquisition. The absolute dollar increase in sales and marketing dollars for fiscal 2000 over fiscal 1999 was also due to increased headcount, related salaries, commission and other performance based compensation.

General and Administrative Expenses General and administrative expenses as a percentage of net revenues were 5% in fiscal 2001 and 6% in fiscal 2000 and 1999. General and administrative expenses were approximately $45 million, $42 million and $36 million in fiscal 2001, 2000 and 1999, respectively. The absolute dollar increase in general and administrative expenses in fiscal 2001 as compared to fiscal 2000 was primarily due to an increase in salary related expenses and other general administrative expenses, offset by a reduction in bad debt expenses. General and administrative expenses in absolute dollars increased in fiscal 2000 as compared to fiscal 1999, primarily due to increases in salaries and benefits, legal fees and bad debt expenses, offset by reductions in certain consulting expenses incurred in fiscal 1999.

Amortization of Goodwill Amortization of goodwill increased 299% to approximately $71 million in fiscal 2001 from $18 million in fiscal 2000. The increase was related to amortization of goodwill associated with the acquisition of AXENT in fiscal 2001. Amortization of goodwill increased 190% to approximately $18 million in fiscal 2000 from $6 million in fiscal 1999. The increase was related to the amortization of goodwill associated with the acquisitions of URLabs, L-3 Network Security's operations and 20/20 Software in fiscal 2000.

Acquired In-Process Research and Development Expenses In fiscal 2001, we acquired AXENT. 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 Research's operations and Quarterdeck.

We wrote off approximately $22 million, $4 million and $27 million of acquired in-process research and development associated with these acquisitions in fiscal 2001, 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.

The efforts required to develop the acquired in-process technology principally relate to the completion of all planning, design, 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 2001, 2000 and 1999. As a result, we wrote off $22 million in connection with our acquisition of AXENT in fiscal 2001 using the following analysis:

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

We are using the acquired in-process research and development associated with AXENT to create additional opportunities in Internet security, primarily in the assessment and management of securing networks for enterprises.

The in-process technology acquired in the AXENT acquisition consisted primarily of research and development related to the next generation of ESM, Intruder Alert, Raptor Firewall, Webthority and other projects. AXENT's research and development was focused on providing more robust features in its development of these next generation products.

We assumed that revenue attributable to AXENT's in-process technologies would be approximately $43 million in the first year and increase in the second and third years of the five-year projection period at annual rates of 59% and 2%, respectively, and then decrease at rates of 16% and 37% over the remaining two years. We projected annual revenues to range between approximately $37 million and $70 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 45% of revenue in each year of the five-year projection period.

We projected operating results before acquisition related amortization charges to range from an $8 million profit during the first year to an $18 million profit during each of the second and third years. We projected that the operating profits would then decrease 16% in the fourth year and 38% in the fifth year, resulting in profits of approximately $15 million and $9 million, respectively.

We estimated costs to be incurred to reach technological feasibility of the in-process technologies from AXENT as of the date of the acquisition to total approximately $4.7 million. We estimated the in-process technology to be between 40% and 60% complete at that time.

We used a discount rate of 25% for valuing the in-process technologies from AXENT, 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 15%, due to the risks related 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 AXENT were based on information 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 Business Risk Factors.

L-3 Network Security The in-process technology acquired in the L-3 Network Security purchase consisted primarily of research and development related to the next generation of Retriever and Expert. We have integrated this technology into our vulnerability management products. The original assumptions and projections discussed in prior filings for the research and development acquired from L-3 Networks Security have not significantly changed.

URLabs The in-process technology acquired in the URLabs purchase consisted primarily of research and development related to the next generation of URLabs' two main products, I-Gear and Mail-Gear, which have been added to our product offerings. The original assumptions and projections discussed in prior filings for the research and development acquired from URLabs have not significantly changed.

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

Intel The in-process technology acquired in the Intel purchase consisted 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 are 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 2001 quarter, we reorganized various operating functions, thereby reducing our workforce by 50 employees, and recorded approximately $1.1 million for the costs of severance, related benefits and outplacement services. In addition, we provided approximately $1.2 million for costs of severance and related benefits for six members of our senior management due to a realignment of certain responsibilities.

During the December 2000 quarter, we reduced a portion of our operations in Toronto, thereby reducing our workforce by 10 employees, and recorded approximately $0.4 million for the costs of severance, related benefits and abandonment of certain equipment. In addition, approximately $0.9 million was provided for costs of severance and related benefits for four members of our senior management due to a realignment of certain responsibilities.

During the March 2000 quarter, we reduced our operations in our Melville and Toronto sites, thereby reducing our workforce by 96 employees. As a result, we vacated the facility in Melville and we reduced 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 a charge of approximately $1.8 million for severance, related benefits and outplacement services. The sales workforce reduction affected 10 employees, resulting in a charge of approximately $0.4 million for severance, related benefits and outplacement services.

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 recorded 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 the 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.

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 approximately $33 million in 2001 and was relatively flat at $13 million in fiscal 2000 and 1999. Interest income increased 148% in fiscal 2001 over fiscal 2000. The increase was primarily due to a higher average cash balance during fiscal 2001 as compared to prior years.

Interest expense was approximately $2 million in fiscal 1999. The interest expense in fiscal 1999 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. Interest expense was not significant in fiscal 2001 and 2000.

Other expense, net was approximately $23 million in fiscal 2001 and consisted primarily of net losses on our equity investments. Other income, net was approximately $1 million and $2 million in fiscal 2000 and 1999, respectively, and was primarily comprised of gains and losses from non-functional currency exchange transactions.

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)	2001	2000	1999
Royalties from Interact	$ 19,250	$ 5,000	$ —
Gain on divestiture of:			
Visual Café product line	—	68,523	—
ACT! product line	—	18,285	—
Transition fees	801	894	—
Payments from HP and JetForm	397	14,656	41,155
Income, net of expense, from sale of technologies and product lines	$ 20,448	$ 107,358	$ 41,155

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 substantially all of the ACT! product line technology, on an exclusive basis, to Interact Commerce Corporation, previously SalesLogix Corporation ("Interact"), 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, which was offset by approximately $0.4 million of inventory and fixed assets attributed to the ACT! product line that was written off and transferred to Interact. 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.

During the March 2001 quarter, Interact entered into a plan to merge with The Sage Group plc and we recorded a loss of approximately $12.5 million as other expense related to the other than temporary decline in value of our investment in Interact.

In addition to the shares received from Interact, Interact is required to pay us 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. We recorded approximately $19.3 million and $5 million of royalty payments in income, net of expense, from sale of technologies and product lines in fiscal 2001 and 2000, respectively.

Transition Fees In accordance with individual transition agreements, WebGain and Interact paid us fees for invoicing, collecting receivables, shipping and other operational and support activities through fiscal 2001, until they had the ability to take over these activities. We recorded approximately $0.8 million and $0.9 million for these fees during fiscal 2001 and 2000, respectively, in income, net of expense, from sale of technologies and product lines.

Payments from HP and JetForm Payments from HP and JetForm were associated with our sale of certain software products, technologies and tangible assets to the Hewlett-Packard Company and JetForm Corporation during fiscal 1997. The payments decreased from approximately $15 million in fiscal 2000 to $0.4 million in fiscal 2001. These payments also decreased from approximately $41 million in fiscal 1999 to $15 million in fiscal 2000. The payments declined in fiscal 2001 and 2000, because the HP payments ended in the December 1998 quarter and the payments from JetForm ended in the June 2000 quarter.

Income Taxes Our effective tax rate on income before one-time charges (acquired in-process research and development, restructuring and other expenses), goodwill amortization expense and gain on sale of product lines was 32% for fiscal 2001, 2000, and 1999. Our fiscal 2001, 2000, and 1999 effective rates were lower than the U.S. federal and state combined statutory rate primarily due to a lower statutory tax rate on our Irish operations.

Our effective tax rate on income was 55%, 34% and 40% for fiscal 2001, 2000 and 1999, respectively. The higher effective tax rate in fiscal 2001 reflects the non-deductibility of acquired in-process research and development and substantially all of the goodwill amortization. The higher effective tax rate in 1999 reflects the non-deductibility of acquired in-process research and development. In addition, for fiscal 2000, tax was provided on the gain on sale of product lines at an effective tax rate of 34%. This rate is lower than the U.S. federal and state combined statutory rate because a portion of the gain is attributable to our Irish operations and accordingly subject to a lower Irish tax rate.

Realization of a significant portion of the $80 million of net deferred tax assets is dependent on our ability to generate future U.S. taxable income of approximately $145 million.

We believe that it is more likely than not that the $80 million of deferred tax assets will be realized based on historical earnings and expected levels of future U.S. taxable income. Additional 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 additional valuation allowance on a quarterly basis.

We project our effective tax rate on income before goodwill amortization to be 32% in fiscal 2002. This projection, however, is subject to change due to potential tax law changes and fluctuations in the geographic allocation of earnings.

Liquidity and Capital Resources Cash, cash equivalents and short-term investments increased approximately $125 million to $557 million at the end of fiscal 2001 from $432 million at the end of fiscal 2000. This increase was largely due to cash provided from operations, including royalty income from Interact, net proceeds from the exercise of stock options under our stock option plans, sales of common stock through our employee stock purchase plan, and acquired AXENT cash balances. The cash provided by these factors was partially offset by cash paid to repurchase common stock, for capital expenditures, and for marketable securities and investments.

In addition to cash and short-term investments, we have $75 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. This lease is classified as an operating lease. We were in compliance with our covenants on these lease agreements as of March 31, 2001. Future acquisitions or other events could cause us to be in violation of these covenants.

On March 30, 2001, we entered into a master lease agreement for land and the construction of two office buildings in Newport News, Virginia, effective June 6, 2001, and Eugene, Oregon, effective April 6, 2001. We are obligated under the lease agreement to maintain a restricted cash balance invested in U.S. Treasury securities with maturities not to exceed two years, during the construction period, or in certificates of deposit issued by certain lenders, after the construction period. In accordance with the lease terms, these funds are not available to meet our operating cash requirements. As of March 31, 2001, we had no restricted funds associated with these facilities. This lease is classified as an operating lease. In addition, we are obligated to comply with certain financial covenants. Future acquisitions or other events could cause us to be in violation of these financial covenants.

As of March 31, 2001, we also had a $10 million line of credit that expired May 2001. We were in compliance with the debt covenants for this line of credit as of March 31, 2001. There were no borrowings and less than $1 million of standby letters of credit outstanding under this line as of March 31, 2001. Although we did not renew this line of credit, we believe that there will not be a material adverse impact on our financial results, liquidity or capital resources.

Net cash provided by operating activities was approximately $325 million and was comprised of net income of approximately $64 million, non-cash related expenses of $149 million and a net increase of $112 million in liabilities, net of an increase in assets.

Net trade accounts receivable increased $70 million to approximately $117 million at March 31, 2001 from approximately $47 million at March 31, 2000. The increase in accounts receivable was primarily due to the acquisition of AXENT's accounts receivable balances and increases in our Enterprise Security and international sales.

Net cash provided by investing activities was approximately $24 million and was comprised primarily of $60 million in net proceeds from sales of marketable securities and investments and $37 million in acquired AXENT cash balances, offset by $73 million of capital expenditures and other investing activities.

On March 22, 1999, the Board authorized the repurchase of up to $75 million of our outstanding common stock. On January 16, 2001, the Board replaced this authorization with a new authorization to repurchase up to $700 million, not to exceed 15 million shares, of Symantec common stock with no expiration date. During fiscal 2001, we repurchased 5.0 million shares at prices ranging from $46.07 to $51.16, for an aggregate amount of approximately $244 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.

Recent Accounting Pronouncements On February 14, 2001, the Financial Accounting Standards Board ("FASB") issued a limited revision of its September 7, 1999 exposure Draft, *Business Combinations and Intangible Assets*, that proposes to significantly change the accounting for goodwill acquired in a purchase business combination. Under the revised proposal, goodwill would not be amortized but would be reviewed for impairment annually and if certain events occur or circumstances exist. Goodwill impairment charges would be presented as a separate line item within the operating section of the income statement. The nonamortization approach would apply to previously recorded goodwill as well as goodwill arising from acquisitions completed after the application of the new standard. Amortization of the remaining book value of goodwill would cease and the new impairment-only approach would apply. The FASB expects to release the final statement in July 2001. We will not adopt the provisions of the proposed statement, which defers reporting the effects of the proposed statement, until our first quarter of fiscal 2003.

In June 1998, the FASB issued Statement of Financial Accounting Standards ("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 Symantec at the beginning of the June 2001 quarter for both annual and interim reporting periods. We do not expect the adoption of this accounting pronouncement to have a material effect on our consolidated financial position or results of operations.

Business Risk Factors

We have grown, and may continue to grow, through acquisitions which give rise to a number of risks that could have adverse consequences for our future operating results. We have made eight acquisitions within the last three fiscal years, with our acquisition of AXENT being the largest and most recent. Integrating acquired businesses may distract our management focus from other opportunities and challenges. Our past acquisitions have given rise to, and future acquisitions may result in, substantial levels of goodwill and other intangible assets that may be amortized or written off in future years. In addition, a number of our recent acquisitions have resulted in our incurring substantial write-offs of acquired in-process research and development costs and this also may occur as a result of future acquisitions. We may issue equity or incur debt to finance future acquisitions that are dilutive to our existing stockholders.

Continued integration of AXENT may be difficult, which may adversely affect operations. We have been in the process of integrating AXENT into our operations since the date of acquisition. This integration of AXENT with our business, however, has been and will continue to be a complex, time-consuming and expensive process and may disrupt our business if not accomplished in a timely and efficient manner. We must operate as a combined organization utilizing common information and communications systems, operating procedures, financial controls and human resources practices.

We may still encounter substantial difficulties, costs and delays involved in integrating our operations, including:

- potential conflicts between business cultures;
- perceived adverse changes in business focus;
- potential conflicts in distribution, marketing or other important relationships;
- the loss of key employees; and/or
- the diversion of management's attention from other ongoing business concerns.

Further, the market price of our common stock could decline if:

- the integration of AXENT is unsuccessful;
- we are unable to successfully market our products and services to AXENT's customers or AXENT's products and services to our customers;
- we do not achieve the perceived benefits of the merger as rapidly as, or to the extent, anticipated by financial or industry analysts, or such analysts do not perceive the same benefits to the merger as both AXENT and we do; or
- the effect of the merger on our financial results is not consistent with the expectations of financial or industry analysts.

Our increased sales of enterprise-wide site licenses may increase fluctuations in our financial results. Sales of enterprise-wide site licenses through our Enterprise Security segment have been increasing and now represent a major portion of our business. This portion of our business could increase significantly due to our recent acquisition of AXENT. This enterprise market has significantly different characteristics than the consumer market and different skills and resources are needed to penetrate this market. Licensing arrangements tend to involve a longer sales cycle than sales through other distribution channels, require greater investment of resources in establishing the enterprise relationship and can sometimes result in lower operating margins. The timing of the execution of volume licenses, or their nonrenewal or renegotiation by large customers, could cause our results of operations to vary significantly from quarter to quarter and could have a material adverse impact on our results of operations.

We expect to make substantial changes to our information systems that could disrupt our business. The information systems that support our accounting, finance, order management and manufacturing systems are based on Oracle 10.7, and many of the business applications used in other aspects of our business have been tightly coupled with Oracle 10.7. Oracle has released a new version, 11i, and has announced that support for 10.7 will be discontinued at the end of 2001. In addition, as our business has grown, we have developed needs for an increasingly robust customer relationship management, or CRM, system. During fiscal 2002, we will be implementing Oracle 11i and a new CRM system. These types of transitions frequently prove

disruptive to the underlying business of an enterprise and may cause us to incur higher costs than we anticipate. Failure to manage a smooth transition to the new systems could result in a material adverse effect on our business operations.

Our software products and web site may be subject to intentional disruption. Although we believe we have sufficient controls in place to prevent intentional disruptions, such as software viruses specifically designed to impede the performance of our products, we expect to be an ongoing target of such disruptions. Similarly, experienced computer programmers, or hackers, may attempt to penetrate our network security or the security of our web site and misappropriate proprietary information or cause interruptions of our services. Our activities could be substantially disrupted and our reputation, and future sales, harmed if these efforts are successful.

Our markets are highly competitive and our operating results and financial condition could be adversely affected by this competition. Our markets are intensely competitive. This competition could adversely affect our operating results by reducing our sales or the prices we can charge for our products. Our ability to remain competitive depends, in part, on our ability to enhance our products or develop new products that are compatible with new hardware and operating systems. We have no control over, and limited insight into, development efforts by third parties with respect to new hardware and operating systems and we may not be able to respond effectively or timely to such changes in the market. In addition, we have limited resources and we must make strategic decisions as to the best allocation of our resources to position ourselves for changes in our markets. We may from time to time allocate resources to projects or markets that do not develop as rapidly or fully as we expect. We may fail to allocate resources to third party products or to markets that are more successful than we anticipate.

Introduction of new operating systems may adversely affect our financial results and stock price. The inclusion of security or virus protection tools in new operating systems and hardware packages could adversely affect our sales. For example, the inclusion of features by Microsoft in new or upcoming versions of Windows, such as Windows XP, which directly compete with our products may decrease or delay the demand for certain of our products, including those currently under development and products specifically intended for Windows XP. Our financial results and our stock price declined significantly following the releases of Windows 3.1, Windows 95 and Windows 98. The release of future editions of Windows, including Windows XP in our December 2001 quarter, could adversely affect our financial results and stock price. Additionally, as hardware vendors incorporate additional server-based network management and security tools into network operating systems, the demand may decrease for some of our products, including those currently under development.

Our earnings and stock price are subject to significant fluctuations. Due to many factors, including those noted in this section, our earnings and stock price have been and may continue to be subject to significant volatility. There have been previous quarters in which we have experienced shortfalls in revenue and earnings from levels expected by securities analysts and investors, which have had an immediate and significant adverse effect on the trading price of our common stock. This may occur again in the future.

Fluctuations in our quarterly operating results have affected our stock price in the past and could affect our stock price in the future. If our quarterly operating results fail to meet the expectations of analysts and investors, the trading price of shares of our common stock could be negatively affected. Our quarterly operating results have varied substantially in the past and may vary substantially in the future depending upon a number of factors, including:

- the timing of announcements and releases of new or enhanced versions of our products and product upgrades;
- the introduction of competitive products by existing or new competitors;
- reduced demand for any given product;
- seasonality in the end-of-period buying patterns of foreign and domestic software markets; and
- the market's transition between new releases of operating systems.

In addition to the foregoing factors, the risk of quarterly fluctuations is increased by the fact that a significant portion of our net revenues has historically been generated during the last month of each fiscal quarter. Most resellers tend to make a majority of their purchases at the end of a fiscal quarter. In addition, many enterprise customers negotiate site licenses near the end of each quarter. In part, this is because these two groups are able, or believe that they are able, to negotiate lower prices and more favorable terms at that time. Our reliance on a large portion of revenue occurring at the end of the quarter and the increase in the dollar value of transactions that occur at the end of a quarter can result in increased uncertainty relating to quarterly revenues. Due to this end-of-period buying pattern, forecasts may not be achieved, either because expected sales do not occur or because they occur at lower prices or on terms that are less favorable to us. In addition, these factors increase the chances that our results could diverge from the expectations of investors and analysts.

We face risks associated with our foreign operations. A significant portion of our net revenues, manufacturing costs and operating expenses result from transactions outside of the United States, often in foreign currencies. As a result, our future operating results could be materially and adversely affected by fluctuations in currency exchange rates and general uncertainty with each country's political and economic structure.

We must effectively adapt to changes in the dynamic technological environment. We are increasingly focused on the Internet security market, which, in turn is dependent on further acceptance and increased use of the Internet. The following critical issues concerning the use of the Internet remain unresolved and may affect the market for our products and the use of the Internet as a medium to distribute or support our software products and the functionality of some of our products:

- security;
- reliability;
- cost;
- ease of use;
- accessibility;
- quality of service; and
- potential tax or other government regulations.

In addition, new technologies, such as non PC-based Internet access devices and handheld organizers are gaining acceptance. We must adapt to these changing technological demands. If we are unable to timely assimilate changes brought about by the Internet and non PC-based environments, our future net revenues and operating results could be adversely affected.

The results of our research and development efforts are uncertain. We believe that we will need to incur significant research and development expenditures to remain competitive. The products we are currently developing or may develop in the future may not be technologically successful. In addition, the length of our product development cycle has generally been greater than we originally expected and we are likely to experience delays in future product development. If our resulting products are not technologically successful, they may not achieve market acceptance or compete effectively with products of our competitors.

We are dependent upon certain distribution channels. A large portion of our sales is made through the retail distribution channel, which is subject to events that cause unpredictability in consumer demand. This increases the risk that we may not plan effectively for the future, which could result in adverse operating results in future periods. Our retail distribution customers also carry our competitors' products. These retail distributors may have limited capital to invest in inventory. Their decisions to purchase our products are partly a function of pricing, terms and special promotions offered by our competitors and other factors that we do not control and cannot predict. Our agreements with retail distributors are generally nonexclusive and may be terminated by them or by us without cause. We would be adversely affected if companies in our chain of distributors chose to increase purchases from our competition relative to the amount they purchase from us.

Some distributors and resellers have experienced financial difficulties in the past. Distributors that account for a significant portion of our sales may experience financial difficulties in the future. If these distributors do experience financial difficulties and we are unable to move their inventories to other distributors, we may experience reduced sales or increased write-offs, which would adversely affect our operating results.

Product returns may negatively affect our net revenues. Product returns can occur when we introduce upgrades and new versions of products or when distributors or retailers have excess inventories, subject to various contractual limitations. Our return policy allows distributors, subject to these contractual limitations, to return purchased products in exchange for new products or for credit towards future purchases. End-users may return our products through dealers and distributors for a full refund within a reasonably short period from the date of purchase. We estimate and maintain reserves for such product returns which to date have been materially consistent with our actual experience. Future returns could, however, exceed the reserves we have established, which could have a material adverse effect on our operating results.

We depend on internal communications systems that may be disrupted. Our order management and product shipping centers are geographically dispersed. A business disruption could occur as a result of natural disasters, intermittent power shortages in the State of California, or the interruption in service by communications carriers. If our communications between these centers are disrupted, particularly at the end of a fiscal quarter, we may suffer an unexpected shortfall in net revenues and a resulting adverse impact on our operating results. Communications and Internet connectivity disruptions may also cause delays in customer access to our Internet-based services or product sales.

We are exposed to general economic and market conditions and the current economic downturn may adversely affect future revenue. Our business is subject to the effects of general economic conditions and, in particular, market conditions in the software and computer industries. Our operating results could be adversely affected as a result of recent unfavorable global economic conditions and reduced spending. If these economic conditions do not improve, or if we experience a worsening in global economic conditions, we may experience material adverse impacts on our business, operating results and financial condition.

We are subject to litigation that could adversely affect our financial results. From time to time, we may be subject to claims that we have infringed the intellectual property rights of others, or other product liability claims, or other claims incidental to our business. We are currently involved in a number of lawsuits. We intend to defend all of these lawsuits vigorously. However, it is possible that we could suffer an unfavorable outcome in one or more of these cases. Depending on the amount and timing of any unfavorable resolutions of these lawsuits, our future results of operations or cash flows could be materially adversely affected in a particular period.

Although infringement claims may ultimately prove to be without merit, they are expensive to defend and may consume our resources or divert our attention from day-to-day operations. If a third party alleges that we have infringed their intellectual property rights, we may choose to litigate the claim and/or seek an appropriate license from the third party. If we engage in litigation and the third party is found to have a valid patent claim against us and a license is not available on reasonable terms, our business, operating results and financial condition may be materially adversely affected.

The trend toward consolidation in the software industry could impede our ability to compete effectively. Consolidation is underway among companies in the software industry as firms seek to offer more extensive suites of software products and broader arrays of software solutions. Changes resulting from this consolidation may negatively impact our competitive condition. In addition, to the extent that we seek to expand our product lines and skills and capacity through acquisitions, the trend toward consolidation may result in our encountering competition, and paying higher prices, for acquired businesses.

We must attract and retain personnel while competition for personnel in our industry is intense. 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. To accomplish this, we believe that we must provide personnel with a competitive compensation package, including stock options, which require ongoing stockholder approval. Such approval may not be forthcoming and, as a result, we may be impaired in our efforts to attract necessary personnel.

Our intellectual property and proprietary rights may not be adequately protected from all unauthorized uses. We regard our software and underlying technology as proprietary. We seek to protect our proprietary rights through a combination of confidentiality agreements and copyright, patent, trademark and trade secret laws. Third parties may copy aspects of our products or otherwise obtain and use our proprietary information without authorization or develop similar technology independently. All of our products are protected by copyright laws, and we have a number of patents and patent applications pending. We may not achieve the desired protection from, and third parties may design around, our patents. In addition, existing copyright laws afford limited practical protection. Furthermore, the laws of some foreign countries do not offer the same level of protection of our proprietary rights as the laws of the United States, and we may be subject to unauthorized use of our products. Any legal action that we may bring to protect proprietary information could be expensive and may distract management from day-to-day operations.

Our products are complex and are operated in a wide variety of computer configurations, which could result in errors or product failures. Because we offer very complex products, undetected errors, failures or bugs may occur when they are first introduced or when new versions are released. Our products often are installed and used in large-scale computing environments with different operating systems, system management software and equipment and networking configurations, which may cause errors or failures in our products or may expose undetected errors, failures or bugs in our products. In the past, we have discovered software errors, failures and bugs in certain of our product offerings after their introduction and have experienced delays or lost revenues during the period required to correct these errors. Our customers' computer environments are often characterized by a wide variety of standard and non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. Despite testing by us and by others, errors, failures or bugs may not be found in new products or releases after commencement of commercial shipments. Errors, failures or bugs in products released by us could result in negative publicity, product returns, loss of or delay in market acceptance of our products or claims by customers or others. Alleviating such problems could require significant expenditures of our capital and resources and could cause interruptions, delays or cessation of our product licensing, which would adversely affect results of operations.

Most of our license agreements with customers contain provisions designed to limit our exposure to potential product liability claims. It is possible, however, that these provisions may not prove effective in limiting our liability.

Increased utilization and costs of our technical support services may adversely affect our financial results. Like many companies in the software industry, technical support costs comprise a significant portion of our operating costs and expenses. Over the short term, we may be unable to respond to fluctuations in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. Further, customer demand for these services could cause increases in the costs of providing such services and adversely affect our operating results.

quantitative and qualitative disclosures about market risk

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, 2001, the fair market value of our financial instruments with exposure to interest risk was approximately US $317 million and euro 244 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 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 would result in changes in fair market values for these investments of less than euro 1 million.

Exchange Rate Sensitivity We conduct business in 36 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 non-functional 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 forward contracts 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. However, significant changes in exchange rates may still result in adverse effects on our operating results.

We use sensitivity analyses to quantify the impact that market risk exposures 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.

As of March 31, 2001, the notional amount of our forward contracts was approximately US $215 million. A +/-10% movement in the levels of foreign currency exchange rates would result in a decrease in our forward contracts by approximately US $1 million and an increase in our forward contracts by approximately US $1 million, respectively. 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.

As of March 31, 2001, the fair value of our investments denominated in foreign currencies was approximately US $212 million. A +/-10% movement in the levels of foreign currency exchange rates would result in an increase in the fair value of our investments by approximately US $22 million and a decrease in the fair value of our investments by approximately US $22 million, respectively.

consolidated financial statements

SYMANTEC CORPORATION CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)	March 31 2001	2000
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 557,027	$ 431,550
Trade accounts receivable	116,661	47,266
Inventories	5,855	5,675
Deferred income taxes	76,426	40,189
Other	25,932	20,857
Total current assets	781,901	545,537
Restricted investments	74,534	81,956
Equipment and leasehold improvements, net	93,219	51,905
Deferred income taxes	3,900	38,827
Acquired product rights, net	104,287	34,070
Goodwill, net	713,550	82,972
Other, net	20,190	10,760
	$ 1,791,581	$ 846,027
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 66,109	$ 43,030
Accrued compensation and benefits	46,420	25,714
Deferred revenue	183,256	90,813
Other accrued expenses	43,385	61,594
Income taxes payable	73,547	5,366
Total current liabilities	412,717	226,517
Long-term obligations	2,363	1,553
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: 300,000; issued and outstanding: 72,006 and 60,309 shares)	720	603
Capital in excess of par value	1,319,257	435,663
Notes receivable from stockholders	—	(24)
Accumulated other comprehensive loss	(48,872)	(27,707)
Unearned compensation	(895)	(677)
Retained earnings	106,291	210,099
Total stockholders' equity	1,376,501	617,957
	$ 1,791,581	$ 846,027

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

(In thousands, except net income per share)	2001	2000	1999
		Year Ended March 31	
Net revenues	$ 853,554	$ 745,725	$ 592,628
Cost of revenues	123,860	121,073	96,558
Gross margin	729,694	624,652	496,070
Operating expenses:			
Research and development	126,673	108,425	101,563
Sales and marketing	349,921	306,755	286,144
General and administrative	44,784	42,150	35,722
Amortization of goodwill	71,336	17,884	6,175
Amortization of other intangibles from acquisitions	1,416	917	230
Acquired in-process research and development	22,300	4,300	27,465
Restructuring and other expenses	3,664	9,018	5,105
Litigation judgment	—	—	5,825
Total operating expenses	620,094	489,449	468,229
Operating income	109,600	135,203	27,841
Interest income	33,257	13,408	13,552
Interest expense	—	(22)	(1,839)
Income, net of expense, from sale of technologies and product lines	20,448	107,358	41,155
Other income (expense), net	(22,525)	1,344	2,464
Income before income taxes	140,780	257,291	83,173
Provision for income taxes	76,844	87,143	32,972
Net income	$ 63,936	$ 170,148	$ 50,201
Net income per share - basic	$ 0.99	$ 2.94	$ 0.89
Net income per share - diluted	$ 0.94	$ 2.73	$ 0.86
Shares used to compute net income per share - basic	64,737	57,870	56,601
Shares used to compute net income per share - diluted	68,237	62,214	59,289

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	Total Stockholders' Equity
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
Components of comprehensive income:							
Net income	—	—	—	—	—	63,936	63,936
Unrealized gain on short-term investments	—	—	—	2,987	—	—	2,987
Translation adjustment	—	—	—	(24,152)	—	—	(24,152)
Total comprehensive income							42,771
Issued common stock:							
2,168 shares under stock plans	22	45,612	—	—	—	—	45,634
14,528 shares to AXENT stockholders and assumption of outstanding AXENT stock options	145	906,212	—	—	(992)	—	905,365
Amortization of unearned compensation	—	—	—	—	774	—	774
Repayment of notes receivable from stockholder	—	—	24	—	—	—	24
Repurchased 5,000 shares of common stock	(50)	(76,616)	—	—	—	(167,744)	(244,410)
Income tax benefit related to stock options	—	8,386	—	—	—	—	8,386
Balances, March 31, 2001	$ 720	$ 1,319,257	$ —	$ (48,872)	$ (895)	$ 106,291	$ 1,376,501

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)	2001	2000	1999
	Year Ended March 31		
Operating Activities:			
Net income	$ 63,936	$ 170,148	$ 50,201
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of equipment and leasehold improvements	31,977	25,011	23,988
Amortization and write-off of acquired product rights	16,112	7,719	6,031
Amortization of goodwill and other intangibles from acquisitions	72,752	18,801	6,405
Write-off of equipment and leasehold improvements	—	3,283	1,210
Acquired in-process research and development	22,300	4,300	27,465
Deferred income taxes	(18,333)	(26,263)	(8,528)
Net loss on equity investments	24,226	—	—
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	(48,165)	26,495	(6,487)
Inventories	(390)	(150)	(2,997)
Other current assets	(4,585)	(2,184)	4,386
Other assets	3,368	(5,425)	(946)
Accounts payable	14,556	(1,463)	869
Accrued compensation and benefits	21,517	5,931	(2,363)
Deferred revenue	72,594	34,848	30,428
Other accrued expenses	(26,391)	2,858	(5,817)
Income taxes payable	69,490	(11,432)	(6,511)
Long-term obligations	1,173	1,190	—
Income tax benefit from stock options	8,386	57,365	6,200
Net cash provided by operating activities	324,523	224,224	123,534
Investing Activities:			
Capital expenditures	(61,172)	(28,455)	(25,141)
Purchased intangibles	(1,500)	(1,138)	(4,555)
Purchase of equity investments	(18,000)	—	—
Payments for purchase of 20/20 Software	(10,760)	—	—
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 for the purchase of IBM's anti-virus business	—	(8,000)	(8,000)
Payment for the purchase of Quarterdeck	—	(16,394)	(32,857)
Purchase of Intel's anti-virus business	—	—	(11,889)
Purchase of Binary Research's operations	—	—	(27,500)
Cash acquired in business purchases	37,414	61	922
Purchases of marketable securities	(591,776)	(569,688)	(242,096)
Proceeds from sales of marketable securities	662,592	286,607	313,530
Purchases of long-term, restricted investments	—	(10,551)	(12,035)
Proceeds from sales of long-term investments	7,422	4,270	—
Net cash provided by (used in) investing activities	24,220	(330,478)	(49,621)
Financing Activities:			
Repayment of subordinated debentures	—	—	(25,000)
Repurchases of Company's common stock	(244,410)	(18,730)	(56,341)
Net proceeds from sale of common stock and other	46,432	71,314	19,352
Principal payments on long-term obligations	(363)	(1,092)	—
Net cash (used in) provided by financing activities	(198,341)	51,492	(61,989)
Effect of exchange rate fluctuations on cash and cash equivalents	(10,452)	(1,128)	(7,074)
Increase (decrease) in cash and cash equivalents	139,950	(55,890)	4,850
Beginning cash and cash equivalents	87,973	143,863	139,013
Ending cash and cash equivalents	$ 227,923	$ 87,973	$ 143,863
Supplemental cash flow disclosures:			
Income taxes paid (net of refunds) during the year	$ 24,223	$ 66,309	$ 39,923
Interest paid on convertible subordinated debentures and long-term obligations	$ —	$ —	$ 1,616
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 Corporation, 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, firewall, virtual private network, vulnerability management, intrusion detection, remote management technologies and security services to consumers and enterprises around the world. Founded in 1982, we have offices in 37 countries worldwide.

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 December 2000 quarter, we acquired AXENT Technologies, Inc. This acquisition was accounted for as a purchase and, accordingly, their operating results have been included in our consolidated financial statements since the date of acquisition.

During the March 2000 quarter, we acquired L-3 Network Security's operations and 20/20 Software. During the September 1999 quarter, we acquired URLabs. 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 June 1998 quarter, we acquired IBM's anti-virus business and Binary Research's operations. During the September 1998 quarter, we acquired Intel's anti-virus business. During the December 1998 quarter, we completed a tender offer for the common stock of Quarterdeck, obtaining 63% of the outstanding shares. During the March 1999 quarter, we acquired the remaining shares of Quarterdeck. 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.

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.

Fiscal Years We have a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 2001, 2000, and 1999 reflect amounts as of and for the periods ended March 30, 2001, March 31, 2000, and April 2, 1999, respectively. The fiscal accounting years ended March 30, 2001, March 31, 2000 and April 2, 1999 each comprised 52 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 Revenue is recognized under Statement of Position ("SOP") 97-2 as modified by SOP 98-9, when the following conditions have been meet:

- persuasive evidence of an arrangement;
- passage of title;
- delivery has occurred or services have been rendered;
- if applicable, customer acceptance;
- collection of a fixed or determinable license fee is considered reasonably assured; and
- if appropriate, reasonable estimates of future returns.

Revenue is derived primarily from sales of packaged products, perpetual license agreements, product maintenance and professional services.

Packaged products are sold through a multi-tiered distribution channel. We defer revenue relating to all distribution and reseller channel inventory in excess of certain 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 and channel and end-users rebates and account for these reserves as an offset to revenue. For packaged products, which generally include insignificant post-contract support obligations (generally telephone support), the estimated cost for providing post-contract support is accrued at the time of the sale.

We enter into perpetual software license agreements through direct sales to customers and indirect sales with distributors and resellers. The license agreements generally include product maintenance agreements, which are deferred and recognized ratably over the period of the agreements.

Our professional service revenues include consulting, implementation, education, and managed security services. Consulting and implementation services revenue are recognized as services are performed and upon written acceptance from customers. Education services revenue is recognized as services are performed. Managed security services revenue is recognized ratably over the period that such contracted services are provided.

In arrangements that include software licenses and maintenance and/or professional services ("multiple elements"), we allocate and defer revenue for the undelivered items, based on vendor-specific objective evidence of fair value, and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. If vendor-specific objective evidence does not exist for undelivered items such as maintenance or professional services, then the entire arrangement fee is recognized over the performance period.

During the fourth quarter of fiscal 2001, we adopted Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*. The adoption of SAB No. 101 did not have a material effect on our consolidated statement of financial position or results of operations and no restatement of prior quarters was necessary.

Cash Equivalents, Short-term Investments and Restricted Investments We consider 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 investment, 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 as a component in stockholders' equity, as accumulated other comprehensive income (loss). Realized gains and losses on cash equivalents, short-term investments, and restricted investments are included in interest income. Realized gains and losses and declines in value judged to be other than temporary on equity investments are included in other income (expense). The cost of securities sold is based upon the specific identification method.

Derivative Financial Instruments We utilize natural hedging to mitigate our foreign currency exposures and hedge certain residual exposures through the use of one-month foreign currency forward exchange contracts. We enter into foreign currency forward exchange 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 (expense) in the period that gains and losses on the underlying transactions are recognized and generally offset. The fair value of foreign currency forward exchange 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. Inventory consists of raw materials and finished goods.

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.

Acquired Product Rights Acquired product rights are comprised of purchased product rights, technologies and workforce-in-place, and capitalized software 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 goodwill, generally four to five years.

Long-Lived Assets Long-lived assets, including equipment, leasehold improvements, aquired product rights, and goodwill, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Such impairment loss would be measured as the difference between the carrying amount of the asset and its fair value based on the present value of estimated future cash flows. No impairments have 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*.

Stock-Based Compensation We account for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and to nonemployees using the fair value method in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*. In addition, we apply applicable provisions of Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB No. 25.

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 Our 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 cash equivalents, short-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 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 On February 14, 2001, the FASB issued a limited revision of its September 7, 1999 exposure Draft, *Business Combinations and Intangible Assets*, that proposes to significantly change the accounting for goodwill acquired in a purchase business combination. Under the revised proposal, goodwill would not be amortized but would be reviewed for impairment annually and if certain events occur or circumstances exist. Goodwill impairment charges would be presented as a separate line item within the operating section of the income statement. The nonamortization approach would apply to previously recorded goodwill as well as goodwill arising from acquisitions completed after the application of the new standard. Amortization of the remaining book value of goodwill would cease and the new impairment-only approach would apply. The FASB expects to release the final statement in July 2001. We will not adopt the provisions of the proposed statement, which defers reporting the effects of the proposed statement, until our first quarter of fiscal 2003.

In June 1998, the 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 do not expect the adoption of this accounting pronouncement to have a material effect on our consolidated financial position or results of operations.

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

(In thousands)	March 31 2001	2000
Cash, cash equivalents and short-term investments:		
Cash	$ 97,685	$ 60,103
Cash equivalents	130,238	27,870
Short-term investments	329,104	343,577
	$ 557,027	$ 431,550
Trade accounts receivable:		
Receivables	$ 125,000	$ 53,710
Less: allowance for doubtful accounts	(8,339)	(6,444)
	$ 116,661	$ 47,266
Equipment and leasehold improvements:		
Computer hardware and software	$ 189,497	$ 142,290
Office furniture and equipment	43,752	39,330
Leasehold improvements	30,313	19,585
	263,562	201,205
Less: accumulated depreciation and amortization	(170,343)	(149,300)
	$ 93,219	$ 51,905
Acquired product rights:		
Purchased product rights, technologies and workforce-in-place	$ 136,029	$ 54,592
Capitalized software development costs	—	2,397
Less: accumulated amortization of purchased product rights, technologies and workforce-in-place	(31,742)	(20,522)
Less: accumulated amortization of capitalized software development costs	—	(2,397)
	$ 104,287	$ 34,070
Goodwill:		
Goodwill	$ 808,947	$ 107,032
Less: accumulated amortization	(95,397)	(24,060)
	$ 713,550	$ 82,972
Accumulated other comprehensive loss:		
Unrealized gain (loss) on available-for-sale investments	$ 614	$ (2,373)
Cumulative translation adjustment	(49,486)	(25,334)
	$ (48,872)	$ (27,707)

Note 2. Income Statement Information

(In thousands)	Year Ended March 31 2001	2000	1999
Technical support costs included in sales and marketing	$ 26,968	$ 32,427	$ 34,219
Advertising expense	$ 46,884	$ 43,630	$ 50,779

Technical support costs included in sales and marketing relate to the estimated cost of providing free 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 AXENT On December 18, 2000, we acquired 100% of the outstanding common stock of AXENT by issuing approximately 14,528,000 shares of our common stock to AXENT shareholders, based on a predetermined exchange ratio of 0.50 shares of Symantec common stock for each share of AXENT common stock. We also assumed all of the outstanding AXENT employee stock options valued at approximately $87 million. We also accrued, as part of the purchase price, approximately $18 million in acquisition related expenses, which included financial advisory, legal and accounting, duplicative site and fixed assets, and severance costs. As of March 31, 2001, the remaining accrual of approximately $3 million relates primarily to legal and accounting, duplicative site and severance costs. The transaction was accounted for as a purchase. The combined total of the common stock issued, options assumed and acquisition costs is approximately $925 million, based on the average of the closing prices of our common stock on the agreement date of July 26, 2000 and for the three days before and after July 26, 2000.

With respect to stock options assumed as part of the acquisition, all AXENT employee stock options were exchanged for Symantec stock options and are included in the purchase price based on their fair value as of July 26, 2000. Any unvested AXENT options exchanged for unvested Symantec options are also included in the purchase price based on their fair value; however, the portion of the intrinsic value of the unvested options that will be deemed to be earned over the remaining vesting period of those options has been allocated to deferred compensation and will be amortized over the remaining vesting period. The fair value of the options to be assumed has been based on the Black-Scholes option pricing model using the following assumptions: fair market value of the underlying shares which is based on the average closing price of Symantec's common stock on July 26, 2000 and for the three days before and after July 26, 2000; the remaining contractual life of each option was used for the expected life; expected volatility of 0.65; no expected dividend rate; and risk-free interest rate of 6.5%. The value of the deferred compensation of approximately $1 million was derived using the guidance of FIN No. 44.

After certain adjustments made during the March 2001 quarter, the aggregate adjusted purchase price has been allocated as follows, based on an independent appraisal of the AXENT intangibles and in-process research and development (in thousands):

Net tangible assets of AXENT	$ 130,517
In-process research and development	22,300
Tradename	4,100
Workforce-in-place	10,670
Developed technology	75,500
Deferred income taxes	(19,080)
Deferred compensation	992
Goodwill	699,660
Total purchase price	$ 924,659

The consolidated financial statements reflect the preliminary allocations of the purchase price for the AXENT acquisition. The allocation has not been finalized due to certain identified pre-acquisition contingencies. Accordingly, in fiscal 2002 the allocation of purchase price and its components may change as these contingencies are resolved.

In-process research and development had not reached technological feasibility based on identifiable technological risk factors which indicate that even though successful completion is expected, it was not assured at the acquisition date and accordingly has been charged to operations. The amount allocated to tradename, workforce-in-place and developed technology is being amortized over the estimated useful lives of four years. The purchase price in excess of tangible assets and identifiable intangible assets has been allocated to goodwill and will be amortized over its expected useful life of four years.

The tangible assets of AXENT acquired in the merger principally include cash, marketable securities, accounts receivable and fixed assets. Liabilities of AXENT assumed in the merger principally include accounts payable and obligations associated with providing ongoing maintenance and technical support contracts.

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 is 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 originally 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. During the September 2000 quarter, we resolved certain contingencies and as a result, we increased the purchase price and the amount allocated to goodwill by approximately $0.5 million. During the March 2001 quarter, an additional amount of approximately $4.2 million was recorded as goodwill. The additional amount of $4.2 million represents contingent payments recorded during fiscal 2001, of which $1.5 million remains as an accrual at March 31, 2001. 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, $3.9 million for acquired product rights and $0.7 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, $5.2 million for acquired product rights and $1.4 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, adjusted for final purchase price allocations, as certain pre-acquisition contingencies that existed upon acquisition have been resolved:

Fiscal 2000 Acquisitions: Allocated Purchase Price Components

(In thousands)	Purchase Price	Acquired In-Process R&D	Acquired Product Rights	Other Goodwill	Intangibles	Income Tax Liabilities	Other Assets Acquired
URLabs	$ 42,700	$ 1,200	$ 5,210	$ 37,000	$ 1,400	$ (2,710)	$ 600
L-3	20,240	3,100	3,860	12,396	600	—	284
20/20	12,294	—	2,250	10,867	—	(900)	77
Total	$ 75,234	$ 4,300	$ 11,320	$ 60,263	$ 2,000	$ (3,610)	$ 961

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 were 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. During fiscal 2001, we reclassified the amount initially allocated to goodwill by an additional $2.5 million due to a change in the characterization of the purchase for tax purposes. As a result of these changes, goodwill was reduced and deferred tax assets were increased by a total of $28.5 million. Quarterdeck had also 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. 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 Research, 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 $17.0 million for acquired product rights, with the remaining $3.8 million of the purchase price allocated to goodwill. 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, had 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 is being amortized over a five-year period.

The below 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	17,020	1,451	—	—	—
Intel	15,625	5,017	9,797	—	811	—	—
Quarterdeck	83,732	8,300	8,520	35,723	2,689	—	28,500
Total	$ 145,178	$ 27,517	$ 35,337	$ 49,024	$ 3,600	$ 1,200	$ 28,500

Pro Forma The following unaudited pro forma results of operations for fiscal 2001 and 2000 are as if the AXENT acquisition had occurred at the beginning of fiscal 2000. The pro forma information excludes $22.3 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 2000 or of future operating results.

(In thousands, except net income per share; unaudited)	Year Ended March 31 2001	2000
Net revenues	$ 944,150	$ 867,437
Net income	$ 75,841	$ 169,312
Basic net income per share	$ 0.98	$ 2.34
Diluted net income per share	$ 0.97	$ 2.23

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 and 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 was 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 substantially all of the ACT! product line technology, on an exclusive basis, to Interact Commerce Corporation, previously SalesLogix ("Interact"), 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 was 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, Interact is required to pay us quarterly royalty payments for four years. 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 have been and will continue to recognize the royalties as earned. We recognized income, net of expense, from sale of technologies and product lines of approximately $19.3 million and $5 million from Interact during fiscal 2001 and 2000, respectively. 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 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 in fiscal 2000, which was recorded in income, net of expenses, from sale of technologies and product lines on the Consolidated Statements of Income.

During the March 2001 quarter, Interact entered into a plan to merge with The Sage Group plc and we recorded a loss of approximately $12.5 million as other expense related to the other than temporary decline in value of our investment in Interact.

Transition Fees In accordance with individual transition agreements, WebGain and Interact paid us fees for invoicing, collecting receivables, shipping and other operational and support activities through fiscal 2001, until they had the ability to take over these activities. We recorded approximately $0.8 million and $0.9 million for these fees during fiscal 2001 and 2000, respectively, in income, net of expense, from sale of technologies and product lines. We do not anticipate any future transition fees from WebGain or Interact.

Divestiture of Network Administration and Electronic Forms In March 1997, we sold our network administration technologies and related tangible assets to the Hewlett-Packard Company ("HP"). We received royalty payments from HP of approximately $7 million and $22 million during fiscal 1999 and 1998, respectively. 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.

During September 1996, we sold our electronic forms software product line and related tangible assets to JetForm Corporation ("JetForm"), payable in installments through the June 2000 quarter. We received installment payments from JetForm of approximately $0.4 million, $15 million and $34 million during fiscal 2001, 2000 and 1999, respectively. Due to the uncertainty regarding the ultimate collectibility of these installments, we recognized the related amounts as payments were due and collectibility was assured from JetForm.

Royalty payments from HP and installment payments from JetForm were recorded in 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 were as follows:

		Year Ended March 31	
(In thousands)	2001	2000	1999
Royalties from Interact	$ 19,250	$ 5,000	$ —
Gain on divestiture of:			
Visual Café product line	—	68,523	—
ACT! product line	—	18,285	—
Transition fees	801	894	—
Payments from HP and JetForm	397	14,656	41,155
Income, net of expense, from sale of technologies and product lines	$ 20,448	$ 107,358	$ 41,155

Note 4. Acquired Product Rights

During fiscal 2001, we recorded approximately $86 million of acquired product rights, related to our acquisition of AXENT. 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 Research, Intel's anti-virus business and Quarterdeck.

Amortization of acquired product rights totaled approximately $17 million, $10 million and $6 million in fiscal 2001, 2000 and 1999, respectively, and is recorded in cost of revenues. The amortization will occur over the next five years.

Note 5. Cash Equivalents and Investments and Fair Value of Financial Instruments

Available-For-Sale Investments and Trading Investments All cash equivalents, short-term investments, and restricted investments have been classified as available-for-sale securities, except for our trading securities. We maintain a trading asset portfolio for our deferred compensation arrangements that consists of marketable equity securities and have a fair value of approximately $1.2 million and $0.8 million as of March 31, 2001 and 2000, respectively. Any activity related to these trading assets has a corresponding effect on the related liability. 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 and short-term investments consisted of the following:

		March 31
(In thousands)	2001	2000
Money market funds	$ 66,597	$ 8,929
Corporate securities	218,010	324,834
Bank securities and deposits	146,988	4,790
Taxable auction rate securities	5,006	16,027
US government and government-sponsored securities	15,262	—
Equity securities	7,479	16,867
Total available-for-sale and trading investments	$ 459,342	$ 371,447

The estimated fair value of available-for-sale and trading investments by contractual maturity as of March 31, 2001 was as follows:

Cash equivalents and short-term investments (in thousands)	
Due in one year or less	$ 401,894
Due after one year and through 2 years	49,969
No maturity (equity securities)	7,479
	$ 459,342

Except for equity securities, fair values of cash equivalents, short-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 approximately 600,000 shares of Interact, a publicly traded company, which will be merged with another entity, whereby shareholders of Interact are entitled to receive $12.00 per share, subject to applicable withholdings, upon surrender of each stock certificate. A loss of approximately $12.5 million was recognized as other expense during the March 2001 quarter for other than temporary decline in the value of this investment.

As of March 31, 2001, we held unregistered equity securities of $5.4 million in a privately held company, which are classified as Other Assets. The fair value of these equity securities are recorded at cost, decreased for the other than temporary decline in value of $12.6 million, which was recognized during the March 2001 quarter as other expense. As a result of our acquisition of AXENT, we acquired unregistered equity securities in another privately held company. During the March 2001 quarter, we recorded a gain on the investment of approximately $1 million as other income, as a result of the privately held company being acquired by another entity.

As of March 31, 2001 and 2000, the estimated fair value of our restricted investments was $75 million and $82 million, respectively, and consisted of U.S. Treasury 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 $0.6 million and $2.4 million as of March 31, 2001 and 2000, 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 currency forward exchange contracts, or forward contracts. We enter into forward contracts with financial institutions primarily to protect against currency exchange risks associated with certain balance sheet positions. The fair value of forward contracts is based on quoted market prices. At March 31, 2001, the notional amount of our forward contracts was approximately $215 million, all of which mature in 35 days or less. The fair value of 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 were 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 had a $10 million bank line of credit that expired in May 2001. The line of credit was available for general corporate purposes and bore interest at either the banks' reference (prime) interest rate (8.00% at March 31, 2001); the U.S. offshore rate (4.88% at March 31, 2001) plus 1.25%; a CD rate (4.82% at March 31, 2001) plus 1.25%; or LIBOR (4.88% at March 31, 2001) plus 1.25%, at our discretion. As of March 31, 2001, we were 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.

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, 2001:

(In thousands)	
2002	$ 19,853
2003	17,010
2004	14,656
2005	9,640
2006	7,035
Thereafter	19,336
Operating lease commitments	87,530
Sublease income	(11,585)
Net operating lease commitments	$ 75,945

Rent expense charged to operations totaled approximately $23 million, $16 million and $15 million for the years ended March 31, 2001, 2000 and 1999, 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. When we 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, 2001, the investments total approximately $75 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. This lease is classified as an operating lease. In addition, we are obligated to comply with certain financial covenants. Future acquisitions may cause us to be in violation of these financial covenants.

On March 30, 2001, we entered into a master lease agreement for land and the construction of two office buildings, one approximately 100,000 square feet in Newport News, Virginia, effective June 6, 2001, and another approximately 175,000 to 200,000 square feet in Springfield, Oregon, effective April 6, 2001. Our lease payments will vary based on one-, three- or six-month LIBOR plus a margin. We have the right to acquire the related properties at any time during the six and one-half year lease period, which includes an eighteen-month construction period. If, at the end of the lease term we do not renew the lease, purchase the properties 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 properties. 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 facilities totals approximately $55 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 two years, during the construction period, or in certificates of deposit issued by certain lenders, after the construction period. We are restricted in our use of these investments per the terms of the lease agreement. As of March 31, 2001, we had no restricted funds associated with these facilities. This lease is classified as an operating lease. In addition, we are obligated to comply with certain financial covenants. Future acquisitions may cause us to be in violation of these financial covenants.

Note 9. Income Taxes

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

	Year Ended March 31		
(In thousands)	2001	2000	1999
Current:			
Federal	$ 55,019	$ 51,193	$ 11,649
State	14,741	16,600	5,335
International	30,411	27,995	22,226
	100,171	95,788	39,210
Deferred:			
Federal	(16,677)	(5,735)	(1,949)
State	(5,386)	(1,957)	(597)
International	(1,264)	(953)	(3,692)
	(23,327)	(8,645)	(6,238)
	$ 76,844	$ 87,143	$ 32,972

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		
	2001	2000	1999
Federal statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	4.3	3.0	3.5
Acquired in-process research and development charges with no tax benefit	5.5	—	7.1
Non-deductible goodwill amortization	16.8	2.1	—
Foreign earnings taxed at less than the federal rate	(11.5)	(5.6)	(3.9)
Valuation allowance for potential non-deductible loss on investment	3.1	—	—
Other, net	1.4	(0.6)	(2.1)
	54.6 %	33.9 %	39.6 %

The principal components of deferred tax assets were as follows:

	March 31	
(In thousands)	2001	2000
Deferred tax assets:		
Tax credit carryforwards	$ 6,222	$ 3,891
Net operating loss carryforwards of acquired companies	27,267	18,949
Inventory valuation accounts	1,461	1,756
Other reserves and accruals not currently tax deductible	12,221	6,749
Accrued compensation and benefits	7,799	3,751
Deferred revenue	7,394	4,864
Sales incentive programs	2,803	5,768
Reserve for returns and allowances	7,924	15,806
Bad debt reserves not currently tax deductible	2,220	1,735
Loss on investments not currently tax deductible	10,199	2,224
Intercompany profit elimination	10,808	—
Book over tax depreciation	9,075	7,008
Other	6,075	6,515
	111,468	79,016
Valuation allowance	(5,111)	—
Deferred tax assets	106,357	79,016
Deferred tax liability:		
Acquired intangible assets	(24,229)	—
Unremmited earnings of foreign subsidiaries	(1,802)	—
Net deferred tax assets	$ 80,326	$ 79,016

Realization of a significant portion of the $80 million of net deferred tax assets 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. The change in the valuation allowance for fiscal 2001 and 2000 was a net increase of approximately $5 million and a net decrease of approximately $30 million, respectively. The net increase in the valuation allowance during fiscal 2001 is attributable to a write-down of an equity investment, the loss of which may not be deductible for tax purposes. Of the $30 million decrease in the valuation allowance during fiscal 2000, approximately $21 million was attributable to previously unbenefitted stock option deductions, the benefit of which was credited to stockholders' equity.

In connection with the acquisition of AXENT, a $19 million net deferred tax liability was established. This amount represents a $35 million deferred tax liability set up on certain acquired intangibles, net of a $16 million deferred tax asset set up for the tax carryforward attributes of AXENT. The offsetting adjustment was to increase goodwill.

As of March 31, 2001, we have tax credit carryforwards of approximately $6 million that expire in fiscal 2004 through 2006. In addition, we have net operating loss carryforwards attributable to Quarterdeck of approximately $43 million that expire in fiscal 2011 through 2019. We also have net operating loss carryforwards attributable to AXENT of approximately $24 million that expire in fiscal 2007 through 2020. Because of the "change in ownership" provisions of the Internal Revenue Code of 1986, the net operating loss carryforwards of Quarterdeck and AXENT are subject to an annual limitation of approximately $2.4 million and $10 million, respectively, regarding their utilization against taxable income in future periods.

Pretax income from international operations was approximately $145 million, $117 million and $64 million for fiscal 2001, 2000 and 1999, respectively.

No provision has been made for federal or state income taxes on $280 million of cumulative unremitted earnings of certain of our foreign subsidiaries as of March 31, 2001, since we plan to indefinitely reinvest these earnings. At March 31, 2001, the unrecognized deferred tax liability for these earnings was approximately $73 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 20% 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 employees' contribution. The maximum employer match in any given plan year is 3% of the employees' eligible compensation. Our contributions under the plan were approximately $3 million for the year ended March 31, 2001 and $2 million for each of the years ended March 31, 2000 and 1999.

Employee Stock Purchase Plans In October 1989, we established the 1989 Employee Stock Purchase Plan ("89 Purchase Plan"). Since inception, we have 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, 2001, approximately 3.3 million shares had been issued and no shares remain available under the 89 Purchase Plan.

On September 17, 1998, our stockholders approved the 1998 Employee Stock Purchase Plan ("98 Purchase Plan"). The 98 Purchase Plan was subsequently amended by our stockholders on September 15, 1999 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 Purchase Plan. On January 1, 2001, the number of shares available for issuance automatically increased by approximately 800,000 shares to 2.6 million shares. As of March 31, 2001, approximately 300,000 shares had been issued and 2.3 million shares remain available under the 98 Purchase Plan.

In December 2000, as a result of our acquisition of AXENT, we assumed all outstanding purchase rights under AXENT's 1998 Employee Stock Purchase Plan ("AXENT Purchase Plan"). The AXENT Purchase Plan was amended such that each then-outstanding purchase right would be exercisable upon the same terms and conditions as under the AXENT Purchase Plan immediately before the acquisition. Each purchase right would be exercisable for Symantec common stock equal to a ratio of 0.5 of the number of shares of AXENT common stock for which such purchase right would otherwise have been exercisable determined as of the relevant grant date under the AXENT Purchase Plan at a purchase price per share equal to 85% of the lower of (i) fair market value of a share of AXENT common stock at the relevant grant date under the AXENT Purchase Plan divided by 0.5 or (ii) the fair market value of a share of Symantec common stock on the relevant purchase date. Each purchase right granted under the AXENT Plan shall terminate, if it has not previously terminated by its terms, on the date that the holder thereof enrolls in our 98 Purchase Plan.

Stock Award Plans During fiscal 1996, we registered 400,000 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, 2001, a total of approximately 28,000 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 issue 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. The Board of Directors reserved 20,000 shares of common stock for issuance under this plan. As of March 31, 2001, a total of 1,300 shares had been issued under this plan. This plan will be terminated, as management is not currently using this plan to issue common stock to employees.

In September 2000, shareholders approved the 2000 Directors Equity Incentive Plan and reserved 25,000 shares for issuance under this plan. The purpose of this plan is to provide the members of the Board of Directors with an opportunity to receive common stock for all or a portion of the retainer payable to each director for serving as a member. Each director may elect to receive 50% to 100% of the retainer to be paid in the form of stock. As of March 31, 2001, a total of approximately 4,000 shares had been issued under this plan.

Stock awards issued under these stock plans are recorded as compensation expense.

Stock Option Plans We maintain stock option plans pursuant to which an aggregate total of approximately 34.7 million shares of common stock have been reserved for issuance as incentive and non-qualified 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 is 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 and the options have a maximum term of ten years and generally vest over a four-year period.

On May 14, 1996, our 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 and September 15, 1999, stockholders approved amendments to increase the number of shares reserved for issuance by approximately 2.3 million and 3.2 million shares, respectively, to a total of approximately 12.2 million shares. On September 18, 2000 and December 15, 2000, stockholders approved amendments to increase the numbers of shares reserved for issuance by 3.0 million and 2.4 million shares, respectively, to a total of approximately 17.6 million shares. As of March 31, 2001 approximately 13.0 million options were outstanding under this plan.

In December 2000, as a result of our acquisition of AXENT, we assumed all outstanding AXENT stock options. Each AXENT stock option assumed by us is subject to the same terms and conditions as the original grant and generally vest over four years and expires ten years from the date of grant. Each option was adjusted at a ratio of 0.5 shares of Symantec common stock for each one share of AXENT common stock, and the exercise price was adjusted by multiplying the exercise price by 0.5.

In January 2001, the Board of Directors approved the terms of the 2001 Non-Qualified Equity Incentive Plan ("2001 Non-Qualified Plan"), under which we grant 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. Options awarded to insiders may not exceed in the aggregate fifty (50%) percent of all shares that are available for grant under the 2001 Non-Qualified Plan and employees of the company who are not insiders must receive at least fifty (50%) percent of all shares that are available for grant under the 2001 Non-Qualified Plan. A person may be granted more than one award under the 2001 Non-Qualified Plan. The Board of Directors reserved 3.0 million shares of common stock for issuance under the 2001 Non-Qualified Plan. As of March 31, 2001, approximately 300,000 options were 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, 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
Granted	9,167	39.14
Exercised	(1,771)	20.60
Canceled	(1,551)	41.76
Outstanding at March 31, 2001	15,864	$ 36.86

Stock option balances were as follows:

	March 31	
(In thousands)	2001	2000
Authorized and/or outstanding	19,917	11,512
Available for future grants	4,053	1,493
Exercisable and vested	4,784	2,446

The following tables summarize information about options outstanding at March 31, 2001:

	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
$ 5.62 - $ 19.94	2,948	7.10	$ 15.30	1,770	$ 15.23
20.00 - 34.50	3,982	7.68	28.84	1,599	25.63
34.56 - 34.56	3,094	9.72	34.56	—	—
34.94 - 52.56	2,812	9.09	43.88	759	41.52
52.63 - 71.13	2,652	8.87	62.59	578	62.19
71.38 - 80.81	376	8.87	75.94	78	76.49
	15,864	8.45	$ 36.86	4,784	$ 29.55

These options will expire if not exercised by specific dates through March 2011. Prices for options exercised during the three-year period ended March 31, 2001 ranged from $1.00 to $47.38.

In 1999, we issued 100,000 restricted shares to our current 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, 2001, there were 100,000 restricted shares outstanding with 50,000 vested. The remaining 50,000 shares vested in April 2001.

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 2001, 2000, and 1999 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		
	2001	2000	1999
Expected life (years)	5.01	4.99	5.27
Expected volatility	0.71	0.65	0.66
Risk free interest rate	4.50 %	6.50 %	5.10 %

	Employee Stock Purchase Plans		
	2001	2000	1999
Expected life (years)	0.50	0.50	0.50
Expected volatility	0.84	0.68	0.79
Risk free interest rate	6.00 %	5.20 %	4.80 %

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 granted during fiscal 2001, 2000 and 1999 were $25.40, $27.24 and $12.56 per share, respectively. The weighted average estimated fair value of employee stock purchase rights granted under the Employee Stock Purchase Plans during fiscal 2001, 2000 and 1999 were $21.05, $20.05 and $10.47, respectively.

For purposes of pro forma disclosure, 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. Options assumed as the result of our acquisition of AXENT were not included in the estimated fair value. Shares purchased through the AXENT Purchase Plan subsequent to the closing date of the AXENT acquisition were included in the estimated fair value and was included in the proforma information as follows:

	Year Ended March 31		
(In thousands, except per share data)	2001	2000	1999
Net income – basic – pro forma	$ 7,256	$ 137,829	$ 25,100
Net income – diluted – pro forma	7,256	137,829	25,727
Net income per share – basic – pro forma	0.12	2.49	0.47
Net income per share – diluted – pro forma	0.11	2.31	0.45

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.

Note 11. Common Stock Repurchases

On January 16, 2001, the Board of Directors replaced the March 22, 1999 stock repurchase program with a new authorization to repurchase up to $700 million, not to exceed 15 million shares, worth of Symantec common stock with no expiration date. During fiscal 2001, we repurchased 5.0 million shares at prices ranging from $46.07 to $51.16, for an aggregate amount of approximately $244 million.

On March 22, 1999, the Board of Directors authorized the repurchase of up to $75 million of Symantec common stock with no expiration date. During fiscal 2000, we repurchased 1.0 million shares at prices ranging from $17.90 to $19.87, for an aggregate amount of approximately $19 million.

On June 9, 1998, the Board of Directors 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.

Note 12. Restructuring and Other Expenses

Restructuring and other expenses consisted of the following:

	Year Ended March 31		
(In thousands)	2001	2000	1999
Employee severance and outplacement	$ 3,524	$ 8,065	$ 3,800
Excess facilities and equipment	140	953	1,305
Total restructuring and other expenses	$ 3,664	$ 9,018	$ 5,105

Details of the fiscal 2001 restructuring and other expenses were as follows:

(In thousands)	Cash/ Non-cash	Original Charge	Amount Paid/Used	Amount Adjusted	Balance at 3/31/01
Employee severance and outplacement	Cash	$ 3,524	$ (1,785)	$ —	$ 1,739
Excess equipment	Non-cash	140	(140)	—	—
Total restructuring and other expenses		$ 3,664	$ (1,925)	$ —	$ 1,739

Details of the fiscal 2000 restructuring charges were as follows:

(In thousands)	Cash/ Non-cash	Original Charge	Amount Paid/Used	Amount Adjusted	Balance at 3/31/01
Employee severance and outplacement	Cash/non-cash	$ 8,733	$ (8,733)	$ —	$ —
Excess facilities and equipment	Cash/non-cash	953	(473)	—	480
Total restructuring and other expenses		$ 9,686	$ (9,006)	$ —	$ 480

Details of the fiscal 1999 restructuring charges were as follows:

(In thousands)	Cash/ Non-cash	Original Charge	Amount Paid/Used	Amount Adjusted	Balance at 3/31/01
Employee severance and out-placement	Cash	$ 3,800	$ (3,132)	$ (668)	$ —
Excess facilities and equipment	Cash/non-cash	1,305	(1,195)	—	110
Total restructuring and other expenses		$ 5,105	$ (4,327)	$ (668)	$ 110

During the March 2001 quarter, we reorganized various operating functions, thereby reducing our workforce by 50 employees, and recorded approximately $1.1 million for the costs of severance, related benefits and outplacement services. In addition, we provided approximately $1.2 million for costs of severance and related benefits for six members of our senior management due to a realignment of certain responsibilities. As of March 31, 2001, we had an accrual of $1.7 million related to employee severance and outplacement services that will be paid during the June 2001 quarter.

During the December 2000 quarter, we reduced a portion of our operations in Toronto, thereby reducing our workforce by 10 employees, and recorded approximately $0.4 million for the costs of severance, related benefits and abandonment of certain equipment. In addition, approximately $0.9 million was provided for costs of severance and related benefits for four members of our senior management due to a realignment of certain responsibilities. These severance and related benefits were paid by the end of the March 2001 quarter.

During the March 2000 quarter, we reduced our operations in our Melville and Toronto sites, thereby reducing our workforce by 96 employees. As a result, we vacated the facility in Melville and reduced 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 a charge of approximately $1.8 million for severance, related benefits and outplacement services. The sales workforce reduction affected 10 employees, resulting in a charge of approximately $0.4 million for severance, related benefits and outplacement services.

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 recorded 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.

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.

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 terminated as a result of the restructurings. As part of each 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 a 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, 2001 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, 2001 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:

	Year Ended March 31		
(In thousands, except per share data)	2001	2000	1999
Basic Net Income Per Share			
Net income	$ 63,936	$ 170,148	$ 50,201
Weighted average number of common shares outstanding during the period	64,737	57,870	56,601
Basic net income per share	$ 0.99	$ 2.94	$ 0.89
Diluted Net Income Per Share			
Net income	$ 63,936	$ 170,148	$ 50,201
Interest on convertible subordinated debentures, net of income tax effect	—	—	627
Net income, as adjusted	$ 63,936	$ 170,148	$ 50,828
Weighted average number of common shares outstanding during the period	64,737	57,870	56,601
Shares issuable from assumed exercise of options	3,500	4,344	1,684
Shares issuable from assumed conversion of convertible subordinated debentures	—	—	1,004
Total shares for purpose of calculating diluted net income per share	68,237	62,214	59,289
Diluted net income per share	$ 0.94	$ 2.73	$ 0.86

For the year ended March 31, 2001, shares issuable from assumed exercise of options exclude approximately 4,157,000 options, as their effect on diluted net income per share would have been anti-dilutive.

Note 14. Other Comprehensive Loss

The components of other comprehensive loss, net of tax, were as follows:

	Year Ended March 31		
(In thousands)	2001	2000	1999
Other comprehensive loss:			
Change in unrealized gain (loss) on available-for-sale investments, net of a tax provision (benefit) of $1,406, ($974) and ($217).	$ 2,987	$ (2,069)	$ (461)
Change in cumulative translation adjustment, net of a tax (benefit) of ($11,366), ($3,072) and ($1,476).	(24,152)	(6,528)	(6,090)
Total other comprehensive loss	$ (21,165)	$ (8,597)	$ (6,551)

Note 15. Litigation

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.

On May 12, 1999, a venture capital entity and a former stockholder owning less than a majority share of CKS Limited, which AXENT acquired in March 1999, commenced an action in the Suffolk County Superior Court in Boston, Massachusetts against AXENT and its directors. The action alleges violations of the Massachusetts Uniform Securities Act, negligent misrepresentations and unfair trade practices. We inherited this case upon our acquisition of AXENT. We believe the claims are without merit and intend to vigorously defend the action.

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, 2001, we believe that we have adequately accrued for both the judgment and all legal costs.

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 were dismissed following our demurrer. In December 2000, the unfair business practice claims were dismissed, and the case was resolved with no material financial impact on us.

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 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. A hearing on the appeals took place in May 2001, but no decision has been issued.

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 regards 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 and settlement expenses accrued as of the respective year-ends and the amounts expensed for the years ended are reflected below:

Balance as of March 31, 1999	$ 7.2 million
Amount expensed in fiscal 1999	$ 10.1 million
Balance as of March 31, 2000	$ 8.7 million
Amount expensed in fiscal 2000	$ 7.3 million
Balance as of March 31, 2001	$ 8.4 million
Amount expensed in fiscal 2001	$ 3.4 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 us for our 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 the Record Date, August 21, 1998. 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 Products, Enterprise Security, Enterprise Administration, Services and Other.

The Consumer Products segment focuses on delivering our security and problem-solving products to individual users, home offices and small businesses. The Enterprise Security segment focuses on providing organizations with technology, services and response capabilities to deal with their specific needs. The Enterprise Administration segment focuses on offering products that enable companies to be more effective and efficient within their IT departments. The Services segment is focused on providing information security solutions that incorporate best-of-breed technology, security best practices and expertise and global resources to help enable E-business success. The Other segment is comprised of sunset products, products nearing the end of their life cycle, and operations from our Visual Café and ACT! divested product lines. Also included in the Other segment are all indirect costs, general and administrative expenses, amoritization of goodwill 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, with additional realignment in fiscal 2001. Due to this change, we have presented the fiscal 2000 and 1999 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. Our chief executive officer and 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.

(In thousands)	Consumer Products	Enterprise Security	Enterprise Administration	Services	Other	Total Company
Fiscal 2001						
Revenue from external customers	$ 332,668	$ 285,627	$ 230,644	$ 2,280	$ 2,335	$ 853,554
Operating income (loss)	129,815	24,310	154,406	(7,113)	(191,818)	109,600
Depreciation & amortization expense	13,112	16,891	4,928	607	85,303	120,841
Fiscal 2000						
Revenue from external customers	318,995	166,846	216,710	427	42,747	745,725
Operating income (loss)	135,334	19,802	138,260	220	(158,413)	135,203
Depreciation & amortization expense	9,846	7,883	4,206	11	29,585	51,531
Fiscal 1999						
Revenue from external customers	265,252	91,625	168,007	3,815	63,929	592,628
Operating income (loss)	98,543	(26,196)	101,579	3,796	(149,881)	27,841
Depreciation & amortization expense	8,861	6,262	3,531	1	17,769	36,424

Geographical Information

	Year Ended March 31		
(In thousands)	2001	2000	1999
Net revenues from external customers:			
United States	$ 440,512	$ 409,952	$ 353,734
Other foreign countries	413,042	335,773	238,894
	$ 853,554	$ 745,725	$ 592,628

	March 31		
(In thousands)	2001	2000	1999
Long-lived assets:			
United States	$ 905,379	$ 159,392	$ 151,972
United Kingdom	5,779	805	554
Ireland	5,602	4,905	6,335
Japan	4,043	3,965	3,497
Canada	1,243	1,851	2,017
Other foreign countries	9,200	8,789	6,950
	$ 931,246	$ 179,707	$ 171,325

Significant Customers

The following distributors covered all segments and accounted for more than 10% of net revenues during fiscal 2001, 2000 and 1999.

	Year Ended March 31		
(In thousands)	2001	2000	1999
Ingram Micro, Inc.	26 %	39 %	47 %
Tech Data Corp.	*	12	19
Merisel	*	11	13

*Amount is less than 10% of net revenues

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, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2001. 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, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

San Jose, California
April 24, 2001

corporate directory

Board of Directors

Tania Amochaev
Chairman of the Executive Committee, QRS Corporation (retired)

Charles M. Boesenberg
President,
Post PC Ventures

Dr. Per-Kristian Halvorsen
Center Director, Solutions & Services Technologies Center, Hewlett-Packard Laboratories

Robert S. Miller
Chairman of the Board, Federal Mogul Corporation

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

George Reyes
Vice President and Treasurer, Sun Microsystems

Daniel H. Schulman
Former President and Chief Executive 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

Art Courville
Senior Vice President, General Counsel and Secretary

Stephen G. Cullen
Senior Vice President, Consumer Products

Don Frischmann
Senior Vice President, Communications and Brand Management

Dieter Giesbrecht
Senior Vice President, World Wide Sales and Services

Gail E. Hamilton
Executive Vice President, Product, Delivery and Response

Greg Myers
Senior Vice President, Finance and Chief Financial Officer

Rebecca Ranninger
Senior Vice President, Human Resources

Gary Warren
Senior Vice President,
Gateway Products

Other Senior Executives

Cress Carter
Vice President, Global Enterprise Marketing

Rob Clyde
Vice President, Chief Technical Officer

John Holland
Vice President, Worldwide Security Services

Steve Messick
Vice President, North America Enterprise Sales

Akihiko Narita
President SKK and Vice President, Japan

Cecil Perez
Vice President, Latin America

Allyson Seelinger
Vice President, Consumer Sales

Garry Sexton
Vice President, Asia Pacific

Giuseppe Verrini
Vice President, Europe,
Middle East, Africa Sales and Marketing

Joe Wang
Vice President, Enterprise Administration Products

shareholder information

Corporate Headquarters

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Investor Relations

A copy of the Company's Form 10K for the fiscal year ended March 31, 2001 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, its products and services can be obtained by calling (800) 441-7234 toll free or (541) 334-6054, or accessed on the World Wide Web at www.symantec.com/techsupp.

Please contact the Investor Relations Hotline at (800) 682-0082. Additional investment-oriented questions may be directed to:

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Independent Auditors

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Annual Meeting

The annual meeting of stockholders will be held on September 12, 2001 at Symantec Corporate Worldwide Headquarters, Cupertino, California.

Common Stock

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

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