

**MCAFFEE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)  
(Unaudited)

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Cash and marketable securities	\$ 801,480	\$ 593,725
Accounts receivable, net	240,411	322,986
Prepaid expenses, income taxes and other current assets	294,033	260,181
Property and equipment, net	112,356	114,435
Deferred taxes	606,852	614,807
Goodwill, intangibles and other long term assets, net	1,518,144	1,551,747
Total assets	<u>\$ 3,573,276</u>	<u>\$ 3,457,881</u>
<b>Liabilities:</b>		
Accounts payable	\$ 52,958	\$ 41,529
Accrued liabilities	273,016	298,003
Current debt	100,000	-
Deferred revenue	1,269,352	1,293,110
Accrued taxes and other long term liabilities	59,201	72,751
Total liabilities	<u>1,754,527</u>	<u>1,705,393</u>
<b>Stockholders' Equity:</b>		
Common stock	1,832	1,812
Treasury stock	(836,365)	(819,861)
Additional paid-in capital	2,089,526	2,053,245
Accumulated other comprehensive income	(25,984)	(18,992)
Retained earnings	589,740	536,284
Total stockholders' equity	<u>1,818,749</u>	<u>1,752,488</u>
Total liabilities and stockholders' equity	<u>\$ 3,573,276</u>	<u>\$ 3,457,881</u>

**MCAFFEE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net revenue	\$ 447,709	\$ 369,641
Cost of net revenue (1)	93,662	76,376
Amortization of purchased technology and patents	19,394	13,560
Gross profit	334,653	279,705
Operating costs:		
Research and development (1)	78,183	58,308
Sales and marketing (1) (2)	148,631	120,827
General and administrative (1) (2)	37,633	38,841
Amortization of intangibles	9,995	5,340
Restructuring charges	5,060	71
Acquisition related costs	3,276	1,692
Loss on sale/disposal of assets and technology	59	3
Investigation-related and other costs	46	1,376
Total operating costs	282,883	226,458
Income from operations	51,770	53,247
Interest and other income, net	2,977	15,497
Impairment of marketable securities	(710)	-
Income before provision for income taxes	54,037	68,744
Provision for income taxes	581	38,575
Net income	\$ 53,456	\$ 30,169
Net income per share - basic	\$ 0.35	\$ 0.19
Net income per share - diluted	\$ 0.34	\$ 0.18
Shares used in per share calculation - basic	153,721	160,992
Shares used in per share calculation - diluted	156,169	164,867

(1) Cash and non-cash stock-based compensation charges are included as follows:

Cost of net revenue	\$ 1,171	\$ 444
Research and development	6,850	3,621
Sales and marketing	9,763	3,896
General and administrative	6,251	3,915
	\$ 24,035	\$ 11,876

(2) In 2008, we reclassified \$2.8M of sales order operation related expenses from general and administrative to sales and marketing expenses to conform with current year presentation.

**MCAFEE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Net income	\$ 53,456	\$ 30,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,909	28,489
Impairment of marketable securities	710	-
Amortization of discount on debt	389	-
Non-cash restructuring charge	3,912	(281)
Deferred income taxes	4,113	34,587
Decrease in fair value of options accounted for as liabilities	-	(5,483)
Non-cash stock-based compensation expense	24,035	11,657
Excess tax benefits from stock-based compensation	(4,241)	(9,520)
Other non-cash items	580	(3,247)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	74,018	45,321
Prepaid expenses, prepaid taxes and other assets	5,865	(10,823)
Accounts payable	10,583	(7,741)
Accrued taxes and other liabilities	(80,287)	(32,860)
Deferred revenue	10,934	(8,894)
Net cash provided by operating activities	<u>145,976</u>	<u>71,374</u>
Cash flows from investing activities:		
Purchase of marketable securities	(133,932)	(178,052)
Proceeds from sales of marketable securities	10,147	114,451
Proceeds from maturities of marketable securities	17,292	151,464
Acquisitions, net of cash acquired	(2,455)	(55,041)
Increase in restricted cash	-	(12)
Purchase of property, equipment and leasehold improvements	(11,029)	(10,493)
Net cash (used in) provided by investing activities	<u>(119,977)</u>	<u>22,317</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock from option plans	7,757	53,677
Excess tax benefits from stock-based compensation	4,241	9,520
Repurchase of common stock	(16,504)	(127,175)
Proceeds from debt	100,000	-
Net cash provided by (used in) financing activities	<u>95,494</u>	<u>(63,978)</u>
Effect of exchange rate fluctuations on cash	(18,998)	30,441
Net increase in cash and cash equivalents	102,495	60,154
Cash and cash equivalents at beginning of period	483,302	394,158
Cash and cash equivalents at end of period	<u>\$ 585,797</u>	<u>\$ 454,312</u>

**MCAFEE, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net revenue:		
GAAP net revenue	\$ 447,709	\$ 369,641
Gross profit:		
GAAP gross profit	\$ 334,653	\$ 279,705
Non-cash stock-based compensation charges and stock-based compensation charges related to tender offer	(A) 1,171	465
Amortization of purchased technology and patents	(B) 19,394	13,560
Non-GAAP gross profit	<u>\$ 355,218</u>	<u>\$ 293,730</u>
Operating income:		
GAAP operating income	\$ 51,770	\$ 53,247
Non-cash stock-based compensation charges and stock-based compensation charges related to tender offer	(A) 24,035	12,258
Amortization of purchased technology and patents	(B) 19,394	13,560
Amortization of intangibles	(B) 9,995	5,340
Restructuring charges	(C) 5,060	71
Acquisition related costs	(D) 3,276	1,692
Loss on sale/disposal of assets and technology	(E) 59	3
Investigation-related and other costs	(F) 46	1,376
Change in fair value of stock-based liability awards	(G) -	(5,483)
Non-GAAP operating income	<u>\$ 113,635</u>	<u>\$ 82,064</u>
Net income:		
GAAP net income	\$ 53,456	\$ 30,169
Non-cash stock-based compensation charges and stock-based compensation charges related to tender offer	(A) 24,035	12,258
Amortization of purchased technology and patents	(B) 19,394	13,560
Amortization of intangibles	(B) 9,995	5,340
Restructuring charges	(C) 5,060	71
Acquisition related costs	(D) 3,276	1,692
Loss on sale/disposal of assets and technology	(E) 59	3
Investigation-related and other costs	(F) 46	1,376
Change in fair value of stock-based liability awards	(G) -	(5,483)
Impairment of marketable securities	(H) 710	-
Provision for income taxes	(I) 581	38,575
Non-GAAP income before provision for income taxes	116,612	97,561
Non-GAAP provision for income taxes	(J) 27,987	26,341
Non-GAAP net income	<u>\$ 88,625</u>	<u>\$ 71,220</u>
Net income per share - diluted: *		
GAAP net income per share - diluted	\$ 0.34	\$ 0.18
Non-cash stock-based compensation charges and stock-based compensation charges related to tender offer adjustment per share	(A) 0.15	0.07
Other adjustments per share	(B)-(J) 0.07	0.17
Non-GAAP net income per share - diluted *	<u>\$ 0.57</u>	<u>\$ 0.43</u>
Shares used to compute Non-GAAP net income per share - diluted	<u>156,169</u>	<u>164,867</u>

\* Non-GAAP net income per share is computed independently for each period presented. The sum of GAAP net income per share and non-GAAP adjustments may not equal non-GAAP net income per share due to rounding differences.

This presentation includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures and the material limitations of these measures, see items (A) through (J).

Items (A) through (J) on the "Reconciliation of GAAP to Non-GAAP Financial Measures" table are listed to the right of certain categories under "Gross profit," "Operating income," "Net income" and "Net income per share - diluted" and correspond to the categories explained in further detail below under paragraphs (A) through (J).

While we currently do not believe a non-GAAP net revenue metric is meaningful, GAAP net revenue has been provided to enable an understanding of the relationships between GAAP net revenue and the GAAP and non-GAAP financial measures included in the table above. As an example, this facilitates non-GAAP expense to revenue analysis. The non-GAAP financial measures are non-GAAP gross profit, non-GAAP operating income, non-GAAP net income and non-GAAP net income per share - diluted, which adjust for the following items: non-cash stock-based compensation charges and stock-based compensation charges related to tender offer, amortization of purchased technology, patents and intangibles, restructuring charges, acquisition related costs, loss on sale/disposal of assets and technology, investigation related and other costs, change in fair value of stock-based liability awards, impairment of marketable securities, income taxes and certain other items. We believe that the presentation of these non-GAAP financial measures is useful to investors, and such measures are used by our management, for the reasons associated with each of the adjusting items as described below:

- (A) *Non-cash stock-based compensation charges and stock-based compensation charges related to tender offer* consist of non-cash charges relating to stock-based awards issued to employees and outside directors including stock options, restricted stock awards and units, restricted stock units with performance-based vesting and our Employee Stock Purchase Plan determined in accordance with SFAS 123R. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, the Company believes that the exclusion of non-cash stock-based compensation charges allows for more accurate comparisons of our operating results to our peer companies, and for a more accurate comparison of our financial results to previous periods. In addition, the Company believes it is useful to investors to understand the specific impact of the application of SFAS 123R on our operating results. The amount in 2008 also includes stock-based compensation charges related to the tender offer.
- (B) *Amortization of purchased technology, patents, and intangibles* are non-cash charges that can be impacted by the timing and magnitude of our acquisitions. The Company considers its operating results without these charges when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes such charges when presenting non-GAAP financial measures. The Company believes the assessment of its operations excluding these costs is relevant to its assessment of internal operations and comparisons to the performance of other companies in its industry.
- (C) *Restructuring charges* include excess facility and asset-related restructuring charges and severance costs resulting from reductions of personnel driven by modifications to the Company's business strategy, such as acquisitions or divestitures. These costs may vary in size based on the Company's restructuring plan. In addition, the Company's assumptions are continually evaluated, which may increase or reduce the charges in a specific period. The Company's management excludes these costs when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes these charges when presenting non-GAAP financial measures.
- (D) *Acquisition related costs* include expenses associated with integration activities of acquisitions and acquisition retention bonuses and severance. These expenses vary significantly in size and amount and are disregarded by the Company's management when evaluating and predicting earnings trends because these charges are unique to specific acquisitions, and are therefore excluded by the Company when presenting non-GAAP financial measures.
- (E) *Loss on sale/disposal of assets and technology* relate to the sale or disposal of assets of the Company. These losses or gains can vary significantly in size and amount. The Company's management excludes these losses or gains when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes these items when presenting non-GAAP financial measures. In addition, in periods where the Company realizes gains or incurs losses on the sale of assets and/or technology, the Company believes it is useful to investors to highlight the specific impact of these amounts on its operating results.
- (F) *Investigation-related and other costs* are charges related to discrete and unusual events where the Company has incurred significant costs which, in the Company's view, are not incurred in the ordinary course of operations. Recent examples of such charges include legal expenses related to the special committee investigation into the Company's past stock option granting practices which was completed in December 2007. The Company's management excludes these costs when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes these charges when presenting non-GAAP financial measures. Further, the Company believes it is useful to investors to understand the specific impact of these charges on its operating results.
- (G) *Change in fair value of stock-based liability awards* constitutes the expense or benefit associated with the change in fair value of stock-based liability awards at the end of the each reporting period. The Company's management excludes these (benefits) costs when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes these amounts when presenting non-GAAP financial measures.
- (H) *Impairment of marketable securities* constitutes the "other than temporary" decline in the fair value of the Company's available-for-sale securities. The Company's management excludes these losses when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes this loss when presenting non-GAAP financial measures.
- (I) *Provision for income taxes* is our GAAP provision that must be added back to GAAP net income to reconcile to non-GAAP income before taxes.
- (J) *Non-GAAP provision for income taxes* reflects a 24% non-GAAP effective tax rate in 2009 and a 27% non-GAAP effective tax rate in 2008 which is used by the Company's management to calculate non-GAAP net income. Management believes that the 24% and 27% effective tax rate in each respective period is reflective of a long-term normalized tax rate under the global McAfee legal entity and tax structure as of the respective period end.

**MCAFEE, INC. AND SUBSIDIARIES**  
**PROJECTED GAAP REVENUE AND RECONCILIATION OF PROJECTED**  
**GAAP NET INCOME PER SHARE TO PROJECTED NON-GAAP NET INCOME PER SHARE**  
**(Unaudited)**

	<b>Q2 FY'09</b>
Projected GAAP revenue range	<b>\$455M - \$475M</b>
Projected net income per share reconciliation:	
Projected GAAP net income per share range - diluted	<b>\$0.28 - \$0.32</b>
Add back:	
Projected non-cash stock-based compensation adjustment per share, net of tax (1)	\$0.13 - \$0.17
Projected other adjustments per share, net of tax (2)	\$0.09 - \$0.13
Projected non-GAAP net income per share range - diluted*	<b>\$0.54 - \$0.58</b>

\* We believe that providing a forecast of the non-GAAP items set forth above is useful to investors, and such items are used by our management, for the reasons associated with each of the adjusting items as described below.

- (1) *Non-cash stock-based compensation charges* consist of non-cash charges relating to stock-based awards issued to employees and outside directors including stock options, restricted stock awards and units, restricted stock units with performance-based vesting and our Employee Stock Purchase Plan determined in accordance with SFAS 123R. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, the Company believes that the exclusion of non-cash stock-based compensation charges allows for more accurate comparisons of our operating results to our peer companies, and for a more accurate comparison of our financial results to previous periods. In addition, the Company believes it is useful to investors to understand the specific impact of the application of SFAS 123R on our operating results.
- (2) Other adjustments include amortization of purchased technology, patents, and intangibles, investigation-related and other costs, restructuring charges, acquisition related costs, loss/gain on sale/disposal of assets and technology, income taxes and certain other items. We exclude these items because we believe they are not directly related to the operation of our business. A more detailed explanation of the reasons why we exclude these categories from our GAAP net income is contained in paragraphs (B) through (J) above under the table entitled "Reconciliation of GAAP to Non-GAAP Financial Measures."

For Q2 FY'09, this guidance reflects an assumed annual GAAP tax rate of 12% and an annual non-GAAP tax rate of 24%.

**MCAFEE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED REVENUE BY PRODUCT GROUPS**  
(in thousands)  
(Unaudited)

	<u>Three Months Ended March 31, 2009</u>		<u>Three Months Ended December 31, 2008</u>		<u>Three Months Ended September 30, 2008</u>		<u>Three Months Ended June 30, 2008</u>		<u>Three Months Ended March 31, 2008</u>	
McAfee Corporate	\$ 275,975	62%	\$ 260,615	61%	\$ 246,713	60%	\$ 239,998	60%	\$ 216,411	59%
McAfee Consumer	171,734	38%	163,372	39%	162,966	40%	156,760	40%	153,230	41%
Total McAfee	<u>\$ 447,709</u>	<u>100%</u>	<u>\$ 423,987</u>	<u>100%</u>	<u>\$ 409,679</u>	<u>100%</u>	<u>\$ 396,758</u>	<u>100%</u>	<u>\$ 369,641</u>	<u>100%</u>