

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

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and marketable securities	\$ 905,863	\$ 593,725
Accounts receivable, net	231,764	322,986
Prepaid expenses, income taxes and other current assets	362,070	260,181
Property and equipment, net	128,289	114,435
Deferred taxes	604,359	614,807
Goodwill, intangibles and other long-term assets, net	1,676,198	1,551,747
Total assets	<u>\$ 3,908,543</u>	<u>\$ 3,457,881</u>
Liabilities:		
Accounts payable	\$ 46,339	\$ 41,529
Accrued liabilities	343,388	298,003
Current debt	100,000	-
Deferred revenue	1,333,763	1,293,110
Accrued taxes and other long-term liabilities	66,383	72,751
Total liabilities	<u>1,889,873</u>	<u>1,705,393</u>
Stockholders' Equity:		
Common stock	1,859	1,812
Treasury stock	(841,598)	(819,861)
Additional paid-in capital	2,204,260	2,053,245
Accumulated other comprehensive loss	(3,492)	(18,992)
Retained earnings	657,641	536,284
Total stockholders' equity	<u>2,018,670</u>	<u>1,752,488</u>
Total liabilities and stockholders' equity	<u>\$ 3,908,543</u>	<u>\$ 3,457,881</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net revenue	\$ 485,271	\$ 409,679	\$ 1,401,666	\$ 1,176,078
Cost of net revenue (1) (2)	107,410	84,899	297,855	237,651
Amortization of purchased technology	19,360	13,610	57,193	40,527
Gross profit	<u>358,501</u>	<u>311,170</u>	<u>1,046,618</u>	<u>897,900</u>
Operating costs:				
Research and development (1)	82,231	64,113	238,841	184,316
Sales and marketing (1) (3)	155,506	139,108	461,566	391,457
General and administrative (1) (3)	40,779	48,979	120,180	132,644
Acquisition related costs	25,114	1,122	31,798	4,449
Amortization of intangibles	10,492	5,502	30,600	16,478
Restructuring charges	1,714	2,675	10,919	532
Investigation related and other costs	-	293	2,325	1,935
Loss on sale/disposal of assets and technology	160	15	238	82
Legal settlement	-	-	-	9,000
Total operating costs	<u>315,996</u>	<u>261,807</u>	<u>896,467</u>	<u>740,893</u>
Income from operations	42,505	49,363	150,151	157,007
Interest and other income, net	1,069	16,905	3,249	45,442
Impairment of marketable securities	-	(12,356)	(710)	(14,926)
Income before provision for income taxes	43,574	53,912	152,690	187,523
Provision for income taxes	6,785	5,104	33,792	60,720
Net income	<u>\$ 36,789</u>	<u>\$ 48,808</u>	<u>\$ 118,898</u>	<u>\$ 126,803</u>
Net income per share - basic	<u>\$ 0.23</u>	<u>\$ 0.32</u>	<u>\$ 0.76</u>	<u>\$ 0.81</u>
Net income per share - diluted	<u>\$ 0.23</u>	<u>\$ 0.31</u>	<u>\$ 0.75</u>	<u>\$ 0.79</u>
Shares used in per share calculation - basic	<u>157,186</u>	<u>152,347</u>	<u>155,580</u>	<u>157,350</u>
Shares used in per share calculation - diluted	<u>159,925</u>	<u>155,006</u>	<u>158,250</u>	<u>160,590</u>

(1) Stock-based compensation charges are included as follows:

Cost of net revenue	\$ 1,598	\$ 1,132	\$ 4,406	\$ 2,602
Research and development	6,699	4,970	19,904	13,036
Sales and marketing	10,646	9,355	36,841	22,469
General and administrative	7,656	5,723	20,563	14,625
	<u>\$ 26,599</u>	<u>\$ 21,180</u>	<u>\$ 81,714</u>	<u>\$ 52,732</u>

(2) In the three and nine months ended September 30, 2009, cost of net revenue includes \$2.7M of acquisition-related costs.

(3) In the three and nine months ended September 30, 2008, we reclassified \$2.7M and \$8.3M of sales order operation related expenses from general and administrative to sales and marketing expenses to conform with current period presentation.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Net income	\$ 118,898	\$ 126,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,402	86,292
Impairment of marketable securities	710	14,926
Non-cash restructuring charge (benefit)	840	(3,465)
Deferred income taxes	12,993	22,508
Decrease in fair value of options accounted for as liabilities	-	(5,483)
Non-cash stock-based compensation expense	75,656	52,513
Excess tax benefits from stock-based awards	(8,643)	(17,167)
Other non-cash items	4,592	(4,510)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	95,744	23,173
Prepaid expenses and other assets	(72,097)	(48,391)
Accounts payable	2,203	3,532
Accrued taxes and other liabilities	(25,150)	(23,373)
Deferred revenue	19,071	11,120
Net cash provided by operating activities	<u>351,219</u>	<u>238,478</u>
Cash flows from investing activities:		
Purchase of marketable securities	(307,789)	(252,031)
Proceeds from sales of marketable securities	14,830	347,871
Proceeds from maturities of marketable securities	141,265	426,035
Acquisitions, net of cash acquired	(171,618)	(103,237)
Purchase of property and equipment	(44,401)	(34,745)
Other investing activities	158	-
Net cash (used in) provided by investing activities	<u>(367,555)</u>	<u>383,893</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under stock option and stock purchase plans	70,548	117,307
Excess tax benefits from stock-based awards	8,643	17,167
Repurchase of common stock	(21,737)	(515,571)
Bank borrowings	100,000	-
Other financing activities	(4,949)	(869)
Net cash provided by (used in) financing activities	<u>152,505</u>	<u>(381,966)</u>
Effect of exchange rate fluctuations on cash	19,902	(23,742)
Net increase in cash and cash equivalents	156,071	216,663
Cash and cash equivalents at beginning of period	483,302	394,158
Cash and cash equivalents at end of period	<u>\$ 639,373</u>	<u>\$ 610,821</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net revenue:				
GAAP net revenue	\$ 485,271	\$ 409,679	\$ 1,401,666	\$ 1,176,078
Gross profit:				
GAAP gross profit	\$ 358,501	\$ 311,170	\$ 1,046,618	\$ 897,900
Stock-based compensation charges (A)	1,598	1,132	4,406	2,623
Amortization of purchased technology (B)	19,360	13,610	57,193	40,527
Acquisition related costs (C)	2,717	-	2,717	-
Non-GAAP gross profit	\$ 382,176	\$ 325,912	\$ 1,110,934	\$ 941,050
Operating income:				
GAAP operating income	\$ 42,505	\$ 49,363	\$ 150,151	\$ 157,007
Stock-based compensation charges (A)	26,599	21,180	81,714	53,114
Amortization of purchased technology (B)	19,360	13,610	57,193	40,527
Acquisition related costs (C)	27,831	1,122	34,515	4,449
Amortization of intangibles (B)	10,492	5,502	30,600	16,478
Restructuring charges (D)	1,714	2,675	10,919	532
Investigation related and other costs (E)	-	293	2,325	1,935
Loss on sale/disposal of assets and technology (F)	160	15	238	82
Legal settlement (G)	-	-	-	9,000
Acquired intangible asset expensed to research and development (H)	-	2,000	-	2,000
Change in fair value of stock-based liability awards (I)	-	-	-	(5,483)
Non-GAAP operating income	\$ 128,661	\$ 95,760	\$ 367,655	\$ 279,641
Net income:				
GAAP net income	\$ 36,789	\$ 48,808	\$ 118,898	\$ 126,803
Stock-based compensation charges (A)	26,599	21,180	81,714	53,114
Amortization of purchased technology (B)	19,360	13,610	57,193	40,527
Acquisition related costs (C)	27,831	1,122	34,515	4,449
Amortization of intangibles (B)	10,492	5,502	30,600	16,478
Restructuring charges (D)	1,714	2,675	10,919	532
Investigation related and other costs (E)	-	293	2,325	1,935
Loss on sale/disposal of assets and technology (F)	160	15	238	82
Legal settlement (G)	-	-	-	9,000
Acquired intangible asset expensed to research and development (H)	-	2,000	-	2,000
Change in fair value of stock-based liability awards (I)	-	-	-	(5,483)
Impairment of marketable securities (J)	-	12,356	710	14,926
Provision for income taxes (K)	6,785	5,104	33,792	60,720
Non-GAAP income before provision for income taxes	129,730	112,665	370,904	325,083
Non-GAAP provision for income taxes (L)	31,135	30,420	89,017	87,772
Non-GAAP net income	\$ 98,595	\$ 82,245	\$ 281,887	\$ 237,311
Net income per share - diluted: *				
GAAP net income per share - diluted	\$ 0.23	\$ 0.31	\$ 0.75	\$ 0.79
Stock-based compensation charges per share (A)	0.17	0.14	0.52	0.33
Other adjustments per share (B)-(L)	0.22	0.08	0.51	0.36
Non-GAAP net income per share - diluted *	\$ 0.62	\$ 0.53	\$ 1.78	\$ 1.48
Shares used to compute Non-GAAP net income per share - diluted	159,925	155,006	158,250	160,590

\* 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 (L).

Items (A) through (L) 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 (L).

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: stock-based compensation charges, amortization of purchased technology 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) *Stock-based compensation charges* consist of 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. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, the Company believes that the exclusion of 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 stock-based compensation charges on our operating results. The amount in 2008 also includes stock-based compensation charges related to the tender offer.
- (B) *Amortization of purchased technology 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) *Acquisition related costs* include direct costs of the acquisition and expenses related to acquisition integration activities. Examples of costs directly related to an acquisition include transactions fees, due diligence costs, acquisition retention bonuses and severance, fair value adjustments related to contingent consideration, amounts or recoveries subject to escrow provisions, and certain legal costs related to acquired litigation. 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.
- (D) *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.
- (E) *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.
- (F) *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.
- (G) *Legal settlement* is a settlement related to a patent legal matter. The Company's management excludes this charge when evaluating its ongoing performance and/or predicting earnings trends, and therefore excludes this amount when presenting non-GAAP financial measures.
- (H) *Acquired intangible asset expensed to research and development* is related to purchase of an intangible asset, which, similar to in-process research and development costs, was expensed immediately. The Company's management excludes this cost when evaluating its ongoing performance and/or predicting its earnings trends, and therefore excludes this cost when presenting non-GAAP financial measures. Further, the Company believes it is useful to investors to understand the specific impact of this cost on its operating results.
- (I) *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.
- (J) *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.
- (K) *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.
- (L) *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>Q4 FY'09</b>
Projected GAAP revenue range	<b>\$505M - \$525M</b>
Projected net income per share reconciliation:	
Projected GAAP net income per share range - diluted	<b>\$0.32 - \$0.38</b>
Add back:	
Projected stock-based compensation adjustment per share, net of tax (1)	\$0.11 - \$0.15
Projected other adjustments per share, net of tax (2)	\$0.13 - \$0.17
Projected non-GAAP net income per share range - diluted*	<b>\$0.61 - \$0.65</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) *Stock-based compensation charges* consist of 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. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, the Company believes that the exclusion of 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 stock-based compensation charges on our operating results.
- (2) Other adjustments include amortization of purchased technology 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 (L) above under the table entitled "Reconciliation of GAAP to Non-GAAP Financial Measures."

For Q4 FY'09, this guidance reflects an assumed annual GAAP and non-GAAP tax rate of 24%.

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

	<u>Three Months Ended September 30, 2009</u>		<u>Three Months Ended June 30, 2009</u>		<u>Three Months Ended March 31, 2009</u>		<u>Three Months Ended December 31, 2008</u>		<u>Three Months Ended September 30, 2008</u>	
McAfee Corporate	\$ 308,573	64%	\$ 291,409	62%	\$ 275,975	62%	\$ 260,615	61%	\$ 246,713	60%
McAfee Consumer	176,698	36%	177,277	38%	171,734	38%	163,372	39%	162,966	40%
Total McAfee	<u>\$ 485,271</u>	<u>100%</u>	<u>\$ 468,686</u>	<u>100%</u>	<u>\$ 447,709</u>	<u>100%</u>	<u>\$ 423,987</u>	<u>100%</u>	<u>\$ 409,679</u>	<u>100%</u>