

SYMANTEC CORP  
Form 10-Q  
January 31, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 30, 2011

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-17781

**Symantec Corporation**

(Exact name of the registrant as specified in its charter)

Edgar Filing: SYMANTEC CORP - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0181864**  
(I.R.S. employer  
Identification no.)

**350 Ellis Street,**

**Mountain View, California**  
(Address of principal executive offices)

**94043**  
(Zip Code)

**Registrant's telephone number, including area code:**

**(650) 527-8000**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Shares of Symantec common stock, \$0.01 par value per share, outstanding as of January 27, 2012: 729,443,620 shares.

**Table of Contents**

**SYMANTEC CORPORATION**

**FORM 10-Q**

**Quarterly Period Ended December 30, 2011**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>  |             |
| <b><u>Item 1. Financial Statements</u></b>   | 3           |
| <u>Condensed Consolidated Balance Sheets as of December 30, 2011 and April 1, 2011</u>   | 3           |
| <u>Condensed Consolidated Statements of Income for the three and nine months ended December 30, 2011 and December 31, 2010</u> | 4           |
| <u>Condensed Consolidated Statements of Cash Flows for the nine months ended December 30, 2011 and December 31, 2010</u>       | 5           |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | 6           |
| <b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>                    | 18          |
| <b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>   | 28          |
| <b><u>Item 4. Controls and Procedures</u></b>  | 28          |
| <b><u>PART II. OTHER INFORMATION</u></b>   |             |
| <b><u>Item 1. Legal Proceedings</u></b>  | 29          |
| <b><u>Item 1A. Risk Factors</u></b>  | 29          |
| <b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>  | 29          |
| <b><u>Item 6. Exhibits</u></b>   | 30          |
| <b><u>Signatures</u></b>   | 31          |

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SYMANTEC CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

|  | December 30,<br>2011 | April 1,<br>2011 * |
|--|----------------------|--------------------|
|  | (Unaudited)          |                    |
|  | (In millions)        |                    |
| <b>ASSETS</b>                              |                      |                    |
| Current assets:                            |                      |                    |
| Cash and cash equivalents                  | \$ 2,327             | \$ 2,950           |
| Short-term investments                     | 53                   | 8                  |
| Trade accounts receivable, net             | 1,009                | 1,013              |
| Inventories                                | 32                   | 30                 |
| Deferred income taxes                      | 222                  | 223                |
| Other current assets                       | 243                  | 262                |
| Total current assets                       | 3,886                | 4,486              |
| Property and equipment, net                | 1,050                | 1,050              |
| Intangible assets, net                     | 1,379                | 1,511              |
| Goodwill                                   | 5,725                | 5,494              |
| Investment in joint venture                |                      | 27                 |
| Other long-term assets                     | 143                  | 151                |
| Total assets                               | \$ 12,183            | \$ 12,719          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b> |                      |                    |
| Current liabilities:                       |                      |                    |
| Accounts payable                           | \$ 268               | \$ 260             |
| Accrued compensation and benefits          | 393                  | 443                |
| Deferred revenue                           | 3,160                | 3,321              |
| Current portion of long-term debt          |                      | 596                |
| Income taxes payable                       | 66                   | 24                 |
| Other current liabilities                  | 282                  | 249                |
| Total current liabilities                  | 4,169                | 4,893              |
| Long-term debt                             | 2,025                | 1,987              |
| Long-term deferred revenue                 | 505                  | 498                |
| Long-term deferred tax liabilities         | 354                  | 296                |
| Long-term income taxes payable             | 315                  | 361                |
| Other long-term obligations                | 80                   | 79                 |
| Total liabilities                          | 7,448                | 8,114              |
| Commitments and contingencies (Note 9)     |                      |                    |
| Stockholders' equity:                      |                      |                    |
| Symantec Corporation stockholders' equity: |                      |                    |
| Common stock                               | 7                    | 8                  |
| Additional paid-in capital                 | 7,900                | 8,361              |
| Accumulated other comprehensive income     | 160                  | 171                |
| Accumulated deficit                        | (3,418)              | (4,012)            |

Edgar Filing: SYMANTEC CORP - Form 10-Q

|   |           |           |
|---|-----------|-----------|
| Total Symantec Corporation stockholders' equity | 4,649     | 4,528     |
| Noncontrolling interest in subsidiary           | 86        | 77        |
| Total stockholders' equity                      | 4,735     | 4,605     |
| Total liabilities and stockholders' equity      | \$ 12,183 | \$ 12,719 |

\* Derived from audited consolidated financial statements.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**Table of Contents****SYMANTEC CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

|   | Three Months Ended                   |                      | Nine Months Ended    |                      |
|---|--------------------------------------|----------------------|----------------------|----------------------|
|   | December 30,<br>2011                 | December 31,<br>2010 | December 30,<br>2011 | December 31,<br>2010 |
|   | (Unaudited)                          |                      |                      |                      |
|   | (In millions, except per share data) |                      |                      |                      |
| Net revenue:  |                                      |                      |                      |                      |
| Content, subscription, and maintenance  | \$ 1,462                             | \$ 1,349             | \$ 4,353             | \$ 3,856             |
| License   | 253                                  | 255                  | 696                  | 661                  |
| Total net revenue   | 1,715                                | 1,604                | 5,049                | 4,517                |
| Cost of revenue:  |                                      |                      |                      |                      |
| Content, subscription, and maintenance  | 233                                  | 233                  | 695                  | 667                  |
| License   | 16                                   | 7                    | 33                   | 16                   |
| Amortization of acquired product rights   | 22                                   | 24                   | 67                   | 92                   |
| Total cost of revenue   | 271                                  | 264                  | 795                  | 775                  |
| Gross profit  | 1,444                                | 1,340                | 4,254                | 3,742                |
| Operating expenses:   |                                      |                      |                      |                      |
| Sales and marketing   | 711                                  | 704                  | 2,073                | 1,889                |
| Research and development  | 242                                  | 220                  | 728                  | 636                  |
| General and administrative  | 113                                  | 97                   | 324                  | 290                  |
| Amortization of other purchased intangible assets   | 73                                   | 70                   | 217                  | 198                  |
| Restructuring and transition  | 5                                    | 20                   | 25                   | 88                   |
| Total operating expenses  | 1,144                                | 1,111                | 3,367                | 3,101                |
| Operating income  | 300                                  | 229                  | 887                  | 641                  |
| Interest income   | 2                                    | 3                    | 10                   | 7                    |
| Interest expense  | (27)                                 | (37)                 | (87)                 | (106)                |
| Other expense, net  | (2)                                  | (18)                 | (4)                  | (3)                  |
| Loss on early extinguishment of debt  |                                      |                      |                      | (16)                 |
| Income before income taxes and loss from joint venture  | 273                                  | 177                  | 806                  | 523                  |
| Provision for income taxes  | 32                                   | 35                   | 166                  | 75                   |
| Loss from joint venture   |                                      | 10                   | 27                   | 21                   |
| Net income  | 241                                  | 132                  | 613                  | 427                  |
| Less: Income (loss) attributable to noncontrolling interest                                   | 1                                    |                      |                      | (2)                  |
| Net income attributable to Symantec Corporation stockholders                                  | \$ 240                               | \$ 132               | \$ 613               | \$ 429               |
| Net income per share attributable to Symantec Corporation stockholders basic                  | \$ 0.33                              | \$ 0.17              | \$ 0.82              | \$ 0.55              |
| Net income per share attributable to Symantec Corporation stockholders diluted                | \$ 0.32                              | \$ 0.17              | \$ 0.82              | \$ 0.54              |
| Weighted-average shares outstanding attributable to Symantec Corporation stockholders basic   | 734                                  | 770                  | 745                  | 783                  |
| Weighted-average shares outstanding attributable to Symantec Corporation stockholders diluted | 740                                  | 778                  | 752                  | 790                  |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.



**Table of Contents****SYMANTEC CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | Nine Months Ended    |                      |
|---|----------------------|----------------------|
|   | December 30,<br>2011 | December 31,<br>2010 |
|   | (Unaudited)          |                      |
|   | (In millions)        |                      |
| <b>OPERATING ACTIVITIES:</b>  |                      |                      |
| Net income  | \$ 613               | \$ 427               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization   | 487                  | 486                  |
| Amortization of discount on debt  | 43                   | 75                   |
| Stock-based compensation expense  | 123                  | 108                  |
| Loss on early extinguishment of debt  |                      | 16                   |
| Deferred income taxes   | 38                   | 5                    |
| Excess income tax benefit from the exercise of stock options                      | (6)                  | (4)                  |
| Loss from joint venture   | 27                   | 21                   |
| Liquidation of foreign entities   | 1                    | 21                   |
| Other   | 3                    | (8)                  |
| Net change in assets and liabilities, excluding effects of acquisitions:          |                      |                      |
| Trade accounts receivable, net  | 12                   | (63)                 |
| Inventories   | (3)                  | (6)                  |
| Accounts payable  | 9                    | 21                   |
| Accrued compensation and benefits   | (49)                 | 24                   |
| Deferred revenue  | (108)                | 84                   |
| Income taxes payable  | 3                    | (93)                 |
| Other assets  | (9)                  | 18                   |
| Other liabilities   | 30                   | (27)                 |
| Net cash provided by operating activities   | 1,214                | 1,105                |
| <b>INVESTING ACTIVITIES:</b>  |                      |                      |
| Purchases of property and equipment   | (199)                | (185)                |
| Proceeds from sale of property and equipment                                      |                      | 30                   |
| Cash payments for acquisitions, net of cash acquired                              | (364)                | (1,537)              |
| Purchases of available-for-sale securities  | (47)                 |                      |
| Proceeds from sale of available-for-sale securities                               | 1                    | 19                   |
| Other   | (2)                  | (5)                  |
| Net cash used in investing activities   | (611)                | (1,678)              |
| <b>FINANCING ACTIVITIES:</b>  |                      |                      |
| Net proceeds from sales of common stock under employee stock benefit plans        | 95                   | 66                   |
| Excess income tax benefit from the exercise of stock options                      | 6                    | 4                    |
| Tax payments related to restricted stock issuance                                 | (22)                 | (18)                 |
| Repurchase of common stock  | (693)                | (690)                |
| Repayment of debt   | (600)                | (510)                |
| Proceeds from debt issuance, net of discount                                      |                      | 1,097                |
| Proceeds from sale of bond hedge  |                      | 13                   |
| Debt issuance costs   |                      | (10)                 |
| Repayment of other long-term obligations  | (2)                  | (3)                  |
| Net cash used in financing activities   | (1,216)              | (51)                 |
| Effect of exchange rate fluctuations on cash and cash equivalents                 | (10)                 | 40                   |



Edgar Filing: SYMANTEC CORP - Form 10-Q

|                                     |          |          |
|-------------------------------------|----------|----------|
| Change in cash and cash equivalents | (623)    | (584)    |
| Beginning cash and cash equivalents | 2,950    | 3,029    |
| Ending cash and cash equivalents    | \$ 2,327 | \$ 2,445 |

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**Table of Contents****SYMANTEC CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Note 1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Symantec Corporation ( we, us, our, and the Company refer to Symantec Corporation and all of its subsidiaries) as of December 30, 2011 and April 1, 2011, and for the three and nine months ended December 30, 2011 and December 31, 2010, have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). In accordance with those rules and regulations, we have omitted certain information and notes normally provided in our annual consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring items, except as otherwise noted, necessary for the fair presentation of our financial position and results of operations for the interim periods. These unaudited condensed consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended April 1, 2011. The results of operations for the three and nine months ended December 30, 2011 are not necessarily indicative of the results expected for the entire fiscal year. All intercompany accounts and transactions have been eliminated.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current year presentation including the reclassification of certain revenue from Content, subscription and maintenance revenue to License revenue. License revenue includes revenue from software licenses, appliances and certain revenue sharing arrangements.

**Significant Accounting Policies**

Other than as noted below, there have been no changes in our significant accounting policies for the nine months ended December 30, 2011 as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 1, 2011.

In the first quarter of fiscal 2012, we adopted updated authoritative accounting guidance related to impairment testing of goodwill. The guidance modified Step 1 of the impairment test for reporting units with zero or negative carrying amounts whereby an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. We performed a Step 2 test on our Services reporting unit due to certain adverse qualitative factors within the reporting unit, which resulted in a goodwill impairment of \$19 million. This impairment was recorded to opening Accumulated deficit as of April 2, 2011 as a cumulative-effect adjustment upon adoption. The impact of the cumulative-effect adjustment is as follows:

|                                       | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Other<br>Stockholders<br>Equity | Total Symantec<br>Corporation<br>Stockholders<br>Equity | Noncontrolling<br>Interest in<br>Subsidiary | Total<br>Stockholders<br>Equity |
|---------------------------------------|------------------------|---|---------------------------------|---|---|---------------------------------|
|                                       | (In millions)          |   |                                 |   |   |                                 |
| Beginning balance as of April 2, 2011 | \$ (4,012)             | \$ 171  | \$ 8,369                        | \$ 4,528  | \$ 77                                       | \$ 4,605                        |
| Cumulative effect adjustment          | (19)                   |   |                                 | (19)  |   | (19)                            |
| Beginning balance as adjusted         | \$ (4,031)             | \$ 171  | \$ 8,369                        | \$ 4,509  | \$ 77                                       | \$ 4,586                        |

**Recently Issued Authoritative Guidance**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, ( ASU 2011-04 ). ASU 2011-04 clarifies the application of existing fair value measurement requirements and results in common measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ( IFRS ). ASU 2011-04 also expands the disclosures for

## Edgar Filing: SYMANTEC CORP - Form 10-Q

fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively for interim and annual reporting periods beginning on or after December 15, 2011. We anticipate that the adoption of this standard will not materially impact our Condensed Consolidated Financial Statements.

**Table of Contents**

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, ( ASU 2011-05 ). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is to be applied retrospectively for interim and annual periods beginning after December 15, 2011. In December 2011, the FASB issued Accounting Standards Update No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ( ASU 2011-12 ). ASU 2011-12 defers the requirement in ASU 2011-05 to present reclassification adjustments for each component of accumulated other comprehensive income ( AOCI ) in both other comprehensive income and net income on the face of the financial statements and the presentation of reclassification adjustments is not required in interim periods. We expect to continue to present amounts reclassified out of AOCI on the face of the financial statements or disclose those amounts in the notes to the financial statements. The effective dates of ASU 2011-12 are consistent with the effective dates of ASU 2011-05, which is effective for fiscal years and interim periods beginning after December 15, 2011. We do not expect that these standards will materially impact our disclosures included in our Condensed Consolidated Financial Statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, ( ASU 2011-08 ). ASU 2011-08 gives entities the option to perform the two-step process only if they first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount and conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We anticipate adopting this guidance in our fourth quarter of fiscal 2013 at the time we perform our annual goodwill test and do not expect that this standard will materially impact our Condensed Consolidated Financial Statements.

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* ( ASU 2011-11 ). ASU 2011-11 will require us to disclose information about offsetting and related arrangements to enable users of our financial statements to understand the effect of those arrangements on our financial position. The new guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The disclosures required are to be applied retrospectively for all comparative periods presented. We do not expect that this standard will materially impact our disclosures included in our Condensed Consolidated Financial Statements.

**Note 2. Fair Value Measurements**

For assets and liabilities measured at fair value such amounts are based on an expected exit price, representing the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

*Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3:* Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

**Table of Contents****Assets Measured and Recorded at Fair Value on a Recurring Basis**

There have been no transfers between fair value measurement levels during the three and nine months ended December 30, 2011. The following table summarizes our assets measured at fair value on a recurring basis, by level, within the fair value hierarchy:

|                                       | As of December 30, 2011 |              |                 | As of April 1, 2011 |             |                 |
|---------------------------------------|-------------------------|--------------|-----------------|---------------------|-------------|-----------------|
|                                       | Level 1                 | Level 2      | Total           | Level 1             | Level 2     | Total           |
|                                       | (In millions)           |              |                 |                     |             |                 |
| Cash Equivalents <sup>(1)</sup>       | \$ 1,209                | \$           | \$ 1,209        | \$ 1,866            | \$          | \$ 1,866        |
| Short-term investments <sup>(2)</sup> | 2                       | 51           | 53              |                     | 8           | 8               |
| <b>Total</b>                          | <b>\$ 1,211</b>         | <b>\$ 51</b> | <b>\$ 1,262</b> | <b>\$ 1,866</b>     | <b>\$ 8</b> | <b>\$ 1,874</b> |

<sup>(1)</sup> Cash equivalents are money market funds which are valued based on quoted market prices of the identical underlying security.

<sup>(2)</sup> Short-term investments primarily consist of corporate debt securities and are classified as available-for-sale securities recognized at amortized cost which is the same as fair value at December 30, 2011. These securities are valued using quoted prices in active markets for identical assets. If quoted prices in active markets for identical assets are not available, we use quoted prices for similar assets that are observable either directly or indirectly.

**Assets and Liabilities Measured and Recorded at Fair Value on a Nonrecurring Basis**

*Goodwill.* During the nine months ended December 30, 2011, we did not record any impairment loss on those assets required to be measured at fair value on a nonrecurring basis, other than the cumulative-effect adjustment recorded to the beginning balance of Accumulated deficit. The valuation technique used to estimate the implied fair value of the Services reporting unit goodwill relies on Level 3 inputs, including estimated future cash flows or profit streams. See Note 4 for further information.

*Long-Term Debt.* As of October 1, 2010, we repurchased \$500 million of aggregate principal amount of our 0.75% convertible senior notes, which had a net book value of \$481 million. Concurrently with the repurchase, we sold a proportionate share of the initial note hedges back to the note hedge counterparties for approximately \$13 million. These transactions resulted in a loss from extinguishment of debt of approximately \$16 million, which represents the difference between book value of the notes net of the remaining unamortized discount prior to repurchase and the fair value of the liability component of the notes upon repurchase. The fair value of the liability component was calculated to be \$497 million as of October 1, 2010 using Level 2 inputs based on market prices for similar convertible debt instruments and resulting yields.

**Note 3. Acquisition**

On June 24, 2011, we completed the acquisition of Clearwell Systems Inc. ( Clearwell ), a privately-held provider of eDiscovery solutions. In exchange for all of the voting equity interests of Clearwell, we transferred a total consideration of \$392 million, which consists of \$364 million in cash, net of \$20 million cash acquired, and \$8 million of assumed stock options. The objective of the acquisition is to enhance our eDiscovery, archiving and backup offerings to our customers. The results of operations of Clearwell are included since the date of acquisition as part of the Storage and Server Management segment. Supplemental pro forma information for Clearwell was not material to our financial results and therefore has not been included.

The following table presents the purchase price allocation included in our Condensed Consolidated Balance Sheets (*in millions*):

|                                    |       |
|------------------------------------|-------|
| Net tangible assets <sup>(1)</sup> | \$ 33 |
| Intangible assets <sup>(2)</sup>   | 154   |
| Goodwill <sup>(3)</sup>            | 268   |
| Net tax liabilities                | (63)  |

|                      |        |
|----------------------|--------|
| Total purchase price | \$ 392 |
|----------------------|--------|

- (1) Net tangible assets included deferred revenue which was adjusted down from \$13 million to \$3 million, representing our estimate of the fair value of the contractual obligation assumed for support services.

**Table of Contents**

- (2) Intangible assets included customer relationships, developed technology, and tradenames of \$82 million, \$60 million, and \$12 million, respectively, which are amortized over their estimated useful lives of seven to nine years.
- (3) Goodwill is not tax deductible. The amount resulted primarily from our expectation of synergies from the integration of Clearwell product offerings with our product offerings.

**Note 4. Goodwill and Intangible Assets****Goodwill**

The changes in the carrying amount of goodwill are as follows:

|  | Consumer | Security<br>and<br>Compliance | Storage and<br>Server<br>Management<br>(In millions) | Services | Total    |
|--|----------|-------------------------------|--|----------|----------|
| Balance as of April 1, 2011                                    | \$ 363   | \$ 2,464                      | \$ 2,648   | \$ 19    | \$ 5,494 |
| Goodwill impairment <sup>(1)</sup>                             |          |                               |  | (19)     | (19)     |
| Goodwill acquired through business combinations <sup>(2)</sup> |          |                               | 268  |          | 268      |
| Goodwill adjustments <sup>(3)</sup>                            | (13)     | (5)                           |  |          | (18)     |
| Balance as of December 30, 2011                                | \$ 350   | \$ 2,459                      | \$ 2,916   | \$       | \$ 5,725 |

(1) Due to the adoption of new authoritative accounting guidance at the beginning of our fiscal year (see Note 1), we were required to perform a goodwill Step 2 impairment test for our Services reporting unit. As a result, we recognized an impairment loss of \$19 million which reduced the carrying value of goodwill allocated to the Services reporting segment to zero. The valuation technique used to estimate the implied fair value of the Services reporting unit goodwill relies on Level 3 inputs, including estimated future cash flows or profit streams. This impairment was recorded to beginning Accumulated deficit as a cumulative-effect adjustment upon adoption.

(2) Goodwill acquired through business combinations is related to the acquisition of Clearwell. See Note 3 for further information.

(3) Adjustments made to goodwill reflect foreign currency exchange rate fluctuations.

We apply a fair value based impairment test to the carrying value of goodwill and indefinite-lived intangible assets on an annual basis in the fourth quarter of each fiscal year or earlier if indicators of impairment exist. As of December 30, 2011, no indicators of impairment were identified.

**Intangible assets, net**

|                                     | As of December 30, 2011     |                             |   | Weighted-Average<br>Remaining<br>Useful Life |
|-------------------------------------|-----------------------------|-----------------------------|---|--|
|                                     | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount<br>(\$ in millions) |  |
| Customer relationships              | \$ 2,205                    | \$ (1,430)                  | \$ 775  | 3 years                                      |
| Developed technology <sup>(1)</sup> | 1,870                       | (1,631)                     | 239   | 4 years                                      |
| Finite-lived tradenames             | 144                         | (92)                        | 52  | 3 years                                      |
| Patents <sup>(1)</sup>              | 75                          | (64)                        | 11  | 6 years                                      |
| Indefinite-lived tradenames         | 302                         |                             | 302   | Indefinite                                   |
| Total                               | \$ 4,596                    | \$ (3,217)                  | \$ 1,379                                      | 3 years                                      |

Edgar Filing: SYMANTEC CORP - Form 10-Q

|                                     | As of April 1, 2011         |                             |                           | Weighted-Average<br>Remaining<br>Useful Life |
|-------------------------------------|-----------------------------|-----------------------------|---------------------------|--|
|                                     | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |  |
|                                     |                             |                             | (\$ in millions)          |  |
| Customer relationships              | \$ 2,121                    | \$ (1,227)                  | \$ 894                    | 3 years                                      |
| Developed technology <sup>(1)</sup> | 1,810                       | (1,567)                     | 243                       | 4 years                                      |
| Finite-lived tradenames             | 136                         | (80)                        | 56                        | 4 years                                      |
| Patents <sup>(1)</sup>              | 75                          | (62)                        | 13                        | 2 years                                      |
| Indefinite-lived tradenames         | 302                         |                             | 302                       | Indefinite                                   |
| Indefinite-lived IPR&D              | 3                           |                             | 3                         | Indefinite                                   |
| <b>Total</b>                        | <b>\$ 4,447</b>             | <b>\$ (2,936)</b>           | <b>\$ 1,511</b>           | <b>3 years</b>                               |

<sup>(1)</sup> Amortization related to developed technology and patents is classified as Amortization of acquired product rights in the Condensed Consolidated Statements of Income.



**Table of Contents**

Total amortization expense for intangible assets that have finite lives was \$95 million and \$284 million for the three and nine months ended December 30, 2011, respectively, and \$94 million and \$290 million for the three and nine months ended December 31, 2010, respectively.

Total future amortization expense for intangible assets that have finite lives, based on our existing intangible assets and their current estimated useful lives as of December 30, 2011, is estimated as follows (*in millions*):

|                          |                 |
|--------------------------|-----------------|
| Remainder of fiscal 2012 | \$ 93           |
| 2013                     | 345             |
| 2014                     | 201             |
| 2015                     | 147             |
| 2016                     | 95              |
| Thereafter               | 196             |
| <b>Total</b>             | <b>\$ 1,077</b> |

**Note 5. Supplemental Financial Information*****Property and Equipment, net***

|   | December<br>30,<br>2011 | As of<br>April 1,<br>2011 |
|---|-------------------------|---------------------------|
|   | (In millions)           |                           |
| Computer hardware and software                  | \$ 1,522                | \$ 1,458                  |
| Office furniture and equipment                  | 173                     | 189                       |
| Buildings                                       | 486                     | 467                       |
| Leasehold improvements                          | 273                     | 270                       |
|   | 2,454                   | 2,384                     |
| Less: accumulated depreciation and amortization | (1,586)                 | (1,530)                   |
|   | 868                     | 854                       |
| Construction in progress                        | 103                     | 117                       |
| Land  | 79                      | 79                        |
| <b>Property and equipment, net</b>              | <b>\$ 1,050</b>         | <b>\$ 1,050</b>           |

Depreciation expense was \$66 million and \$201 million for the three and nine months ended December 30, 2011, respectively, and \$65 million and \$188 million for the three and nine months ended December 31, 2010, respectively.

***Comprehensive Income***

The components of comprehensive income, net of tax, are as follows:

|  | Three Months Ended<br>December |             | Nine Months Ended<br>December |             |
|--|--------------------------------|-------------|-------------------------------|-------------|
|  | December 30,<br>2011           | 31,<br>2010 | 30,<br>2011                   | 31,<br>2010 |

Edgar Filing: SYMANTEC CORP - Form 10-Q

|   | (In millions) |    |     |        |        |
|---|---------------|----|-----|--------|--------|
| Net income  | \$ 241        | \$ | 132 | \$ 613 | \$ 427 |
| Other comprehensive income (loss):  |               |    |     |        |        |
| Foreign currency translation adjustments, net of tax:                     |               |    |     |        |        |
| Translation adjustments   | (2)           |    | 8   | 10     |        |
| Reclassifications from liquidation of foreign entities                    |               |    | 21  | 1      | 21     |
| Net foreign currency translation adjustments, net of tax                  | (2)           |    | 29  | 11     | 21     |
| Available-for-sale securities:  |               |    |     |        |        |
| Unrealized gains  |               |    |     |        | 10     |
| Reclassifications of realized gains to net income                         |               |    |     |        | (12)   |
| Net adjustments for available-for-sale securities, net of tax             |               |    |     |        | (2)    |
| Other comprehensive income (loss)   | (2)           |    | 29  | 11     | 19     |
| Comprehensive income  | 239           |    | 161 | 624    | 446    |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | 1             |    | (2) |        | (5)    |
| Comprehensive income attributable to Symantec Corporation Stockholders    | \$ 238        | \$ | 163 | \$ 624 | \$ 451 |

---

**Table of Contents****Note 6. Investment in Joint Venture**

We account for our investment in the joint venture with Huawei Technologies Co., Limited ( Huawei ) under the equity method of accounting. As of December 30, 2011, our proportionate share of the joint venture's net loss reduced our equity investment to zero. As such, we did not provide for additional losses as we have no commitments to provide financial support to the joint venture. Accordingly, we did not report our share of the joint venture's net loss for the third quarter of fiscal 2012.

On November 14, 2011, we entered into an agreement to sell our 49% of ownership in the joint venture to Huawei for \$530 million. We expect to complete this transaction as soon as practicable, pending regulatory approval.

**Note 7. Debt**

In fiscal 2007, we issued \$1.1 billion in principal amount of 0.75% convertible senior notes ( 0.75% Notes ) due June 15, 2011 and \$1.0 billion in principal amount of 1.00% convertible senior notes ( 1.00% Notes ) due June 15, 2013. In the second quarter of fiscal 2011, we repurchased \$500 million of aggregate principal amount of our 0.75% Notes in privately negotiated transactions for approximately \$510 million. Concurrently with the repurchase, we sold a proportionate share of the note hedges that we entered into at the time of the issuance of the convertible notes back to the note hedge counterparties for approximately \$13 million. The net cost of the repurchase of the 0.75% Notes and the concurrent sale of the note hedges was \$497 million in cash. On June 15, 2011, the remaining principal balance on our 0.75% Notes matured and was settled by a cash payment of \$600 million. Concurrent with the maturity of the 0.75% Notes, the remaining related note hedges expired. No portion of the 0.75% Notes were converted into our common shares upon maturity.

**Note 8. Restructuring and Transition**

Our restructuring and transition costs and liabilities consist primarily of severance, facilities costs, and transition and other related costs. Severance generally includes severance payments, outplacement services, health insurance coverage, effects of foreign currency exchange, and legal costs. Facilities costs generally include rent expense and lease termination costs, less expected sublease income. Transition and other related costs consist of severance costs associated with acquisition integrations in efforts to streamline our business operations, consulting charges associated with the implementation of a new Enterprise Resource Planning system, and costs related to the outsourcing of certain back office functions. Restructuring and transition costs are included in the Other segment.

***Restructuring Plans***

The following restructuring plans are substantially complete:

*Fiscal 2011 Plan.* In the first quarter of fiscal 2011, management approved and initiated a plan to expand our consulting partner sales and delivery capabilities. This action was initiated to expand our partner eco-system to better leverage their customer reach and operational scale, which resulted in a headcount reduction within our consulting services organization.

*Fiscal 2010 Plan.* In the fourth quarter of fiscal 2010, management approved and initiated a plan to reduce worldwide operating costs through workforce realignment and to reduce operating costs through a facilities consolidation. These actions were initiated to appropriately allocate resources to our key strategic initiatives and streamline our operations to deliver better and more efficient support to our customers and employees. During fiscal 2011, we terminated operating leases and consolidated facilities in North America and Europe. Excess facility obligations are expected to be paid over the respective lease terms, the longest of which extends through fiscal 2018.

**Table of Contents****Other Exit and Disposal Costs**

Largely as a result of business acquisitions, management may deem certain leased facilities to be in excess and make a plan to exit them either at the time of acquisition or after the acquisition in conjunction with our efforts to integrate and streamline our operations. As of December 30, 2011, liabilities for these excess facility obligations at several locations around the world are expected to be paid over the respective lease terms, the longest of which extends through fiscal 2016.

**Restructuring and Transition Summary**

|   | Restructuring Liabilities |  |                                   |                      | Cumulative<br>Incurred<br>to<br>Date |
|---|---------------------------|--|-----------------------------------|----------------------|--------------------------------------|
|   | April 1, 2011             | Costs, Net<br>of<br>Adjustments <sup>(1)</sup> | Cash<br>Payments<br>(In millions) | December 30,<br>2011 |                                      |
| <b>Restructuring plans:</b>               |                           |  |                                   |                      |                                      |
| Severance                                 | \$ 3                      | \$ 3   | \$ (5)                            | \$ 1                 | \$ 78                                |
| Facilities                                | 10                        | 1  | (4)                               | 7                    | 23                                   |
| <b>Total restructuring plans</b>          | 13                        | 4  | (9)                               | 8                    | 101                                  |
| Other exit and disposal costs             | 13                        | 3  | (8)                               | 8                    |                                      |
| <b>Total liabilities</b>                  | \$ 26                     | \$ 7   | \$ (17)                           | \$ 16                |                                      |
| Transition and other related costs        |                           | 18   |                                   |                      |                                      |
| <b>Total restructuring and transition</b> |                           | \$ 25  |                                   |                      |                                      |
| <b>Balance Sheet:</b>                     |                           |  |                                   |                      |                                      |
| Other current liabilities                 | \$ 14                     |  |                                   | \$ 7                 |                                      |
| Other long-term obligations               | 12                        |  |                                   | 9                    |                                      |
|   | \$ 26                     |  |                                   | \$ 16                |                                      |

<sup>(1)</sup> Total net adjustments were not material for the nine months ended of December 30, 2011. Adjustments primarily relate to foreign currency exchange rate fluctuations.

**Note 9. Commitments and Contingencies****Indemnification**

As permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is not limited; however, we have directors and officers insurance coverage that reduces our exposure and may enable us to recover a portion of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

We provide limited product warranties and the majority of our software license agreements contain provisions that indemnify licensees of our software from damages and costs resulting from claims alleging that our software infringes the intellectual property rights of a third party. Historically, payments made under these provisions have been immaterial. We monitor the conditions that are subject to indemnification to identify if a loss has occurred.

*Litigation Contingencies*

For a discussion of our tax litigation with the Internal Revenue Service relating to the 2000 and 2001 tax years of Veritas, see Note 13.

We are also involved in a number of other judicial and administrative proceedings that are incidental to our business. Although adverse decisions (or settlements) may occur in one or more of the cases, it is not possible to estimate the possible loss or losses from each of these cases. The final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on our financial condition or results of operations.

**Table of Contents****Other**

In January 2012, Symantec became aware of claims made by a group of hackers, that it possessed, and intended to publicly expose, portions of the source code for certain Symantec products. Following investigation of these claims, Symantec believes that the group came into possession of the code as a result of a theft of source code that occurred in 2006. Symantec believes that source code for the 2006-era versions of the following products was exposed: Norton Antivirus Corporate Edition; Norton Internet Security; Norton SystemWorks (Norton Utilities and Norton GoBack); and pcAnywhere. Symantec has announced that customers of Symantec's pcAnywhere product may face an increased security risk as a result of this exposure. The product, pcAnywhere, is also bundled with three Symantec products, Altiris Client Management Suite and Altiris IT Management Suite versions 7.0 or later, and Altiris Deployment Solution with Remote version 7.1. In addition, customers with earlier versions of Altiris suites may have opted to leverage pcAnywhere. The increased risk is isolated to the pcAnywhere components only. Symantec has broadly communicated an outline of the situation to customers, and has provided them with remediation steps to maintain the protection of their devices and information. As of the date of this filing, Symantec has resolved known vulnerabilities and does not believe that this incident will have a material adverse effect on its business, results of operations, financial condition or cash flows.

**Note 10. Stock Repurchases**

The following table summarizes our stock repurchases:

|  | <b>Three Months<br/>Ended<br/>December 30,<br/>2011</b> | <b>Nine Months<br/>Ended<br/>December 30,<br/>2011</b> |
|--|---|--|
|  | <b>(In millions, except per share data)</b>             |  |
| Total number of shares repurchased attributable to Symantec Corporation  | 13  | 39   |
| Dollar amount of shares repurchased attributable to Symantec Corporation | \$ 220  | \$ 693   |
| Average price paid per share   | \$ 16.69  | \$ 17.54   |
| Range of price paid per share  | \$ 15.38 to \$18.83                                     | \$ 15.38 to \$20.51                                    |

We have had stock repurchase programs in the past and have repurchased shares on a quarterly basis since the fourth quarter of fiscal 2004 under various programs. Our current program was authorized by our Board of Directors on January 25, 2011 to repurchase up to \$1 billion of our common stock. This program does not have an expiration date and as of December 30, 2011, \$184 million remained authorized for future repurchases. On January 25, 2012, we announced that our Board of Directors approved a new \$1 billion stock repurchase program. This repurchase program does not have a scheduled expiration date.

**Note 11. Segment Information**

As of December 30, 2011, our five reportable segments are the same as our operating segments and are as follows:

*Consumer.* Our Consumer segment focuses on delivering internet security for PC's, tablets and mobile devices along with services such as online backup, online family protection and remote help to individual users and home offices.

*Security and Compliance.* Our Security and Compliance segment focuses on providing large, medium, and small-sized businesses with solutions for endpoint security and management, compliance, messaging management, data loss prevention, encryption, managed security services, and authentication services. These products allow our customers to secure, provision, and remotely manage their laptops, PCs, mobile devices, and servers. We also provide our customers with solutions delivered through our Software-as-a-Service ( SaaS ) security offerings.

*Storage and Server Management.* Our Storage and Server Management segment focuses on providing large, medium, and small-sized businesses with storage and server management, backup, archiving, eDiscovery, and data protection solutions across heterogeneous storage and server platforms, as well as solutions delivered through our SaaS offerings.

*Services.* Our Services segment provides customers with implementation services and solutions designed to assist them in maximizing the value of their Symantec software. Our offerings include consulting, business critical services, and education.

*Other.* Our Other segment is comprised of sunset products and products nearing the end of their life cycle. It also includes general and administrative expenses; amortization of acquired product rights, intangible assets, and other assets; goodwill and intangible asset impairment charges; charges such as stock-based compensation, restructuring and transition expenses; and certain indirect costs that are not charged to the other operating segments.

**Table of Contents**

There were no intersegment sales for the three and nine months ended December 30, 2011 or December 31, 2010. The following table summarizes the results of our operating segments:

|  | Consumer         | Security<br>and<br>Compliance | Storage<br>and<br>Server<br>Management | Services | Other      | Total<br>Company |
|--|------------------|-------------------------------|--|----------|------------|------------------|
|  | (\$ in millions) |                               |  |          |            |                  |
| <b>Three months ended December 30, 2011:</b> |                  |                               |  |          |            |                  |
| Net revenue                                  | \$ 525           | \$ 511                        | \$ 617                                 | \$ 62    | \$         | \$ 1,715         |
| Percentage of total net revenue              | 31%              | 30%                           | 36%                                    | 3%       | 0%         | 100%             |
| Operating income (loss)                      | \$ 251           | \$ 139                        | \$ 241                                 | \$ 11    | \$ (342)   | \$ 300           |
| Operating margin of segment                  | 48%              | 27%                           | 39%                                    | 18%      | *          |                  |
| <b>Three months ended December 31, 2010:</b> |                  |                               |  |          |            |                  |
| Net revenue                                  | \$ 498           | \$ 435                        | \$ 600                                 | \$ 71    | \$         | \$ 1,604         |
| Percentage of total net revenue              | 31%              | 27%                           | 37%                                    | 5%       | 0%         | 100%             |
| Operating income (loss)                      | \$ 220           | \$ 52                         | \$ 276                                 | \$ 2     | \$ (321)   | \$ 229           |
| Operating margin of segment                  | 44%              | 12%                           | 46%                                    | 3%       | *          |                  |
| <b>Nine months ended December 30, 2011:</b>  |                  |                               |  |          |            |                  |
| Net revenue                                  | \$ 1,581         | \$ 1,462                      | \$ 1,819                               | \$ 187   | \$         | \$ 5,049         |
| Percentage of total net revenue              | 31%              | 29%                           | 36%                                    | 4%       | 0%         | 100%             |
| Operating income (loss)                      | \$ 762           | \$ 329                        | \$ 778                                 | \$ 28    | \$ (1,010) | \$ 887           |
| Operating margin of segment                  | 48%              | 23%                           | 43%                                    | 15%      | *          |                  |
| <b>Nine months ended December 31, 2010:</b>  |                  |                               |  |          |            |                  |
| Net revenue                                  | \$ 1,439         | \$ 1,173                      | \$ 1,681                               | \$ 224   | \$         | \$ 4,517         |
| Percentage of total net revenue              | 32%              | 26%                           | 37%                                    | 5%       | 0%         | 100%             |
| Operating income (loss)                      | \$ 656           | \$ 199                        | \$ 790                                 | \$ 2     | \$ (1,006) | \$ 641           |
| Operating margin of segment                  | 46%              | 17%                           | 47%                                    | 1%       | *          |                  |

\* Percentage not meaningful

During the first quarter of fiscal 2012, we modified our segment reporting structure to more readily match our operating structure. The following modification was made to the segment reporting structure: managed security services revenue and expenses moved to the Security and Compliance segment from the Services segment. All historical periods have been adjusted to reflect this modified reporting structure.

**Note 12. Stock-based Compensation**

The following table summarizes the total stock-based compensation expense recognized in our Condensed Consolidated Statements of Income:

|  | Three Months Ended                   |                      | Nine Months Ended    |                      |
|--|--------------------------------------|----------------------|----------------------|----------------------|
|  | December 30,<br>2011                 | December 31,<br>2010 | December 30,<br>2011 | December 31,<br>2010 |
|  | (In millions, except per share data) |                      |                      |                      |
| Cost of revenue Content, subscription, and maintenance       | \$ 3                                 | \$ 4                 | \$ 10                | \$ 11                |
| Cost of revenue License                                      | 1                                    | 1                    | 2                    | 2                    |
| Sales and marketing  | 20                                   | 15                   | 52                   | 43                   |
| Research and development                                     | 13                                   | 11                   | 36                   | 33                   |
| General and administrative                                   | 9                                    | 6                    | 23                   | 19                   |
| Total stock-based compensation expense                       | 46                                   | 37                   | 123                  | 108                  |
| Tax benefit associated with stock-based compensation expense | (13)                                 | (10)                 | (35)                 | (30)                 |



Edgar Filing: SYMANTEC CORP - Form 10-Q

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Net stock-based compensation expense                   | \$ 33   | \$ 27   | \$ 88   | \$ 78   |
| Net stock-based compensation expense per share basic   | \$ 0.04 | \$ 0.04 | \$ 0.12 | \$ 0.10 |
| Net stock-based compensation expense per share diluted | \$ 0.04 | \$ 0.03 | \$ 0.12 | \$ 0.10 |

**Table of Contents**

The following table summarizes additional information pertaining to our stock-based compensation:

|  | Nine Months Ended                       |                      |
|--|---|----------------------|
|  | December 30,<br>2011                    | December 31,<br>2010 |
|  | (\$ in millions, except per grant data) |                      |
| <b>Restricted stock units ( RSUs )</b>           |   |                      |
| Weighted-average fair value per grant            | \$ 18.17                                | \$ 14.72             |
| Fair value of RSUs granted                       | 188                                     | 158                  |
| Total fair value of RSUs vested                  | 84                                      | 68                   |
| Total unrecognized compensation expense          | 240                                     | 170                  |
| Weighted-average remaining vesting period        | 3 years                                 | 3 years              |
| <b>Stock options</b>                             |   |                      |
| Weighted-average fair value per grant            | \$ 5.23                                 | \$ 4.01              |
| Total intrinsic value of stock options exercised | 34                                      | 32                   |
| Total unrecognized compensation expense          | 37                                      | 31                   |
| Weighted-average remaining vesting period        | 3 years                                 | 3 years              |

During the first quarter of fiscal 2012, we granted 91,368 Restricted Stock Awards ( RSAs ) to members of our board of directors. Each RSA had a fair value of \$19.70 and vested immediately upon grant. As a result, we recorded approximately \$2 million of stock-based compensation expense for these RSAs during the first quarter of fiscal 2012.

**Performance Based Awards**

During the first quarter of fiscal 2012, we granted performance based restricted stock units ( PRUs ) to certain senior level employees under our 2004 Equity Incentive Plan. The PRU grants are in lieu of the stock option grants typically awarded as part of our annual compensation program. These PRUs can be earned depending upon the achievement of a company-specific performance condition and a market condition as follows: (1) our achievement of a specified company-specific performance target for fiscal 2012 and (2) our two and three year cumulative relative total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index. These PRUs are also subject to a three year continued service vesting provision with earlier vesting permitted under certain conditions, such as upon a change of control of the company. The determination of the fair value of these awards takes into consideration the likelihood of achievement of the market condition, and the compensation expense for the PRUs is initially based on the probability of achieving the target level of the company-specific performance condition, and will be adjusted for subsequent changes in the estimated or actual outcome of this performance condition. The weighted average grant date fair value of the PRUs was \$23.58 per share.

**Assumed Clearwell stock options**

In connection with our acquisition of Clearwell, we assumed all unexercised, outstanding options to purchase Clearwell common stock. Each unexercised, outstanding option assumed was converted into an option to purchase our common stock after applying the exchange ratio of 0.40906 shares of our common stock for each share of Clearwell common stock which resulted in an allocation of approximately 1 million shares of our common stock to the assumed options. As of December 30, 2011, total unrecognized compensation cost related to the assumed unvested stock options was approximately \$9 million, assuming no forfeitures.

Furthermore, all shares obtained upon early exercise of unvested Clearwell options were converted into the right to receive a cash consideration of \$7.65 per share upon vesting. The total value of the early exercised, unvested Clearwell shares on the date of acquisition was approximately \$4 million, assuming no forfeitures. As of December 30, 2011, total unrecognized compensation cost related to early exercised, unvested Clearwell shares was \$2.6 million.

**Note 13. Income Taxes**

The effective tax rate was approximately 12% and 21% for the three and nine months ended December 30, 2011 respectively, and 20% and 14% for the three and nine months ended December 31, 2010, respectively.

As discussed below, we recognized a \$52 million tax benefit arising from the Veritas 2002 through 2005 IRS Appeals matters partially offset by a \$4 million tax expense resulting from a change in valuation allowance for certain deferred tax assets in the three and nine months ended

## Edgar Filing: SYMANTEC CORP - Form 10-Q

December 30, 2011. We further recognized \$2 million of tax expense and an additional \$14 million tax benefit in the three and nine months ended December 30, 2011, respectively, for discrete events primarily related to tax settlements, lapses of statutes of limitations, and adjustments of prior year items. The tax expense was reduced by a \$39 million tax benefit arising from the Veritas v. Commissioner Tax Court decision (see further discussion below) for the nine months ended December 31, 2010, as well as by \$11 million and \$26 million in tax benefits during the three months and nine months ended December 31, 2010, respectively, for discrete events primarily related to tax settlements and lapses of statutes of limitations, and adjustments of prior year items.

**Table of Contents**

The provision for the nine-month periods ended December 30, 2011 and December 31, 2010 otherwise reflects a forecasted tax rate of 29% and 28%, respectively (excluding the tax benefit from our joint venture with Huawei, see Note 6). We include the tax benefit associated with the loss from our joint venture with Huawei in income tax expense rather than netting the tax benefit against our joint venture loss with Huawei. However, the effective rate applied to our joint venture loss with Huawei for purposes of determining the tax benefit is based only on our joint venture loss and its tax impact. The forecasted tax rates for both periods presented reflect the benefits of lower-taxed foreign earnings, domestic manufacturing incentives, and research and development credits (the U.S. federal R&D tax credit expired on December 31, 2011), partially offset by state income taxes. The jurisdictional mix of earnings and the effective tax rate on internationally-derived earnings are relatively consistent in both nine-month periods presented. Substantially all of the foreign earnings were generated by subsidiaries in Ireland and Singapore.

On December 10, 2009, the U.S. Tax Court issued its opinion in *Veritas v. Commissioner*, finding that our transfer pricing methodology, with appropriate adjustments, was the best method for assessing the value of the transaction at issue between Veritas and its international subsidiary in the 2000 to 2001 tax years. In June 2010, we reached an agreement with the IRS concerning the amount of the adjustment based on the U.S. Tax Court decision. As a result of the agreement, we reduced our liability for unrecognized tax benefits, resulting in a \$39 million tax benefit in the first quarter of fiscal 2011. This matter has now been closed and no further adjustments to the accrued liability are expected.

On December 2, 2009, we received a Revenue Agent's Report from the IRS for the Veritas 2002 through 2005 tax years assessing additional taxes due. We have contested \$80 million of the tax assessed and all penalties. As a result of negotiations with IRS Appeals in the three months ended December 30, 2011, we have remeasured our liability for unrecognized tax benefits, resulting in a tax benefit of \$52 million.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that a reduction of up to \$30 million of the reserves for unrecognized tax benefits may occur within the next 12 months, some of which, depending on the nature of the settlement or expiration of statutes of limitations, may affect our income tax provision and therefore benefit the resulting effective tax rate. The actual amount could vary significantly depending on the ultimate timing and nature of any settlements.

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions.

**Note 14. Earnings per Share**

The components of earnings per share are as follows:

|  | Three Months Ended   |                      | Nine Months Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | December 30,<br>2011 | December 31,<br>2010 | December 30,<br>2011 | December 31,<br>2010 |
| <b>(In millions, except per share data)</b>  |                      |                      |                      |                      |
| <b>Net income per share attributable to Symantec Corporation stockholders basic:</b>               |                      |                      |                      |                      |
| Net income attributable to Symantec Corporation stockholders                                       | \$ 240               | \$ 132               | \$ 613               | \$ 429               |
| Net income per share attributable to Symantec Corporation stockholders basic                       | \$ 0.33              | \$ 0.17              | \$ 0.82              | \$ 0.55              |
| <b>Net income per share attributable to Symantec Corporation stockholders diluted:</b>             |                      |                      |                      |                      |
| Net income attributable to Symantec Corporation stockholders                                       | \$ 240               | \$ 132               | \$ 613               | \$ 429               |
| Net income per share attributable to Symantec Corporation stockholders diluted                     | \$ 0.32              | \$ 0.17              | \$ 0.82              | \$ 0.54              |
| Weighted average outstanding common shares attributable to Symantec Corporation stockholders basic | 734                  | 770                  | 745                  | 783                  |

Edgar Filing: SYMANTEC CORP - Form 10-Q

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| Dilutive potential shares related to stock award plans  | 6   | 8   | 7   | 7   |
| Total weighted-average shares outstanding attributable to Symantec Corporation stockholders diluted | 740 | 778 | 752 | 790 |
| Anti-dilutive weighted-average stock options <sup>(1)</sup>   | 34  | 44  | 30  | 48  |
| Anti-dilutive weighted-average restricted stock <sup>(1)</sup>                                      | 1   | 0   | 0   | 0   |

<sup>(1)</sup> For the periods presented, the effects of the warrants issued and the option purchased in connection with the Convertible Senior Notes were excluded because they have no impact on diluted earnings per share until our average stock price for the applicable period reaches \$27.3175 per share and \$19.12 per share, respectively.

**Table of Contents**

**Note 15. Subsequent Events**

On January 13, 2012, we completed the acquisition of LiveOffice, a provider of message hosting and integrated message and social media management applications, including archiving for electronic messaging platforms, cloud-based file storage, and social networking applications. We acquired LiveOffice for a purchase price of approximately \$115 million.

On January 25, 2012, we announced that our Board of Directors approved a new \$1 billion stock repurchase program. The repurchase program does not have a scheduled expiration date.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Forward-Looking Statements and Factors That May Affect Future Results**

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended, or the Securities Act, and the Exchange Act. Forward-looking statements include references to our ability to utilize our deferred tax assets, as well as statements including words such as expects, plans, anticipates, believes, estimates, predicts, projects, and similar expressions. In addition, statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses and in our industries, the anticipated impacts of acquisitions, and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Risk Factors, set forth in Part I, Item 1A, of our annual report on Form 10-K for the fiscal year ended April 1, 2011. We encourage you to read that section carefully.

**Fiscal Calendar**

We have a 52/53-week fiscal accounting year ending on the Friday closest to March 31. The three months ended December 30, 2011 and December 31, 2010 both consisted of 13 weeks. The nine months ended December 30, 2011 and December 31, 2010 both consisted of 39 weeks. Our 2012 fiscal year consists of 52 weeks and ends on March 30, 2012.

**OVERVIEW****Our Business**

Symantec is a global provider of security, storage, and systems management solutions that help businesses and consumers secure and manage their information. We provide customers worldwide with software and services that protect, manage and control information risks related to security, data protection, storage, compliance, and systems management. We help our customers manage cost, complexity, and compliance by protecting their IT infrastructure as they seek to maximize value from their IT investments.

**Our Operating Segments**

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. Since the fourth quarter of fiscal 2008, we have operated in five operating segments: Consumer, Security and Compliance, Storage and Server Management, Services, and Other. During the first quarter of fiscal year 2012, we modified our segment reporting structure to more readily match our operating structure. For further descriptions of our operating segments, see Note 11 of the Notes to Condensed Consolidated Financial Statements in this quarterly report. Our reportable segments are the same as our operating segments.

**Financial Results and Trends**

Revenue increased by \$111 million and \$532 million for the three and nine months ended December 30, 2011 as compared to the same periods last year. As more fully described below in Results of Operations, we experienced growth across all segments except for the Services and the Other segment. We also experienced a favorable foreign exchange effect on our international revenue of approximately \$8 million and \$158 million for the three and nine months ended December 30, 2011 as compared to the same periods last year.

Our salaries and wages expense increased by \$48 million and \$230 million for the three and nine months ended December 30, 2011 as compared to the same periods last year. The higher salaries and wages are primarily attributable to an increase in the number of employees to support growth in our business. We also experienced an adverse foreign exchange effect on our expenses of approximately \$1 million and \$81 million for the three and nine months ended December 30, 2011, respectively, as compared to the same periods last year. Our net income was \$240 million and \$613 million for the three and nine months ended December 30, 2011, respectively.

**Table of Contents****Critical Accounting Estimates**

There have been no changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the nine months ended December 30, 2011 as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended April 1, 2011.

**Recently Adopted Authoritative Guidance**

Information with respect to Recently Adopted Authoritative Guidance is in Note 1 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

**RESULTS OF OPERATIONS****Total Net Revenue**

|  | Three Months Ended      |                         |               |           | Nine Months Ended    |                         |               |            |
|--|-------------------------|-------------------------|---------------|-----------|----------------------|-------------------------|---------------|------------|
|  | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in     |           | December 30,<br>2011 | December<br>31,<br>2010 | Change in     |            |
|  |                         |                         | \$            | %         |                      |                         | \$            | %          |
| Content, subscription, and maintenance revenue | \$ 1,462                | \$ 1,349                | \$ 113        | 8%        | \$ 4,353             | \$ 3,856                | \$ 497        | 13%        |
| Percentage of total net revenue                | 85%                     | 84%                     |               |           | 86%                  | 85%                     |               |            |
| License revenue                                | \$ 253                  | \$ 255                  | \$ (2)        | (1)%      | \$ 696               | \$ 661                  | \$ 35         | 5%         |
| Percentage of total net revenue                | 15%                     | 16%                     |               |           | 14%                  | 15%                     |               |            |
| <b>Total net revenue</b>                       | <b>\$ 1,715</b>         | <b>\$ 1,604</b>         | <b>\$ 111</b> | <b>7%</b> | <b>\$ 5,049</b>      | <b>\$ 4,517</b>         | <b>\$ 532</b> | <b>12%</b> |

Content, subscription, and maintenance revenue increased for the three months ended December 30, 2011, as compared to the same period last year, as a result of net growth in revenues from our existing products of \$92 million and our fiscal 2012 acquisition of \$14 million, and a favorable foreign currency exchange effect of \$7 million.

Content, subscription, and maintenance revenue increased for the nine months ended December 30, 2011, as compared to the same period last year, as a result of net growth in revenues from our existing products of \$148 million and our fiscal 2011 and 2012 acquisitions of \$215 million, and a favorable foreign currency exchange effect of \$134 million.

License revenue includes revenue from software licenses, appliances and certain revenue sharing arrangements. License revenue increased by \$35 million for the nine months ended December 30, 2011, as compared to the same period last year primarily due to a favorable foreign currency exchange effect on our international license revenue of approximately \$24 million.

The changes in total net revenue for the three and nine months ended December 30, 2011 are further described in the segment discussions that follow.

**Net revenue and operating income by segment***Consumer segment*

|  | Three Months Ended      |                      |           |   | Nine Months Ended       |                         |           |   |
|--|-------------------------|----------------------|-----------|---|-------------------------|-------------------------|-----------|---|
|  | December<br>30,<br>2011 | December 31,<br>2010 | Change in |   | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in |   |
|  |                         |                      | \$        | % |                         |                         | \$        | % |



Edgar Filing: SYMANTEC CORP - Form 10-Q

|                                 | (\$ in millions) |        |       |     |          |          |        |     |  |
|---------------------------------|------------------|--------|-------|-----|----------|----------|--------|-----|--|
| Consumer revenue                | \$ 525           | \$ 498 | \$ 27 | 5%  | \$ 1,581 | \$ 1,439 | \$ 142 | 10% |  |
| Percentage of total net revenue | 31%              | 31%    |       |     | 31%      | 32%      |        |     |  |
| Consumer operating income       | \$ 251           | \$ 220 | \$ 31 | 14% | \$ 762   | \$ 656   | \$ 106 | 16% |  |
| Percentage of Consumer revenue  | 48%              | 44%    |       |     | 48%      | 46%      |        |     |  |

Consumer segment revenues increased as a result of continued growth in our internet security products and services. We also experienced a favorable foreign currency exchange effect on our international revenue of approximately \$3 million and \$49 million for the three and nine months ended December 30, 2011, respectively, as compared to the same periods last year.

Operating income for the Consumer segment increased due to increases in revenue discussed above coupled with lower advertising and promotion expenses, partially offset by increases in salaries and wages of \$11 million and \$34 million, for the three and nine months ended December 30, 2011, respectively, as compared to the same periods last year. The increase in

**Table of Contents**

consumer revenue was also offset by an adverse foreign currency exchange effect which increased total expenses for the Consumer segment by \$1 million and \$20 million, respectively, for the three and nine months ended December 30, 2011, as compared to the same periods last year.

*Security and Compliance segment*

|   | December         |             | Three Months Ended |                | December    |             | Nine Months Ended |                |
|---|------------------|-------------|--------------------|----------------|-------------|-------------|-------------------|----------------|
|   | 30,<br>2011      | 31,<br>2010 | Change in<br>\$    | Change in<br>% | 30,<br>2011 | 31,<br>2010 | Change in<br>\$   | Change in<br>% |
|   | (\$ in millions) |             |                    |                |             |             |                   |                |
| Security and Compliance revenue               | \$ 511           | \$ 435      | \$ 76              | 17%            | \$ 1,462    | \$ 1,173    | \$ 289            | 25%            |
| Percentage of total net revenue               | 30%              | 27%         |                    |                | 29%         | 26%         |                   |                |
| Security and Compliance operating income      | \$ 139           | \$ 52       | \$ 87              | 167%           | \$ 329      | \$ 199      | \$ 130            | 65%            |
| Percentage of Security and Compliance revenue | 27%              | 12%         |                    |                | 23%         | 17%         |                   |                |

Security and Compliance revenue increased for the three months ended December 30, 2011, as compared to the same period last year, as a result of net growth in revenues from our existing products of \$73 million and a favorable foreign currency exchange effect of \$3 million.

Security and Compliance revenue increased for the nine months ended December 30, 2011, as compared to the same period last year, as a result of net growth in revenues from our existing products of \$63 million and \$181 million from our fiscal 2011 acquisitions, and a favorable foreign currency exchange effect of \$45 million.

For the three months ended December 30, 2011 operating income for the Security and Compliance segment increased due to increases in revenue discussed above and reduced advertising and promotion expenses, as compared to the same period last year. For the nine months ended December 30, 2011, operating income increased due to increases in revenue discussed above, partially offset by increases in salaries and wages of \$76 million related to headcount increases as a result of growth in this segment, and increases in cost of sales and equipment costs of \$44 million and \$18 million, respectively, as compared to the same period last year. For the three and nine months ended December 30, 2011, the increase in revenue was also offset by an adverse foreign currency exchange effect, which increased total expenses for the Security and Compliance segment by \$2 million and \$22 million, respectively, as compared to the same periods last year.

*Storage and Server Management segment*

|   | December         |             | Three Months Ended |                | December    |             | Nine Months Ended |                |
|---|------------------|-------------|--------------------|----------------|-------------|-------------|-------------------|----------------|
|   | 30,<br>2011      | 31,<br>2010 | Change in<br>\$    | Change in<br>% | 30,<br>2011 | 31,<br>2010 | Change in<br>\$   | Change in<br>% |
|   | (\$ in millions) |             |                    |                |             |             |                   |                |
| Storage and Server Management revenue               | \$ 617           | \$ 600      | \$ 17              | 3%             | \$ 1,819    | \$ 1,681    | \$ 138            | 8%             |
| Percentage of total net revenue                     | 36%              | 37%         |                    |                | 36%         | 37%         |                   |                |
| Storage and Server Management operating income      | \$ 241           | \$ 276      | \$ (35)            | (13)%          | \$ 778      | \$ 790      | \$ (12)           | (2)%           |
| Percentage of Storage and Server Management revenue | 39%              | 46%         |                    |                | 43%         | 47%         |                   |                |

Storage and server management revenue increased for the three months ended December 30, 2011, as compared to the same period last year, by \$14 million as a result of our fiscal 2012 acquisition.

Storage and server management revenue increased for the nine months ended December 30, 2011, as compared to the same period last year, as a result of net growth in revenues of our existing products of \$46 million and \$34 million from our fiscal 2012 acquisition, and a favorable foreign currency exchange effect of \$58 million.

Operating income for the Storage and Server Management segment decreased as a result of an increase in salaries and wages related to sales and marketing personnel of \$26 million and \$84 million, for the three and nine months ended December 30, 2011. Cost of sales increased due to increased technical support costs and growth of our appliances business of \$44 million and \$17 million, respectively. In addition, changes in

## Edgar Filing: SYMANTEC CORP - Form 10-Q

foreign currency exchange rates increased total operating expenses for the Storage and Server Management segment by \$6 million for the nine months ended December 30, 2011. These increases in costs were partially offset by the increase in revenue discussed above for the three and nine months ended December 30, 2011, as compared to the same periods last year.

**Table of Contents****Services segment**

|                                 | December         |             | Three Months Ended |       | December    |             | Nine Months Ended |       |
|---------------------------------|------------------|-------------|--------------------|-------|-------------|-------------|-------------------|-------|
|                                 | 30,<br>2011      | 31,<br>2010 | Change in          |       | 30,<br>2011 | 31,<br>2010 | Change in         |       |
|                                 |                  |             | \$                 | %     |             |             | \$                | %     |
|                                 | (\$ in millions) |             |                    |       |             |             |                   |       |
| Services revenue                | \$ 62            | \$ 71       | \$ (9)             | (13)% | \$ 187      | \$ 224      | \$ (37)           | (17)% |
| Percentage of total net revenue | 3%               | 5%          |                    |       | 4%          | 5%          |                   |       |
| Services operating income       | \$ 11            | \$ 2        | \$ 9               | 450%  | \$ 28       | \$ 2        | \$ 26             | *     |
| Percentage of Services revenue  | 18%              | 3%          |                    |       | 15%         | 1%          |                   |       |

\* Percentage not meaningful

Services revenue decreased for the three and nine months ended December 30, 2011, as compared to the same periods last year, as we continue to support the transition of our consulting services to specialized partners.

Services operating income increased for the three and nine months ended December 30, 2011, as compared to the same periods last year, as various cost control initiatives led to better margins.

**Other segment**

|                                 | December         |             | Three Months Ended |    | December    |             | Nine Months Ended |    |
|---------------------------------|------------------|-------------|--------------------|----|-------------|-------------|-------------------|----|
|                                 | 30,<br>2011      | 31,<br>2010 | Change in          |    | 30,<br>2011 | 31,<br>2010 | Change in         |    |
|                                 |                  |             | \$                 | %  |             |             | \$                | %  |
|                                 | (\$ in millions) |             |                    |    |             |             |                   |    |
| Other revenue                   | \$               | \$          | \$                 | *  | \$          | \$          | \$                | *  |
| Percentage of total net revenue | 0%               | 0%          |                    |    | 0%          | 0%          |                   |    |
| Other operating loss            | \$ (342)         | \$ (321)    | \$ (21)            | 7% | \$ (1,010)  | \$ (1,006)  | \$ (4)            | 0% |
| Percentage of Other revenue     | *                | *           |                    |    | *           | *           |                   |    |

\* Percentage not meaningful

Revenue from our Other segment consists primarily of sunset products and products nearing the end of their life cycle. The operating loss of our Other segment includes general and administrative expenses; amortization of acquired product rights, other purchased intangible assets, and other assets; charges such as stock-based compensation, restructuring and transition; and certain indirect costs that are not charged to the other operating segments.

**Net revenue by geographic region**

|   | December         |             | Three Months Ended |    | December    |             | Nine Months Ended |    |
|---|------------------|-------------|--------------------|----|-------------|-------------|-------------------|----|
|   | 30,<br>2011      | 31,<br>2010 | Change in          |    | 30,<br>2011 | 31,<br>2010 | Change in         |    |
|   |                  |             | \$                 | %  |             |             | \$                | %  |
|   | (\$ in millions) |             |                    |    |             |             |                   |    |
| Americas (U.S., Canada and Latin America) |                  |             |                    |    |             |             |                   |    |
| Consumer Segment                          | \$ 302           | \$ 289      | \$ 13              | 4% | \$ 904      | \$ 837      | \$ 67             | 8% |

Edgar Filing: SYMANTEC CORP - Form 10-Q

|                                       |          |          |        |       |          |          |        |       |
|---------------------------------------|----------|----------|--------|-------|----------|----------|--------|-------|
| Security and Compliance Segment       | 275      | 242      | 33     | 14%   | 776      | 657      | 119    | 18%   |
| Storage and Server Management Segment | 321      | 297      | 24     | 8%    | 940      | 868      | 72     | 8%    |
| Services Segment                      | 34       | 34       |        | 0%    | 102      | 111      | (9)    | (8)%  |
| Total Americas                        | \$ 932   | \$ 862   | \$ 70  | 8%    | \$ 2,722 | \$ 2,473 | \$ 249 | 10%   |
| Percentage of total net revenue       | 55%      | 54%      |        |       | 54%      | 55%      |        |       |
| EMEA (Europe, Middle East, Africa)    |          |          |        |       |          |          |        |       |
| Consumer Segment                      | \$ 133   | \$ 129   | \$ 4   | 3%    | \$ 415   | \$ 369   | \$ 46  | 12%   |
| Security and Compliance Segment       | 132      | 117      | 15     | 13%   | 394      | 322      | 72     | 22%   |
| Storage and Server Management Segment | 187      | 200      | (13)   | (7)%  | 543      | 526      | 17     | 3%    |
| Services Segment                      | 16       | 25       | (9)    | (36)% | 49       | 76       | (27)   | (36)% |
| Total EMEA                            | \$ 468   | \$ 471   | \$ (3) | (1)%  | \$ 1,401 | \$ 1,293 | \$ 108 | 8%    |
| Percentage of total net revenue       | 27%      | 29%      |        |       | 28%      | 28%      |        |       |
| Asia Pacific/Japan                    |          |          |        |       |          |          |        |       |
| Consumer Segment                      | \$ 90    | \$ 80    | \$ 10  | 13%   | \$ 262   | \$ 233   | \$ 29  | 12%   |
| Security and Compliance Segment       | 104      | 76       | 28     | 37%   | 292      | 194      | 98     | 51%   |
| Storage and Server Management Segment | 109      | 103      | 6      | 6%    | 336      | 287      | 49     | 17%   |
| Services Segment                      | 12       | 12       |        | 0%    | 36       | 37       | (1)    | (3)%  |
| Total Asia Pacific/ Japan             | \$ 315   | \$ 271   | \$ 44  | 16%   | \$ 926   | \$ 751   | \$ 175 | 23%   |
| Percentage of total net revenue       | 18%      | 17%      |        |       | 18%      | 17%      |        |       |
| Total net revenue                     | \$ 1,715 | \$ 1,604 | \$ 111 | 7%    | \$ 5,049 | \$ 4,517 | \$ 532 | 12%   |

Fluctuations in the U.S. dollar compared to foreign currencies favorably impacted our international revenue by \$8 million and \$158 million for the three and nine months ended December 30, 2011, respectively, as compared to the same periods last year.

**Table of Contents**

Our international revenue is and will continue to be a significant portion of our net revenue. As a result, net revenue will continue to be affected by foreign currency exchange rates as compared to the U.S. dollar. We are unable to predict the extent to which revenue in future periods will be impacted by changes in foreign currency exchange rates. If international sales become a greater portion of our total sales in the future, changes in foreign currency exchange rates may have a potentially greater impact on our revenue and operating results.

**Cost of Revenue**

|  | Three Months Ended      |                         |             |           | Nine Months Ended       |                         |              |           |
|--|-------------------------|-------------------------|-------------|-----------|-------------------------|-------------------------|--------------|-----------|
|  | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in   |           | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in    |           |
|  |                         |                         | \$          | %         |                         |                         | \$           | %         |
|  | (\$ in millions)        |                         |             |           |                         |                         |              |           |
| Cost of content, subscription, and maintenance | \$ 233                  | \$ 233                  | \$          | 0%        | \$ 695                  | \$ 667                  | \$ 28        | 4%        |
| Percentage of related revenue                  | 16%                     | 17%                     |             |           | 16%                     | 17%                     |              |           |
| Cost of license                                | \$ 16                   | \$ 7                    | \$ 9        | 129%      | \$ 33                   | \$ 16                   | \$ 17        | 106%      |
| Percentage of related revenue                  | 6%                      | 3%                      |             |           | 5%                      | 2%                      |              |           |
| Amortization of acquired product rights        | \$ 22                   | \$ 24                   | \$ (2)      | (8)%      | \$ 67                   | \$ 92                   | \$ (25)      | (27)%     |
| Percentage of total net revenue                | 1%                      | 1%                      |             |           | 1%                      | 2%                      |              |           |
| <b>Total cost of revenue</b>                   | <b>\$ 271</b>           | <b>\$ 264</b>           | <b>\$ 7</b> | <b>3%</b> | <b>\$ 795</b>           | <b>\$ 775</b>           | <b>\$ 20</b> | <b>3%</b> |

Gross margin

84%      84%      84%      83%

Cost of content, subscription, and maintenance consists primarily of fee-based technical support costs, costs of billable services, and payments to OEMs under revenue-sharing agreements. Cost of content, subscription, and maintenance increased for the three and nine months ended December 30, 2011, as compared to the same periods last year, primarily due to higher technical support costs.

Cost of license consists primarily of royalties paid to third parties under technology licensing agreements, appliances, manufacturing and direct material costs. Cost of license increased in the three and nine months ended December 30, 2011, as compared to the same periods last year, as a result of the increased volume of appliance sales.

Acquired product rights are comprised of developed technologies and patents from acquired companies. The decrease in amortization for the nine months ended December 30, 2011, as compared to the same period last year is primarily due to certain acquired product rights from our various past acquisitions becoming fully amortized during the first quarter of fiscal 2011.

**Operating Expenses**

Our operating expenses increased during the three and nine months ended December 30, 2011, as compared to the same periods last year, due to higher salary and wages and the adverse impact of the change in foreign currency exchange rates, offset by cost savings generated from our restructuring plans discussed below.

|                                    | Three Months Ended      |                         |           |     | Nine Months Ended       |                         |           |     |
|------------------------------------|-------------------------|-------------------------|-----------|-----|-------------------------|-------------------------|-----------|-----|
|                                    | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in |     | December<br>30,<br>2011 | December<br>31,<br>2010 | Change in |     |
|                                    |                         |                         | \$        | %   |                         |                         | \$        | %   |
|                                    | (\$ in millions)        |                         |           |     |                         |                         |           |     |
| Sales and marketing expense        | \$ 711                  | \$ 704                  | \$ 7      | 1%  | \$ 2,073                | \$ 1,889                | \$ 184    | 10% |
| Percentage of total net revenue    | 41%                     | 44%                     |           |     | 41%                     | 42%                     |           |     |
| Research and development expense   | \$ 242                  | \$ 220                  | \$ 22     | 10% | \$ 728                  | \$ 636                  | \$ 92     | 14% |
| Percentage of total net revenue    | 14%                     | 14%                     |           |     | 14%                     | 14%                     |           |     |
| General and administrative expense | \$ 113                  | \$ 97                   | \$ 16     | 16% | \$ 324                  | \$ 290                  | \$ 34     | 12% |
| Percentage of total net revenue    | 7%                      | 6%                      |           |     | 6%                      | 6%                      |           |     |

## Edgar Filing: SYMANTEC CORP - Form 10-Q

|   |       |       |         |       |        |        |         |       |
|---|-------|-------|---------|-------|--------|--------|---------|-------|
| Amortization of other purchased intangible assets | \$ 73 | \$ 70 | \$ 3    | 4%    | \$ 217 | \$ 198 | \$ 19   | 10%   |
| Percentage of total net revenue                   | 4%    | 4%    |         |       | 4%     | 4%     |         |       |
| Restructuring and transition                      | \$ 5  | \$ 20 | \$ (15) | (75)% | \$ 25  | \$ 88  | \$ (63) | (72)% |
| Percentage of total net revenue                   | 0%    | 1%    |         |       | 0%     | 2%     |         |       |

As a percentage of revenue, Sales and marketing, Research and development and General and administrative expenses remained consistent during the three and nine months ended December 30, 2011.

During the three months ended December 30, 2011, Sales and marketing expenses increased as compared to the same period last year, primarily as a result of increased salaries and wages of \$27 million, partially offset by a decrease in advertising costs of \$24 million and a favorable foreign currency exchange effect of \$2 million. During the nine months ended December 30, 2011, Sales and marketing expenses increased as compared to the same period last year, primarily as a result of increased salaries and wages of \$120 million, and an adverse foreign currency exchange effect of \$60 million, partially offset by a decrease in outside services costs of \$20 million.

**Table of Contents**

Research and development expenses increased during the three and nine months ended December 30, 2011, as compared to the same periods last year, primarily due to increased salaries and wages of \$19 million and \$85 million, and an adverse foreign currency exchange effect of \$3 million and \$12 million, respectively.

General and administrative expenses increased during the three and nine months ended December 30, 2011, as compared to the same periods last year due to increased salaries and wages of \$3 million and \$25 million, respectively.

Other purchased intangible assets are comprised of customer relationships and tradenames. The increase in amortization of other purchased intangible assets for the three months ended December 30, 2011 compared to the same period last year was primarily due to the acquisition of Clearwell. The increase in amortization of other purchased intangible assets for the nine months ended December 30, 2011 compared to the same period last year was primarily due to our fiscal 2011 acquisitions and the acquisition of Clearwell.

Restructuring and transition charges consist of severance, facilities, and transition and other related costs. For the three months ended December 30, 2011, we recognized \$5 million of transition and other related costs. For the nine months ended December 30, 2011, we recognized \$2 million of severance, \$5 million of facilities costs, and \$18 million of transition and other related costs. For the three months ended December 31, 2010, we recognized \$12 million of severance, \$4 million of facilities, and \$4 million of transition and other related costs. For the nine months ended December 31, 2010, we recognized \$51 million of severance, \$24 million in facilities costs, and \$13 million of transition and other related costs, respectively. Transition charges are expected to continue in future quarters as we are at the initial stage of implementation of a new Enterprise Resource Planning system. For further information on restructuring and transition, see Note 8 of the Notes to Condensed Consolidated Financial Statements.

During the nine months ended December 31, 2010, we recognized an impairment of \$1 million on certain land and buildings classified as held for sale. These impairments were recorded in accordance with the authoritative guidance that requires a long-lived asset classified as held for sale to be measured at the lower of its carrying amount or fair value, less cost to sell.

**Non-operating Income and Expense**

|                                      | December         |                | Three Months Ended |                | December       |                 | Nine Months Ended |                |
|--------------------------------------|------------------|----------------|--------------------|----------------|----------------|-----------------|-------------------|----------------|
|                                      | 30,<br>2011      | 31,<br>2010    | Change in<br>\$    | Change in<br>% | 30,<br>2011    | 31,<br>2010     | Change in<br>\$   | Change in<br>% |
|                                      | (\$ in millions) |                |                    |                |                |                 |                   |                |
| Interest income                      | \$ 2             | \$ 3           |                    |                | \$ 10          | \$ 7            |                   |                |
| Interest expense                     | (27)             | (37)           |                    |                | (87)           | (106)           |                   |                |
| Other income (expense), net          | (2)              | (18)           |                    |                | (4)            | (3)             |                   |                |
| Loss on early extinguishment of debt |                  |                |                    |                |                | (16)            |                   |                |
| <b>Total</b>                         | <b>\$ (27)</b>   | <b>\$ (52)</b> | <b>\$ 25</b>       | <b>48%</b>     | <b>\$ (81)</b> | <b>\$ (118)</b> | <b>\$ 37</b>      | <b>31%</b>     |
| Percentage of total net revenue      | (2)%             | (3)%           |                    |                | (2)%           | (3)%            |                   |                |

Non-operating expense decreased for the three and nine months ended December 30, 2011 as a result of lower interest expenses due to our repayment of the \$1.1 billion convertible senior note that we issued in fiscal 2007. In the second quarter of fiscal 2011 and the first quarter of fiscal 2012, we made payments of \$500 million and \$600 million, respectively, to retire these notes.

**Provision for income taxes**

|                            | December         |             | Three Months Ended |                | December    |             | Nine Months Ended |                |
|----------------------------|------------------|-------------|--------------------|----------------|-------------|-------------|-------------------|----------------|
|                            | 30,<br>2011      | 31,<br>2010 | Change in<br>\$    | Change in<br>% | 30,<br>2011 | 31,<br>2010 | Change in<br>\$   | Change in<br>% |
|                            | (\$ in millions) |             |                    |                |             |             |                   |                |
| Provision for income taxes | \$ 32            | \$ 35       | \$ (3)             | (9)%           | \$ 166      | \$ 75       | \$ 91             | 121%           |



## Edgar Filing: SYMANTEC CORP - Form 10-Q

|                                |     |     |     |     |
|--------------------------------|-----|-----|-----|-----|
| Effective tax rate on earnings | 12% | 20% | 21% | 14% |
|--------------------------------|-----|-----|-----|-----|

The effective tax rate was approximately 12% and 21% for the three and nine months ended December 30, 2011 respectively, and 20% and 14% for the three and nine months ended December 31, 2010, respectively.

As discussed below, we recognized a \$52 million tax benefit arising from the Veritas 2002 through 2005 IRS Appeals matters partially offset by a \$4 million tax expense resulting from a change in valuation allowance for certain deferred tax

**Table of Contents**

assets in the three and nine months ended December 30, 2011. We further recognized \$2 million of tax expense and an additional \$14 million tax benefit in the three and nine months ended December 30, 2011, respectively, for discrete events primarily related to tax settlements, lapses of statutes of limitations, and adjustments of prior year items. The tax expense was reduced by a \$39 million tax benefit arising from the Veritas v. Commissioner Tax Court decision (see further discussion below) for the nine months ended December 31, 2010, as well as by \$11 million and \$26 million in tax benefits during the three months and nine months ended December 31, 2010, respectively, for discrete events primarily related to tax settlements and lapses of statutes of limitations, and adjustments of prior year items.

The provision for the nine-month periods ended December 30, 2011 and December 31, 2010 otherwise reflects a forecasted tax rate of 29% and 28%, respectively (excluding the tax benefit from our joint venture with Huawei; see Note 6 of the Notes to Condensed Consolidated Financial Statements). We include the tax benefit associated with the loss from our joint venture with Huawei in income tax expense rather than netting the tax benefit against our joint venture loss with Huawei. However, the effective rate applied to our joint venture loss with Huawei for purposes of determining the tax benefit is based only on our joint venture loss and its tax impact. The forecasted tax rates for both periods presented reflect the benefits of lower-taxed foreign earnings, domestic manufacturing incentives, and research and development credits (the U.S. federal R&D tax credit expired on December 31, 2011), partially offset by state income taxes. The jurisdictional mix of earnings and the effective tax rate on internationally-derived earnings are relatively consistent in both nine-month periods presented. Substantially all of the foreign earnings were generated by subsidiaries in Ireland and Singapore.

On December 10, 2009, the U.S. Tax Court issued its opinion in *Veritas v. Commissioner*, finding that our transfer pricing methodology, with appropriate adjustments, was the best method for assessing the value of the transaction at issue between Veritas and its international subsidiary in the 2000 to 2001 tax years. In June 2010, we reached an agreement with the IRS concerning the amount of the adjustment based on the U.S. Tax Court decision. As a result of the agreement, we reduced our liability for unrecognized tax benefits, resulting in a \$39 million tax benefit in the first quarter of fiscal 2011. This matter has now been closed and no further adjustments to the accrued liability are expected.

On December 2, 2009, we received a Revenue Agent's Report from the IRS for the Veritas 2002 through 2005 tax years assessing additional taxes due. We have contested \$80 million of the tax assessed and all penalties. As a result of negotiations with IRS Appeals in the December 2011 quarter, we have remeasured our liability for unrecognized tax benefits, resulting in a tax benefit of \$52 million.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that a reduction of up to \$30 million of the reserves for unrecognized tax benefits may occur within the next 12 months, some of which, depending on the nature of the settlement or expiration of statutes of limitations, may affect our income tax provision and therefore benefit the resulting effective tax rate. The actual amount could vary significantly depending on the ultimate timing and nature of any settlements.

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions.

**Loss from joint venture**

|                                 | Three Months Ended |                   |              |             | Nine Months Ended |                   |              |             |
|---------------------------------|--------------------|-------------------|--------------|-------------|-------------------|-------------------|--------------|-------------|
|                                 | December 30, 2011  | December 31, 2010 | Change in \$ | Change in % | December 30, 2011 | December 31, 2010 | Change in \$ | Change in % |
| Loss from joint venture         | \$                 | \$ 10             | \$ (10)      | (100)%      | \$ 27             | \$ 21             | \$ 6         | 29%         |
| Percentage of total net revenue | 0%                 | 1%                |              |             | 1%                | 0%                |              |             |

On February 5, 2008, Symantec formed Huawei-Symantec, Inc. (joint venture) with a subsidiary of Huawei Technologies Co., Ltd. (Huawei). The joint venture is domiciled in Hong Kong with principal operations in Chengdu, China. The joint venture develops, manufactures, markets, and supports security and storage appliances on behalf of global telecommunications carriers and enterprise customers. We record our proportionate share of the joint venture's net income or loss one quarter in arrears.

---

## **Table of Contents**

As discussed in Note 6 of the Notes to Condensed Consolidated Financial Statements, we announced our sale of our interest in the joint venture on November 14, 2012. We expect to complete this transaction as soon as practicable, pending regulatory approval.

For the three and nine months ended December 30, 2011, we recorded a loss of \$0 million and \$27 million, respectively, related to our share of the joint venture's net loss incurred for the period from July 1, 2011 to September 30, 2011 and January 1, 2011 to September 30, 2011. For the three and nine months ended December 31, 2010, we recorded a loss of approximately \$10 million and \$21 million related to our share of the joint venture's net loss for the period from July 1, 2010 to September 30, 2010 and the period from January 1, 2010 to September 30, 2010, respectively.

### ***Noncontrolling interest in VeriSign Japan***

In the second quarter of fiscal 2011, we completed the acquisition of the identity and authentication business of VeriSign, Inc. ( VeriSign ), including a controlling interest in its subsidiary, VeriSign Japan K.K. ( VeriSign Japan ), a publicly traded company on the Tokyo Stock Exchange. Given our majority ownership interest of approximately 54% in VeriSign Japan, the accounts of VeriSign Japan have been consolidated with our accounts, and a noncontrolling interest has been recorded for the noncontrolling investors' interests in the equity and operations of VeriSign Japan. For the three and nine months ended December 30, 2011, the gain attributable to the noncontrolling interest in VeriSign Japan was approximately \$1 million and \$0 million, respectively. For the three and nine months ended December 31, 2010, the loss attributable to the noncontrolling interest in VeriSign Japan was approximately \$0 million and \$2 million, respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Sources of Cash**

We have historically relied on cash flow from operations, borrowings under a credit facility, and issuances of debt and equity securities for our liquidity needs. As of December 30, 2011, we had cash and cash equivalents of \$2.3 billion resulting in a net liquidity position of approximately \$3.3 billion, which is defined as cash and cash equivalents and unused availability of the credit facility.

*Senior Notes.* In the second quarter of fiscal 2011, we issued \$350 million in principal amount of 2.75% Notes due December 15, 2015 and \$750 million in principal amount of 4.20% Notes due December 15, 2020, for an aggregate principal amount of \$1.1 billion.

*Revolving Credit Facility.* In the second quarter of fiscal 2011, we also entered into a \$1 billion senior unsecured revolving credit facility that expires in December 2014. Under the terms of this credit facility, we must comply with certain financial and non-financial covenants, including a covenant to maintain a specified ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization). As of December 30, 2011, we were in compliance with all required covenants, and there was no outstanding balance on the credit facility.

We believe that our existing cash and investment balances, our borrowing capacity, our ability to issue new debt instruments, and cash generated from operations will be sufficient to meet our working capital and capital expenditures requirements for at least the next 12 months.

### **Uses of Cash**

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, and payments of taxes. Also, we may, from time to time, engage in the open market purchase of our convertible notes prior to their maturity. In addition, we regularly evaluate our ability to repurchase stock, pay debts and acquire other businesses.

*Acquisition-Related.* For the nine months ended December 30, 2011, we acquired Clearwell for an aggregate payment of \$364 million, net of cash acquired. For the nine months ended December 31, 2010, we acquired PGP Corporation, GuardianEdge Technologies, Inc. and the identity and authentication business of VeriSign, Inc. for an aggregate amount of \$1.5 billion, net of cash acquired.

**Table of Contents**

*Convertible Senior Notes.* During the nine months ended December 30, 2011, the remaining balance of our 0.75% Notes matured and we settled with the holders with a cash payment of \$600 million. See Note 7 of the Notes to Condensed Consolidated Financial Statements for further discussion. During the nine months ended December 31, 2010, we repurchased \$500 million of aggregate principal amount of our 0.75% Notes in privately negotiated transactions for approximately \$510 million. Concurrently with the repurchase, we sold a proportionate share of the note hedges that we entered into at the time of the issuance of the convertible notes back to the note hedge counterparties for approximately \$13 million. The net cost of the repurchase of the 0.75% Notes and the concurrent sale of the note hedges was \$497 million in cash.

*Stock Repurchases.* For the nine months ended December 30, 2011, we repurchased 39 million shares, or \$693 million, of our common stock. For the nine months ended December 31, 2010, we repurchased 46 million shares, or \$690 million, of our common stock. As of December 30, 2011, we had \$184 million remaining under the plan authorized for future repurchases.

*U.S. Tax.* As of December 30, 2011, \$1.7 billion in cash, cash equivalents, and/or marketable securities were held by our foreign subsidiaries. We have provided U.S. deferred taxes on a portion of our undistributed foreign earnings sufficient to address the incremental U.S. tax that would be due if we needed these funds to support our operations in the U.S.

**Cash Flows**

The following table summarizes selected items in our Condensed Consolidated Statements of Cash Flows:

|                                    | Nine Months Ended    |                      |
|------------------------------------|----------------------|----------------------|
|                                    | December 30,<br>2011 | December 31,<br>2010 |
|                                    | (In millions)        |                      |
| Net cash provided by (used in):    |                      |                      |
| Operating activities               | \$ 1,214             | \$ 1,105             |
| Investing activities               | (611)                | (1,678)              |
| Financing activities               | (1,216)              | (51)                 |
| <b><i>Operating Activities</i></b> |                      |                      |

Net cash provided by operating activities was \$1.2 billion for the nine months ended December 30, 2011, which resulted from net income of \$613 million adjusted for non-cash items, which largely included depreciation and amortization charges of \$530 million, stock-based compensation expense of \$123 million, and an increase in deferred income taxes of \$38 million. These amounts were partially offset by decreases in deferred revenue of \$108 million.

Net cash provided by operating activities was \$1.1 billion for the nine months ended December 31, 2010, which resulted from net income of \$427 million adjusted for non-cash items, which largely included depreciation and amortization charges of \$561 million and stock-based compensation expense of \$108 million.

***Investing Activities***

Net cash used in investing activities was \$611 million for the nine months ended December 30, 2011, which was due to payments for acquisitions, net of cash acquired, of \$364 million, \$199 million paid for capital expenditures, and \$47 million for available-for-sale securities.

Net cash used in investing activities was \$1.7 billion for the nine months ended December 31, 2010, which was due to \$1.5 billion of payments for acquisitions, net of cash acquired, and \$185 million paid for capital expenditures.

***Financing Activities***

Net cash used in financing activities was \$1.2 billion for the nine months ended December 30, 2011, which was due to the extinguishment of our outstanding 0.75% Notes of \$600 million and repurchases of our common stock of \$693 million.

Net cash used in financing activities was \$51 million for the nine months ended December 31, 2010, which was due to repurchases of common stock of \$690 million and repayment of debt of \$510 million, partially offset by proceeds from debt issuance, net of discount, of \$1.1 billion and net proceeds from sales of common stock through employee stock plans of \$66 million.



**Table of Contents****Contractual Obligations**

There have been no significant changes during the nine months ended December 30, 2011 to the contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended April 1, 2011, other than the extinguishment of our \$600 million principal amount of 0.75% convertible senior notes. The table below sets forth these changes but does not update the other line items in the contractual obligations table that appears in the section of our Annual Report on Form 10-K described above:

|   | Total    | Payments Due By Periods  |  |                             |                            |
|---|----------|--------------------------|--|-----------------------------|----------------------------|
|   |          | Remainder of Fiscal 2012 | Fiscal 2013 and Fiscal 2014<br>(In millions) | Fiscal 2015 and Fiscal 2016 | Fiscal 2017 and Thereafter |
| Convertible senior notes <sup>(1)</sup> | \$ 1,000 | \$                       | \$ 1,000                                     | \$                          | \$                         |

- <sup>(1)</sup> In fiscal 2007, we issued \$1.1 billion in principal amount of 0.75% convertible senior notes ( 0.75% Notes ) due June 15, 2011 and \$1.0 billion in principal amount of 1.00% convertible senior notes ( 1.00% Notes ) due June 15, 2013. In the second quarter of fiscal 2011, we repurchased \$500 million of aggregate principal amount of our 0.75% Notes in privately negotiated transactions for approximately \$510 million. Concurrently with the repurchase, we sold a proportionate share of the note hedges that we entered into at the time of the issuance of the convertible notes back to the note hedge counterparties for approximately \$13 million. On June 15, 2011, the remaining principal balance on our 0.75% Notes matured and was settled by a cash payment of \$600 million. Concurrent with the maturity of the 0.75% Notes, the remaining related note hedges expired. No portion of the 0.75% Notes were converted into our common shares upon maturity.

## **Table of Contents**

### **Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

There have been no significant changes in our market risk exposures during the nine months ended December 30, 2011 as compared to the market risk exposures disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended April 1, 2011.

### **Item 4. *Controls and Procedures***

#### *(a) Evaluation of Disclosure Controls and Procedures*

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our Chief Executive Officer and our Chief Financial Officer have concluded, based on an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

#### *(b) Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the three months ended December 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### *(c) Limitations on Effectiveness of Controls*

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Information with respect to this Item may be found in Note 9 of Notes to Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

**Item 1A. Risk Factors**

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended April 1, 2011. There have been no material changes in our risks from such description.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Stock repurchases during the three months ended December 30, 2011 were as follows:

**ISSUER PURCHASES OF EQUITY SECURITIES**

|  | <b>Total Number of<br/>Shares<br/>Purchased</b> | <b>Average Price<br/>Paid per<br/>Share</b> | <b>Total Number of<br/>Shares<br/>Purchased<br/>Under<br/>Publicly<br/>Announced<br/>Plans<br/>or Programs</b> | <b>Maximum Dollar<br/>Value of<br/>Shares That<br/>May Yet Be<br/>Purchased Under the<br/>Plans or<br/>Programs</b> |
|--|---|---|--|---|
| (In millions, except per share data)   |   |   |  |   |
| October 1, 2011 to October 28, 2011    | 4   | \$ 17.37                                    | 4  | \$ 324  |
| October 29, 2011 to November 25, 2011  | 8   | \$ 16.36                                    | 8  | \$ 196  |
| November 26, 2011 to December 30, 2011 | 1   | \$ 15.98                                    | 1  | \$ 184  |
| Total                                  | 13  | \$ 16.69                                    | 13   |   |

For information regarding our stock repurchase programs, see Note 10 of Notes to Condensed Consolidated Financial Statements, which information is incorporated herein by reference.



**Table of Contents****Item 6. Exhibits****EXHIBIT INDEX**

| Exhibit Number | Exhibit Description  | Form | Incorporated by Reference |         | File Date | Filed with this 10-Q |
|----------------|--|------|---------------------------|---------|-----------|----------------------|
|                |  |      | File Number               | Exhibit |           |                      |
| 10.01 *        | Symantec Corporation 2000 Director Equity Incentive Plan, as amended                               | 10-Q | <u>000-17781</u>          | 10.01   | 11/01/11  |                      |
| 31.01          | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |      |                           |         |           | X                    |
| 31.02          | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |      |                           |         |           | X                    |
| 32.01          | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |      |                           |         |           | X                    |
| 32.02          | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |      |                           |         |           | X                    |
| 101.INS        | XBRL Instance Document   |      |                           |         |           | X                    |
| 101.SCH        | XBRL Taxonomy Schema Linkbase Document   |      |                           |         |           | X                    |
| 101.CAL        | XBRL Taxonomy Calculation Linkbase Document  |      |                           |         |           | X                    |
| 101.DEF        | XBRL Taxonomy Definition Linkbase Document   |      |                           |         |           | X                    |
| 101.LAB        | XBRL Taxonomy Labels Linkbase Document   |      |                           |         |           | X                    |
| 101.PRE        | XBRL Taxonomy Presentation Linkbase Document   |      |                           |         |           | X                    |

\* Indicates a management contract or compensatory plan or arrangement. This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMANTEC CORPORATION  
(Registrant)

By: /s/ ENRIQUE SALEM  
Enrique Salem  
*President and Chief Executive Officer*

By: /s/ JAMES A. BEER  
James A. Beer  
*Executive Vice President and Chief Financial Officer*

Date: January 31, 2012

**Table of Contents****SYMANTEC CORPORATION****Q3 FY12 Form 10-Q****EXHIBIT INDEX**

| Exhibit<br>Number | Exhibit Description  | Incorporated by Reference |                  |         |              | Filed with<br>this 10-Q |
|-------------------|--|---------------------------|------------------|---------|--------------|-------------------------|
|                   |  | Form                      | File<br>Number   | Exhibit | File<br>Date |                         |
| 10.01 *           | Symantec Corporation 2000 Director Equity Incentive Plan, as amended                               | 10-Q                      | <u>000-17781</u> | 10.01   | 11/01/11     |                         |
| 31.01             | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |                           |                  |         |              | X                       |
| 31.02             | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |                           |                  |         |              | X                       |
| 32.01             | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |                           |                  |         |              | X                       |
| 32.02             | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |                           |                  |         |              | X                       |
| 101.INS           | XBRL Instance Document   |                           |                  |         |              | X                       |
| 101.SCH           | XBRL Taxonomy Schema Linkbase Document   |                           |                  |         |              | X                       |
| 101.CAL           | XBRL Taxonomy Calculation Linkbase Document  |                           |                  |         |              | X                       |
| 101.DEF           | XBRL Taxonomy Definition Linkbase Document   |                           |                  |         |              | X                       |
| 101.LAB           | XBRL Taxonomy Labels Linkbase Document   |                           |                  |         |              | X                       |
| 101.PRE           | XBRL Taxonomy Presentation Linkbase Document   |                           |                  |         |              | X                       |

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

This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.