

VERITAS SOFTWARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2003 | 2002 |
| Cash flows from operating activities: | | |
| Net income | \$ 168,851 | \$ 106,737 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Cumulative effect of change in accounting principle, net of tax | 6,249 | - |
| Depreciation and amortization | 83,546 | 80,087 |
| Amortization of other intangibles | 32,895 | 54,048 |
| Amortization of developed technology | 30,379 | 50,264 |
| Amortization of original issue discount on convertible notes | 10,696 | 12,099 |
| In-process research and development | 19,400 | - |
| Provision for doubtful accounts | 1,446 | 4,017 |
| Stock-based compensation | 1,405 | - |
| Tax benefits from stock plans | 24,869 | 19,593 |
| Loss on extinguishment of debt | 4,714 | - |
| Loss on strategic investments | 3,518 | 14,802 |
| Gain on sale of assets | (824) | (62) |
| Deferred income taxes | (21,545) | (39,437) |
| Changes in operating assets and liabilities, net of effects of business acquisitions: | | |
| Accounts receivable | 31,766 | 57,490 |
| Other assets | (4,283) | 9,980 |
| Accounts payable | (12,052) | (2,228) |
| Accrued compensation and benefits | (8,158) | (8,075) |
| Accrued acquisition and restructuring costs | (19,621) | (1,414) |
| Other accrued liabilities | (10,694) | 4,533 |
| Income taxes payable | 73,227 | 60,570 |
| Deferred revenue | 39,376 | 17,663 |
| Net cash provided by operating activities | 455,160 | 440,667 |
| Cash flows from investing activities: | | |
| Purchases of investments | (1,367,387) | (1,258,682) |
| Sales and maturities of investments | 1,382,723 | 1,122,807 |
| Purchases of property and equipment | (58,437) | (83,704) |
| Business acquisitions, net of cash acquired | (398,650) | - |
| Payments made for prior year business and technology acquisitions | (4,238) | (7,267) |
| Net cash used in investing activities | (445,989) | (226,846) |
| Cash flows from financing activities: | | |
| Net proceeds from issuance of convertible subordinated notes | 508,300 | - |
| Redemption of convertible subordinated notes | (391,671) | - |
| Repurchase of common stock | (316,239) | - |
| Proceeds from issuance of common stock | 132,510 | 80,422 |
| Net cash provided by (used in) financing activities | (67,100) | 80,422 |
| Effect of exchange rate changes | 16,479 | (1,091) |
| Net increase (decrease) in cash and cash equivalents | (41,450) | 293,152 |
| Cash and cash equivalents at the beginning of the period | 764,062 | 538,419 |
| Cash and cash equivalents at the end of the period | \$ 722,612 | \$ 831,571 |