

VMware, Inc.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,306,011	\$ 1,231,168
Accounts receivable, less allowance for doubtful accounts of \$1,439 and \$1,603	284,309	283,824
Deferred tax asset	74,036	54,386
Other current assets	<u>40,392</u>	<u>33,956</u>
Total current assets	1,704,748	1,603,334
Property and equipment, net	325,906	276,983
Other assets, net	62,533	71,695
Deferred tax asset	88,907	72,249
Intangible assets, net	37,622	32,073
Goodwill	<u>681,742</u>	<u>639,366</u>
Total assets	<u>\$ 2,901,458</u>	<u>\$ 2,695,700</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 88,798	\$ 61,503
Accrued expenses	161,950	173,610
Due to EMC, net	20,005	2,759
Income taxes payable to EMC, current portion	34,858	68,823
Deferred revenue, current portion	<u>402,326</u>	<u>363,317</u>
Total current liabilities	707,937	670,012
Note payable to EMC	450,000	450,000
Deferred revenue, net of current portion	238,801	189,479
Deferred tax liability	30,349	27,327
Income taxes payable to EMC, net of current portion	21,575	18,265
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value \$.01; authorized 2,500,000 shares; issued and outstanding 83,679 and 82,924 shares	837	829
Class B convertible common stock, par value \$.01; authorized 1,000,000 shares; issued and outstanding 300,000 shares	3,000	3,000
Additional paid-in capital	1,442,154	1,352,788
Accumulated surplus (deficit)	<u>6,805</u>	<u>(16,000)</u>
Total stockholders' equity	<u>1,452,796</u>	<u>1,340,617</u>
Total liabilities and stockholders' equity	<u>\$ 2,901,458</u>	<u>\$ 2,695,700</u>

VMware, Inc.

CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share amounts)

	For the Three Months Ended	
	March 31,	
	2008	2007
Revenues:		
License	\$ 293,980	\$ 169,557
Services	144,195	89,138
	<u>438,175</u>	<u>258,695</u>
Operating expenses:		
Cost of license revenues	22,859	20,556
Cost of services revenues	54,311	23,468
Research and development	119,255	54,958
Sales and marketing	149,257	86,707
General and administrative	44,102	26,624
Operating income	<u>48,391</u>	<u>46,382</u>
Investment income	8,004	1,704
Interest income (expense) with EMC, net	(5,819)	1,273
Other expense, net	454	59
Income before taxes	<u>51,030</u>	<u>49,418</u>
Income tax provision	7,975	8,338
Net income	<u>\$ 43,055</u>	<u>\$ 41,080</u>
Net income per weighted average share, basic for Class A and Class B	\$ 0.11	\$ 0.12
Net income per weighted average share, diluted for Class A and Class B	\$ 0.11	\$ 0.12
Weighted average shares, basic for Class A and Class B	381,026	332,500
Weighted average shares, diluted for Class A and Class B	398,063	332,500

VMware, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Three Months Ended March	
	31,	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net income	\$ 43,055	\$ 41,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,434	21,197
Stock-based compensation, excluding amounts capitalized	42,159	11,644
Excess tax benefits from stock-based compensation	(22,692)	—
Other adjustments	1,338	563
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	846	46,361
Other assets	(8,594)	(602)
Due to (from) EMC, net	17,246	(56,178)
Accounts payable	7,472	(1,968)
Accrued expenses	(15,305)	960
Income taxes payable to EMC	(21,596)	14,696
Deferred income taxes, net	(36,344)	(6,591)
Deferred revenue	88,161	33,740
Net cash provided by operating activities	<u>133,180</u>	<u>104,902</u>
Cash flows from investing activities:		
Additions to property and equipment, net	(49,022)	(16,584)
Capitalized software development costs	(4,164)	(6,672)
Business acquisitions, net of cash acquired	(33,289)	—
Decrease in restricted cash	896	688
Net cash used in investing activities	<u>(85,579)</u>	<u>(22,568)</u>
Cash flows from financing activities:		
Proceeds from exercises of stock options	23,669	—
Excess tax benefits from stock-based compensation	22,692	—
Shares repurchased for tax withholdings on vesting of restricted stock	(19,119)	—
Net cash provided by financing activities	<u>27,242</u>	<u>—</u>
Net increase in cash and cash equivalents	74,843	82,334
Cash and cash equivalents at beginning of the period	<u>1,231,168</u>	<u>176,134</u>
Cash and cash equivalents at end of the period	<u>\$ 1,306,011</u>	<u>\$ 258,468</u>

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended March 31, 2008

(in thousands, except per share amounts)

(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Operating expenses:							
Cost of license revenues	\$ 22,859	(263)	(2)	(2,310)	(14,870)		\$ 5,414
Cost of services revenues	\$ 54,311	(3,261)	(37)				\$ 51,013
Research and development	\$ 119,255	(21,097)	(797)		5,036	(873)	\$ 101,524
Sales and marketing	\$ 149,257	(11,301)	(288)	(894)			\$ 136,774
General and administrative	\$ 44,102	(6,239)	(157)	(647)			\$ 37,059
Operating income	\$ 48,391	42,161	1,281	3,851	9,834	873	\$ 106,391
Income before taxes	\$ 51,030	42,161	1,281	3,851	9,834	873	\$ 109,030
Income tax provision	\$ 7,975	8,500	328	1,411	2,182	175	\$ 20,571
Quarterly tax rate	15.6%						18.9%
Net income	\$ 43,055	33,661	953	2,440	7,652	698	\$ 88,459
Net income per weighted average share, basic for Class A and Class B	\$ 0.11	\$ 0.09	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.00	\$ 0.23
Net income per weighted average share, diluted for Class A and Class B	\$ 0.11	\$ 0.08	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.00	\$ 0.22
Weighted average shares, basic for Class A and Class B	381,026	381,026	381,026	381,026	381,026	381,026	381,026
Weighted average shares, diluted for Class A and Class B	398,063	398,063	398,063	398,063	398,063	398,063	398,063

(1) For the first quarter of 2008, VMware capitalized \$5.0 million (including \$0.9 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$14.9 million for the first quarter of 2008.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended March 31, 2007
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Operating expenses:						
Cost of license revenues	\$ 20.556	(36)	(5.215)	(7.987)	-	\$ 7.318
Cost of services revenues	\$ 23.468	(494)	-	-	-	\$ 22.974
Research and development	\$ 54.958	(6,392)	-	7.599	(927)	\$ 55.238
Sales and marketing	\$ 86.707	(2,944)	(577)	-	-	\$ 83.186
General and administrative	\$ 26.624	(1,778)	(493)	-	-	\$ 24.353
Operating income	\$ 46.382	11.644	6.285	388	927	\$ 65.626
Income before taxes	\$ 49.418	11.644	6.285	388	927	\$ 68.662
Income tax provision	\$ 8.338	2.675	2.325	144	343	\$ 13.825
Quarterly tax rate	16.9%					20.1%
Net income	\$ 41.080	8.969	3.960	244	584	\$ 54.837
Net income per weighted average share, basic for Class A and Class B	\$ 0.12	\$ 0.03	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.16
Net income per weighted average share, diluted for Class A and Class B	\$ 0.12	\$ 0.03	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.16
Weighted average shares, basic for Class A and Class B	332.500	332.500	332.500	332.500	332.500	332.500
Weighted average shares, diluted for Class A and Class B	332.500	332.500	332.500	332.500	332.500	332.500

(1) For the first quarter of 2007, VMware capitalized \$7.6 million (including \$0.9 million of stock-based compensation), of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$8.0 million for the first quarter of 2007.