

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and marketable securities	\$ 886,079	\$ 593,725
Accounts receivable, net	265,986	322,986
Prepaid expenses, income taxes and other current assets	294,878	260,181
Property and equipment, net	121,165	114,435
Deferred taxes	611,574	614,807
Goodwill, intangibles and other long term assets, net	1,531,237	1,551,747
Total assets	<u>\$ 3,710,919</u>	<u>\$ 3,457,881</u>
Liabilities:		
Accounts payable	\$ 68,520	\$ 41,529
Accrued liabilities	234,217	298,003
Current debt	100,000	-
Deferred revenue	1,307,573	1,293,110
Accrued taxes and other long term liabilities	62,360	72,751
Total liabilities	<u>1,772,670</u>	<u>1,705,393</u>
Stockholders' Equity:		
Common stock	1,853	1,812
Treasury stock	(839,609)	(819,861)
Additional paid-in capital	2,166,326	2,053,245
Accumulated other comprehensive income	(11,173)	(18,992)
Retained earnings	620,852	536,284
Total stockholders' equity	<u>1,938,249</u>	<u>1,752,488</u>
Total liabilities and stockholders' equity	<u>\$ 3,710,919</u>	<u>\$ 3,457,881</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net revenue	\$ 468,686	\$ 396,758	\$ 916,395	\$ 766,399
Cost of net revenue (1)	96,783	76,376	190,445	152,752
Amortization of purchased technology	18,439	13,357	37,833	26,917
Gross profit	<u>353,464</u>	<u>307,025</u>	<u>688,117</u>	<u>586,730</u>
Operating costs:				
Research and development (1)	78,428	61,895	156,611	120,203
Sales and marketing (1) (2)	157,429	131,523	306,060	252,350
General and administrative (1) (2)	41,767	44,823	79,400	83,664
Amortization of intangibles	10,113	5,636	20,108	10,976
Restructuring charges (benefits)	4,145	(2,214)	9,205	(2,143)
Acquisition related costs	3,408	1,635	6,684	3,327
Investigation related and other costs	2,279	266	2,325	1,642
Loss on sale/disposal of assets and technology	19	64	78	67
Legal settlement	-	9,000	-	9,000
Total operating costs	<u>297,588</u>	<u>252,628</u>	<u>580,471</u>	<u>479,086</u>
Income from operations	55,876	54,397	107,646	107,644
Interest and other income, net	(797)	13,040	2,180	28,537
Impairment of marketable securities	-	(2,570)	(710)	(2,570)
Income before provision for income taxes	55,079	64,867	109,116	133,611
Provision for income taxes	26,426	17,041	27,007	55,616
Net income	<u>\$ 28,653</u>	<u>\$ 47,826</u>	<u>\$ 82,109</u>	<u>\$ 77,995</u>
Net income per share - basic	<u>\$ 0.18</u>	<u>\$ 0.30</u>	<u>\$ 0.53</u>	<u>\$ 0.49</u>
Net income per share - diluted	<u>\$ 0.18</u>	<u>\$ 0.30</u>	<u>\$ 0.52</u>	<u>\$ 0.48</u>
Shares used in per share calculation - basic	<u>155,763</u>	<u>158,770</u>	<u>154,748</u>	<u>159,882</u>
Shares used in per share calculation - diluted	<u>158,336</u>	<u>161,553</u>	<u>157,306</u>	<u>163,367</u>

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

Cost of net revenue	\$ 1,637	\$ 1,026	\$ 2,808	\$ 1,470
Research and development	6,355	4,445	13,205	8,066
Sales and marketing	16,432	9,218	26,195	13,114
General and administrative	6,656	4,987	12,907	8,902
	<u>\$ 31,080</u>	<u>\$ 19,676</u>	<u>\$ 55,115</u>	<u>\$ 31,552</u>

(2) In three months ended and six months ended June 30, 2008, we reclassified \$2.8M and \$5.6M 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>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Net income	\$ 82,109	\$ 77,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,083	57,212
Impairment of marketable securities	710	2,570
Restructuring charge (benefit)	1,589	(2,776)
Deferred income taxes	11,590	18,580
Decrease in fair value of options accounted for as liabilities	-	(5,483)
Stock-based compensation expense	49,057	31,333
Excess tax benefits from stock-based awards	(8,444)	(12,464)
Other non-cash items	2,594	(5,983)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	55,237	37,860
Prepaid expenses and other assets	(65,868)	(31,207)
Accounts payable	18,262	(10,036)
Accrued taxes and other liabilities	(48,053)	(7,518)
Deferred revenue	17,541	919
Net cash provided by operating activities	<u>199,407</u>	<u>151,002</u>
Cash flows from investing activities:		
Purchase of marketable securities	(186,710)	(231,322)
Proceeds from sales of marketable securities	14,831	343,390
Proceeds from maturities of marketable securities	44,778	280,174
Acquisitions, net of cash acquired	(33,697)	(55,041)
Purchase of property and equipment	(23,479)	(21,001)
Other investing activities	165	(2)
Net cash (used in) provided by investing activities	<u>(184,112)</u>	<u>316,198</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under stock option and stock purchase plans	54,302	87,044
Excess tax benefits from stock-based awards	8,444	12,464
Repurchase of common stock	(19,748)	(382,896)
Bank borrowings	100,000	-
Net cash provided by (used in) financing activities	<u>142,998</u>	<u>(283,388)</u>
Effect of exchange rate fluctuations on cash	<u>5,091</u>	<u>24,656</u>
Net increase in cash and cash equivalents	163,384	208,468
Cash and cash equivalents at beginning of period	<u>483,302</u>	<u>394,158</u>
Cash and cash equivalents at end of period	<u>\$ 646,686</u>	<u>\$ 602,626</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Net revenue:				
GAAP net revenue	\$ 468,686	\$ 396,758	\$ 916,395	\$ 766,399
Gross profit:				
GAAP gross profit	\$ 353,464	\$ 307,025	\$ 688,117	\$ 586,730
Stock-based compensation charges (A)	1,637	1,026	2,808	1,491
Amortization of purchased technology (B)	18,439	13,357	37,833	26,917
Non-GAAP gross profit	<u>\$ 373,540</u>	<u>\$ 321,408</u>	<u>\$ 728,758</u>	<u>\$ 615,138</u>
Operating income:				
GAAP operating income	\$ 55,876	\$ 54,397	\$ 107,646	\$ 107,644
Stock-based compensation charges (A)	31,080	19,676	55,115	31,934
Amortization of purchased technology (B)	18,439	13,357	37,833	26,917
Amortization of intangibles (B)	10,113	5,636	20,108	10,976
Restructuring charges (benefits) (C)	4,145	(2,214)	9,205	(2,143)
Acquisition related costs (D)	3,408	1,635	6,684	3,327
Investigation related and other costs (E)	2,279	266	2,325	1,642
Loss on sale/disposal of assets and technology (F)	19	64	78	67
Legal settlement (G)	-	9,000	-	9,000
Change in fair value of stock-based liability awards (H)	-	-	-	(5,483)
Non-GAAP operating income	<u>\$ 125,359</u>	<u>\$ 101,817</u>	<u>\$ 238,994</u>	<u>\$ 183,881</u>
Net income:				
GAAP net income	\$ 28,653	\$ 47,826	\$ 82,109	\$ 77,995
Stock-based compensation charges (A)	31,080	19,676	55,115	31,934
Amortization of purchased technology (B)	18,439	13,357	37,833	26,917
Amortization of intangibles (B)	10,113	5,636	20,108	10,976
Restructuring charges (benefits) (C)	4,145	(2,214)	9,205	(2,143)
Acquisition related costs (D)	3,408	1,635	6,684	3,327
Investigation related and other costs (E)	2,279	266	2,325	1,642
Loss on sale/disposal of assets and technology (F)	19	64	78	67
Legal settlement (G)	-	9,000	-	9,000
Change in fair value of stock-based liability awards (H)	-	-	-	(5,483)
Impairment of marketable securities (I)	-	2,570	710	2,570
Provision for income taxes (J)	26,426	17,041	27,007	55,616
Non-GAAP income before provision for income taxes	124,562	114,857	241,174	212,418
Non-GAAP provision for income taxes (K)	29,895	31,011	57,882	57,353
Non-GAAP net income	<u>\$ 94,667</u>	<u>\$ 83,846</u>	<u>\$ 183,292</u>	<u>\$ 155,065</u>
Net income per share - diluted: *				
GAAP net income per share - diluted	\$ 0.18	\$ 0.30	\$ 0.52	\$ 0.48
Stock-based compensation charges per share (A)	0.20	0.12	0.35	0.20
Other adjustments per share (B)-(K)	0.22	0.10	0.29	0.28
Non-GAAP net income per share - diluted *	<u>\$ 0.60</u>	<u>\$ 0.52</u>	<u>\$ 1.17</u>	<u>\$ 0.95</u>
Shares used to compute Non-GAAP net income per share - diluted	<u>158,336</u>	<u>161,553</u>	<u>157,306</u>	<u>163,367</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 (K).

Items (A) through (K) 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 (K).

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 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 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 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 (benefit)* 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 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, and amounts or recoveries subject to escrow provisions. 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) *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) *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.
- (I) *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.
- (J) *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.
- (K) *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>Q3 FY'09</b>
Projected GAAP revenue range	\$475M - \$495M
Projected net income per share reconciliation:	
Projected GAAP net income per share range - diluted	\$0.25 - \$0.29
Add back:	
Projected stock-based compensation adjustment per share, net of tax (1)	\$0.09 - \$0.13
Projected other adjustments per share, net of tax (2)	\$0.20 - \$0.24
Projected non-GAAP net income per share range - diluted*	\$0.58 - \$0.62

\* 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 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 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 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 (K) above under the table entitled "Reconciliation of GAAP to Non-GAAP Financial Measures."

For Q3 FY'09, this guidance reflects an assumed annual GAAP tax rate of 28% and an annual non-GAAP tax rate of 24%.

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

	<b>Three Months Ended June 30, 2009</b>		<b>Three Months Ended March 31, 2009</b>		<b>Three Months Ended December 31, 2008</b>		<b>Three Months Ended September 30, 2008</b>		<b>Three Months Ended June 30, 2008</b>	
McAfee Corporate	\$ 291,409	62%	\$ 275,975	62%	\$ 260,615	61%	\$ 246,713	60%	\$ 239,998	60%
McAfee Consumer	177,277	38%	171,734	38%	163,372	39%	162,966	40%	156,760	40%
Total McAfee	<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>	<u>\$ 396,758</u>	<u>100%</u>