

SYMANTEC CORPORATION 4Q11 EARNINGS – PREPARED REMARKS

Introduction – Helyn Corcos, Vice President Investor Relations

Good afternoon, and thank you for joining our call to discuss fiscal fourth quarter and fiscal year 2011 financial results. With me today are Enrique Salem, Symantec's President and CEO and James Beer, Symantec's Executive Vice President and CFO.

In a moment, I will turn the call over to Enrique. He will discuss Symantec's execution during the quarter, James will provide highlights of our financial results as well as discuss our guidance assumptions as outlined in the press release. And then, Enrique will discuss our focus areas for fiscal year 2012. This will be followed by a question and answer session.

Today's call is being recorded and will be available for replay on Symantec's investor relations website at www.symantec.com/invest. A copy of today's press release and supplemental financial information are posted on our website. And, a copy of today's prepared remarks will be available on our investor relations website shortly after the call is completed.

Before we begin, I'd like to remind you that we will review our financial results focusing on year over year constant currency growth rates unless otherwise stated. Sequential growth rates are based on as reported results. For the March 2011 quarter, the actual weighted average exchange rate was \$1.37 per Euro, and the end of period rate was \$1.41 per Euro compared to our guided rate of \$1.35 per Euro. For the March 2010 quarter, the actual weighted average rate was \$1.38 per Euro, and the end of period rate was \$1.35 per Euro. We've included a summary of the year-over-year constant currency and actual growth rates in our press release tables and in our supplemental information which are available on our website.

Some of the information discussed on this call, including our projections regarding revenue, operating results, deferred revenue, cash flow from operations, amortization of acquisition related intangibles and stock-based compensation, for the coming quarter contain forward looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in the statements. Additional information concerning these risks and uncertainties can be found in the company's most recent periodic reports filed with the U.S. Securities and Exchange Commission. Symantec assumes no obligation to update any forward-looking statements.

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Symantec reports non-GAAP financial results. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP results, which can be found in the press release and on our web site.

And now, I would like to introduce our CEO, Mr. Enrique Salem.

Enrique Salem, President and CEO

Thank you, Helyn, and good afternoon, everyone.

I'm pleased to report our third consecutive quarter of strong results. Bookings grew double digits again this quarter, resulting in record revenue and deferred revenue. Our performance was driven by market share gains, as well as strength in backup, SaaS, data loss prevention and

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consumer. In addition, our recently acquired businesses, once again, exceeded expectations and delivered strong results.

Now let's take a closer look at some of the highlights from the quarter.

The Consumer business delivered its tenth consecutive quarter of year over year revenue growth. We continue to acquire and retain more customers given the strength of our product releases and the ongoing development of our eCommerce capabilities. Our new e-store enables us to up-sell and cross-sell more of our products and services. During the quarter, we successfully launched Norton 360 version 5, which has received over 95 positive reviews and awards to date. Norton 360 now includes enhanced PC Tuneup along with access to features such as the Norton Cybercrime Index, Norton Online Family, and Norton Safe Web.

Over the past several years, we have expanded our Consumer offerings to address the evolving needs of users. We now offer several solutions beyond traditional security, such as live services, online backup, and online safety services. Norton Online Family achieved a milestone with over 1 million registered families worldwide. These new offerings contributed one percentage point of revenue growth for the Consumer business this quarter and accounted for 4% of total Consumer revenue. We expanded distribution of our free Norton PC Checkup and Norton Security Scan services to include partners such as PC Drivers and the Ask Partner Network. Many consumers who take advantage of these solutions are not using traditional Norton products. This gives us the opportunity to expand the value we bring to these customers by introducing them to our full line of security suites and other services. We also expanded distribution of our traditional Norton products into alternative channels such as D-Link, Webster Bank, M&T Bank, and Tech America.

We continue to seed opportunities beyond the PC through our Norton Everywhere initiative. We are offering Norton Mobile Security to customers around the globe through our broad multi-channel distribution network. Recent partner wins include carriers, such as T-Mobile Austria and KDDI; retailers, such as Dixon's; and OEM's, such as Samsung through its App store. All of these partners have chosen to include Norton Mobile Security along with their Android phone and tablet offerings. A beta version of our mobile security offering is available in the Android Market, allowing us to get valuable direct feedback from an increasing number of end users. While early days, I'm pleased with the inroads we are making in providing consumers a hassle-free online experience across mobile phones, tablets and smart devices.

Now, I'll turn to our enterprise business,

I'm very pleased with the sales team's execution this quarter. Our disciplined account management and focused initiatives for selling across our portfolio have had a positive impact on our sales activity. During the quarter, 7 of our 13 transactions over \$10 million included sales from our security, backup and storage businesses. We signed multi-year agreements with two of the world's largest financial institutions for deployment of our Storage Foundation, NetBackup and Data Loss Prevention products. I'm also pleased with the sales team's ability to cross sell our encryption solutions with other security products into various customer segments and

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verticals. A U.S. services company signed a multi-million dollar contract which includes Control Compliance Suite, Encryption, User Authentication and Data Loss Prevention.

Moving on to our backup and archiving business. Our recently refreshed backup portfolio further differentiates us from the competition and is driving growth for this business. By integrating deduplication, archiving and virtualization support features into these products, we have made it easier for customers to adopt and standardize on our solutions. Customers value our ability to improve storage efficiency, and increase infrastructure utilization, as well as, reduce their total cost of ownership.

NetBackup, the #1 information management solution for the enterprise, posted strong double digit bookings growth and we are gaining share. This was driven by the rapid adoption of deduplication and demand for virtual machine protection. The team closed the largest transaction in NetBackup's history. We continue to beat the competition worldwide. Our capacity based pricing is helping us to capitalize on the unprecedented rate of information growth and provide our customers with a simpler way to deploy, manage and track licenses. For the March quarter, 36% of new license bookings for NetBackup utilized this model. Earlier this year, we launched the industry's only backup and deduplication appliance. We are seeing strong customer adoption of our all-in-one hardware and software solution.

In the mid market, Backup Exec delivered another quarter of strong results. We are seeing continued adoption of Backup Exec 2010, which has been one of our strongest backup releases to date. Small and medium sized businesses are benefitting from simplified information management through integrated deduplication and virtual machine protection. We continue to maintain a strong lead over our competition. We are expanding Backup Exec into new delivery models with Backup Exec.cloud, a SaaS offering, and a new mid market backup appliance. We expect both these offerings to be released later in the year.

Last week, we announced V-RAY, which extends our information management leadership in virtualized environments. Due to a lack of visibility, customers are leaving virtual machines unprotected as they are finding it difficult to manage, recover and dedupe information. Our internally developed technology provides organizations with complete visibility into virtual and physical backup images, simplifies recovery, and ensures that all machines are protected. It guarantees continuous data protection as well as maximizes return on investment from server virtualization. Given V-RAY's great value proposition and positive customer feedback, we are confident it will further differentiate our backup products from the competition.

Our market leading archiving product, Enterprise Vault posted double digit bookings growth driven by strength in e-Discovery. Customers are dealing with unprecedented growth in unstructured information, making it difficult to capture, categorize, and index key information. Enterprise Vault helps customers simplify information management as well as enforce retention policies. Last week, we announced Enterprise Vault 10 which is scheduled to be available in the second half of 2011. Enterprise Vault 10 will bring together the breadth of our security and backup portfolio by integrating our archiving capability with data loss prevention, encryption and mail security. This allows us to deliver content aware classification, giving customers the ability to automatically discard irrelevant data. I'm pleased with the progress we are making in

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helping our customers migrate to Symantec's next generation information management solutions.

In our Enterprise Security business, we continue to do well in the enterprise and large enterprise segments. Strong results were led by DLP, which saw revenue nearly double this quarter. Our DLP solution continues to shift the focus of security to protecting information, not just infrastructure. CISOs across all industries appreciate our ability to solve the security challenges they are facing as information continues to rapidly grow and threats become more targeted and more sophisticated. This has resulted in larger security transactions that include our information protection solutions as well as our endpoint security, management, and compliance suites.

We are making progress in the SMB security market by focusing on the unique needs of customers and partners in this segment. We plan to release the next version of Symantec Endpoint Protection Small Business Edition later this year. We are building on the successes realized in parts of our businesses to enhance our enterprise product and service solutions. We are taking Consumer's success in providing the fastest, lightest, and most effective protection capabilities and delivering a similar feature set that addresses the needs of small businesses. In addition, we've implemented an extensive beta program as part of our commitment to quality, one of the key ingredients that made the launch of our backup products so successful. I'm encouraged with the progress the development team is making on this key release and the diligence of our channel sales team in preparing and educating partners, as well as, expanding participation in our SMB partner specialization program.

Our SaaS offerings, known as Symantec.cloud, are leading the way to deliver security and management services from the cloud. SaaS realized healthy bookings growth in the quarter. Bookings in the Americas and APJ were particularly strong as we continued to expand our footprint outside EMEA. We increased cross-selling of our email, archiving, web, and endpoint security SaaS solutions into the larger enterprise installed base. We now offer 16 SaaS solutions globally.

We are helping customers gain visibility and control of their information and applications that are in the cloud. We've partnered with Salesforce.com to launch Symantec Security Assessment for Salesforce. This new security application is designed to help organizations extend the visibility of their IT infrastructure to include cloud-based applications and is scheduled to be available on the Salesforce AppExchange. We also plan to integrate our new security application with our Control Compliance Suite to provide customers a single view across information and applications that reside on premise and in the cloud.

In addition, we realized another quarter of double digit bookings growth in Managed Security Services. Cardinal Health, a Fortune 20 company, chose to implement our services to drive efficient and effective IT security management. Customers value our expertise in providing real-time, global protection from increasingly sophisticated and complex threats.

Our acquisitions exceeded expectations on all metrics as the team executed against our plans to integrate and grow these businesses. The SSL business posted its largest bookings quarter ever and grew the installed base double digits in both the premium and value segments. We

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continued to tie our encryption offerings to DLP sales, as customers increasingly look to solve their information protection challenges in a more holistic way. The progress we have made in effectively integrating acquired technologies, and leveraging our sales force and partner network are making a difference. I'm pleased with the team's ability to act quickly and streamline operational integration.

In conclusion, we closed the year on a strong note, driven by the strength of our industry leading products and technologies. We started the fiscal year with a clear set of priorities, and as I look back over the year, I am proud of what we've accomplished. Our consumer, backup, SaaS, and data loss prevention businesses are performing well. And I'm pleased with the stabilization in the storage management business. We have made great strides in effectively integrating our acquisitions and leveraging our distribution network to successfully grow these businesses. I am confident that we have laid the foundation for a strong fiscal year 2012.

And now, I'll turn it over to James for a review of our financial results.

James Beer, EVP & CFO

Thank you Enrique and good afternoon.

We posted better than expected fourth quarter results for each of our key financial metrics driven by solid bookings across all segments and geographies. Our record revenue and deferred revenue were as a result of strength in our backup, consumer, data loss prevention, and SaaS offerings as well as continued strong execution by our recently acquired businesses.

First, I'll review the financial results of our fiscal year 2011.

GAAP revenue totaled \$6.19 billion, up 4% in constant currency from the previous year. Non-GAAP operating margin of 24.8%, was down 280 basis points from the year ago period. Non-GAAP earnings per share were \$1.42, down 5% year over year as reported. Excluding the purchase accounting related deferred revenue write down of \$165 million from our three acquisitions, non-GAAP operating margin would have been 26.8%, down 90 basis points from the previous year and non-GAAP earnings per share would have totaled \$1.58, up 6% year over year as reported. The year over year margin decline reflects the growth of our lower margin emerging businesses and increased enterprise commissions costs associated with significantly higher fourth quarter bookings that will be reflected in our revenue during the coming quarters. As a result of our strong bookings performance, we closed the year with a record \$3.82 billion in GAAP deferred revenue, up 16% year-over-year, and generated \$1.8 billion of cash flow from operations, up 6% year over year as reported. Capital expenditure totaled \$268 million.

Now, I'll review the financial details of the March quarter.

GAAP revenue totaled \$1.67 billion, an increase of 8% versus the March 2010 period. Excluding the deferred revenue write down, revenue growth would have been 11%. License revenue grew 10% year-over-year driven by strength in our backup and DLP businesses. This is the first quarter of year over year license growth since September 2008. Content, subscription and maintenance revenues continued to grow steadily, increasing 7% year-over-year.

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Subscription sales from our consumer, SaaS and authentication solutions accounted for approximately 37% of total revenue, up from 34% in the year ago period.

The US dollar strengthened 1% against the Euro as compared to the year ago period. Towards the end of the quarter, however, the US dollar weakened significantly against the Yen increasing our international revenue as measured in US dollars. Overall, foreign currency movements positively impacted revenue growth by 1 percentage point year-over-year and approximately half a percentage point sequentially.

The tax rate for the quarter was 23.1%, below our guidance of 27%, primarily due to a one-time offshore tax benefit associated with the Veritas tax assessment for 2000 and 2001.

Net income of \$297 million resulted in fully diluted non-GAAP earnings per share of 38¢. Relative to our guidance expectations, we generated 9¢ of EPS benefit from better than expected revenue, lower OEM placement fees and one-time tax benefits. These benefits were offset by 6¢ of EPS dilution driven primarily by higher than expected sales commissions, given the strong bookings and deferred revenue generated in the quarter. Excluding the deferred revenue write down of \$50 million from our recent acquisitions, EPS would have been 5¢ higher at 43¢, up 8% year over year as reported.

The Consumer business generated revenue of \$514 million, up 5% year-over-year, driven by improving renewal rates, upselling customers to our premium suites, and cross selling customers to our new service offerings.

GAAP operating margin for our Consumer segment was 47%, as compared to 44% in the March 2010 quarter. Consumer operating margins stabilized over the course of the year as expected.

Turning now to the enterprise business, our sales execution continued to improve this past quarter. We closed a total of 489 transactions valued at more than \$300,000 each, up 32% year over year. 120 of these transactions generated more than \$1 million, up 38% year over year. Of our deals valued at more than \$1 million, 46% included sales from both our security and storage segments. In the \$300,000 and greater deal size category, the number of transactions involving both security and storage increased by 137% year over year. We generated 13 transactions valued at more than \$10 million as compared to 3 such transactions in the March 2010 quarter, as we were successful in selling the value inherent in the breadth of our security, backup and storage management portfolio.

The Storage and Server Management segment generated revenue of \$626 million, an increase of 7% as compared to the March 2010 quarter. Revenue from our backup and archiving business increased 16% year-over-year driven by our differentiated deduplication and virtual machine protection features. Revenue from our storage management business decreased 7% year-over-year as a result of weak bookings performance in the first half of FY11. However, I'm pleased that we recorded our second consecutive quarter of stable year over year bookings in the storage management business.

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GAAP operating margin for our Storage and Server Management segment was 44% as compared to 47% in the March 2010 quarter, driven by higher sales commissions resulting from strong deferred revenue growth during the quarter.

The Security and Compliance segment generated revenue of \$446 million, up 21% year-over-year, driven by strength in DLP, SaaS and authentication services. Total revenue for the three encryption and authentication businesses we acquired in fiscal year 2011 was \$81 million compared to our expectations of \$70 million. The VeriSign security business performed better than expected, generating revenue of \$61 million, while PGP and GuardianEdge posted revenue of \$20 million, also beating our expectations. The combined EPS dilution from these acquisitions was 1.5¢, half a penny less dilutive than our expectation of 2¢.

GAAP operating margin for our Security and Compliance segment was 13%, as compared to 28% in the March 2010 quarter, driven by increased expenses from our three acquisitions and higher sales commissions. Excluding the deferred revenue write-down, the Security and Compliance operating margin would have totaled 22%.

Our Services business generated revenue of \$87 million, as we continue to transition our consulting practice to specialized partners. GAAP operating margin for our Services segment was 7%, as compared to 11% in the March 2010 quarter.

Turning now to total company margins. Non-GAAP gross margin was 85.8% for the March 2011 quarter, up 50 basis points from the year ago period. Non-GAAP operating margin was 24.1%, down 390 basis points compared to the March 2010 quarter, primarily driven by our acquisitions and higher commission expenses. Excluding the effect of the acquired deferred revenue write-down, our operating margin for the March quarter would have been 26.4%.

We generated another quarter of strong operating cash flow. Cash flow from operating activities for the March quarter totaled \$689 million.

We exited the March quarter with \$2.96 billion in cash, cash equivalents and short-term investments, with approximately 46% of our cash balance in the U.S. During the quarter, we spent \$180 million to repurchase approximately 11 million shares at an average price of \$17.86.

GUIDANCE:

Now, I'd like to spend a few minutes discussing our guidance for the June 2011 quarter. We are assuming an exchange rate of \$1.42 per Euro versus the weighted average and end of period rate of \$1.26 per Euro from the June 2010 quarter. Our guidance assumes an effective tax rate, before consideration of any loss from our joint venture, of 27% and a common stock equivalents total for the quarter of approximately 765 million shares. Our CSE guidance does not include the potential for an increase in the share count associated with our convertible notes in the event that our average stock price is at or above \$19.12 for the quarter.

Thus, for the June 2011 quarter, we expect GAAP revenue to be in the range of \$1.570 to \$1.590 billion, as compared to revenue of \$1.43 billion during the June 2010 quarter. We expect year-over-year revenue to be up 10% to 11% on an as reported basis. The VeriSign security business

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is expected to contribute \$70 million to our June quarter revenue. As a reminder, we will complete a full year of operations for PGP and GuardianEdge in the June quarter, and as such, we will no longer be breaking out guidance for these businesses.

GAAP earnings per share are estimated to be between 19¢ and 20¢ as compared to 20¢ in the year ago period. Non-GAAP earnings per share are estimated to be between 36¢ and 37¢ as compared to 35¢ in the year ago period. We expect a penny of dilution as a result of our VeriSign acquisition. Including \$30 million of deferred revenue write-down amortization for the June quarter, non-GAAP earnings per share would be higher by approximately 2¢ and would be expected to be between 38¢ and 39¢.

GAAP deferred revenue is estimated to be between \$3.60 and \$3.63 billion, compared to \$3 billion at the end of June 2010. We are expecting deferred revenue to be up 20% to 21% on an as reported basis. 72% or \$1.14 billion of our June quarter revenue is estimated to come from the balance sheet.

Also in the June quarter, we expect to re-pay the remaining \$600 million of our 2011 convertible notes from our domestic cash balance.

In conclusion, we were pleased with our strong bookings performance at our fiscal year end. We will continue to focus on consistent execution and managing our expenses judiciously to drive top line growth in the coming fiscal year.

And now, I'll turn it back to Enrique.

Return to Enrique Salem for Fiscal 2012 Remarks

Thank you James. I'd now like to take a moment to discuss our focus areas for this fiscal year.

This year, we will build on the progress we made in 2011. It's clear that a handful of key trends are transforming the industry and having a profound impact on both consumers and enterprises. Customers are looking for ways to build and use the cloud to improve efficiency. They also want to virtualize their environments to save money. And, they want to enable the use of personal mobile technology in the workplace to enhance productivity. Meanwhile, information continues to grow exponentially and threats are becoming more sophisticated and targeted.

This year we will execute on our vision and strategy by delivering solutions that allow customers to confidently adopt cloud, virtualization, and mobile technologies. We will also focus on energizing our core businesses by helping customers deal with the challenges of rapid information growth and new more targeted and sophisticated attacks. We will pay particular attention to the SMB market across both of these priorities, tailoring more of our solutions and go-to-market efforts to the unique needs of the SMB customer.

We look forward to sharing more details with you at our upcoming Financial Analyst Day.

And with that, I'll turn it over to Helyn so that we can start taking some of your questions.

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Hand over to Helyn for Q&A

Thanks. Operator will you please begin polling for questions.

While the operator is polling for questions, I'd like to update you on a few upcoming events. We will be hosting our financial analyst day on Thursday, May 26th in New York. Please note that registration is required to attend the event. In addition, we will be presenting at the JPMorgan conference on May 16th and the Bank of America Merrill Lynch conference on June 2nd. Lastly, we will be reporting our fiscal first quarter results on July 27th. For a complete list of all of our investor related events, please visit our events calendar on the IR website.

Operator, we are ready for the first question.

Return to Enrique Salem for Final Remarks

I'm pleased with the team's execution and better than expected March quarter results. I'm optimistic about our prospects for this year. Thanks for joining us this afternoon. I look forward to speaking with you again soon.

Thank you

Please direct all questions to investor relations at 650-527-5523.