

VMware, Inc.

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

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,031,482	\$ 1,840,812
Accounts receivable, less allowance for doubtful accounts of \$1,415 and \$1,690	264,033	338,014
Deferred tax asset, current portion	47,628	44,573
Income taxes receivable from EMC	111,050	111,050
Other current assets	46,427	55,639
Total current assets	2,500,620	2,390,088
Property and equipment, net	415,978	418,212
Other assets, net	160,030	134,553
Deferred tax asset, net of current portion	72,305	68,280
Intangible assets, net	53,675	56,984
Goodwill	771,088	771,088
Total assets	<u>\$ 3,973,696</u>	<u>\$ 3,839,205</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 63,803	\$ 88,647
Accrued expenses	180,146	197,580
Due to EMC, net	18,023	33,407
Income taxes payable	33,897	15,761
Deferred revenue, current portion	576,657	544,355
Total current liabilities	872,526	879,750
Note payable to EMC	450,000	450,000
Deferred revenue, net of current portion	340,541	325,634
Deferred tax liability	48,631	47,825
Other liabilities	73,536	65,929
Total liabilities	1,785,234	1,769,138
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value \$.01; authorized 2,500,000 shares; issued and outstanding 91,103 and 90,448 shares	911	904
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	1,891,763	1,836,513
Retained earnings	292,788	229,650
Total stockholders' equity	2,188,462	2,070,067
Total liabilities and stockholders' equity	<u>\$ 3,973,696</u>	<u>\$ 3,839,205</u>

VMware, Inc.

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

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
License	\$ 257,003	\$ 293,980
Services	213,307	144,195
	<u>470,310</u>	<u>438,175</u>
Operating expenses:		
Cost of license revenues	20,359	22,859
Cost of services revenues	54,644	54,311
Research and development	105,401	119,255
Sales and marketing	154,144	149,257
General and administrative	48,859	44,102
	<u>86,903</u>	<u>48,391</u>
Operating income	86,903	48,391
Investment income	3,062	8,004
Interest expense with EMC, net	(2,674)	(5,819)
Other income (expense), net	(1,824)	454
	<u>85,467</u>	<u>51,030</u>
Income before income taxes	85,467	51,030
Income tax provision	15,532	7,975
	<u>69,935</u>	<u>43,055</u>
Net income	<u>\$ 69,935</u>	<u>\$ 43,055</u>
Net income per weighted-average share, basic for Class A and Class B	\$ 0.18	\$ 0.11
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.18	\$ 0.11
Weighted-average shares, basic for Class A and Class B	389,857	381,026
Weighted-average shares, diluted for Class A and Class B	391,111	398,063

**VMware, Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)  
(unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 69,935	\$ 43,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,383	37,434
Stock-based compensation, excluding amounts capitalized	49,815	42,161
Excess tax benefits from stock-based compensation	(230)	(22,692)
Other adjustments	493	1,336
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	74,161	846
Other assets	10,209	(8,594)
Due to/from EMC, net	(15,384)	17,246
Accounts payable	(17,222)	7,472
Accrued expenses	(14,663)	(15,305)
Income taxes payable	20,377	(21,596)
Deferred income taxes, net	(6,844)	(36,344)
Deferred revenue	47,209	88,161
Net cash provided by operating activities	<u>259,239</u>	<u>133,180</u>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(35,825)	(49,022)
Capitalized software development costs	(29,935)	(4,164)
Purchase of investment	(745)	—
Business acquisitions, net of cash acquired	—	(33,289)
Decrease in restricted cash	—	896
Net cash used in investing activities	<u>(66,505)</u>	<u>(85,579)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	4,503	23,669
Excess tax benefits from stock-based compensation	230	22,692
Shares repurchased for tax withholdings on vesting of restricted stock	(6,797)	(19,119)
Net cash (used in) provided by financing activities	<u>(2,064)</u>	<u>27,242</u>
Net increase in cash and cash equivalents	190,670	74,843
Cash and cash equivalents at beginning of the period	<u>1,840,812</u>	<u>1,231,168</u>
Cash and cash equivalents at end of the period	<u>\$ 2,031,482</u>	<u>\$ 1,306,011</u>

VMware, Inc.

**RECONCILIATION OF GAAP TO NON-GAAP DATA**  
**For the Three Months Ended March 31, 2009**  
(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	\$ 20,359	(330)	(1)	(2,757)	(10,652)	—	\$ 6,619
Cost of services revenues	\$ 54,644	(3,475)	(1)	—	—	—	\$ 51,168
Research and development	\$ 105,401	(23,904)	(195)	—	36,381	(6,446)	\$ 111,237
Sales and marketing	\$ 154,144	(13,834)	(40)	(428)	—	—	\$ 139,842
General and administrative	\$ 48,859	(8,272)	(13)	(124)	—	—	\$ 40,450
Operating income	\$ 86,903	49,815	250	3,309	(25,729)	6,446	\$ 120,994
Income before income taxes	\$ 85,467	49,815	250	3,309	(25,729)	6,446	\$ 119,558
Income tax provision	\$ 15,532	9,934	65	1,168	(8,115)	1,285	\$ 19,869
Quarterly tax rate	18.2%						16.6%
Net income	\$ 69,935	39,881	185	2,141	(17,614)	5,161	\$ 99,689
Net income per weighted average share, basic for Class A and Class B	\$ 0.18	\$ 0.10	\$ 0.00	\$ 0.01	\$ (0.04)	\$ 0.01	\$ 0.26
Net income per weighted average share, diluted for Class A and Class B	\$ 0.18	\$ 0.10	\$ 0.00	\$ 0.01	\$ (0.05)	\$ 0.01	\$ 0.25
Weighted average shares, basic for Class A and Class B	389,857	389,857	389,857	389,857	389,857	389,857	389,857
Weighted average shares, diluted for Class A and Class B	391,111	391,111	391,111	391,111	391,111	391,111	391,111

(1) For the first quarter of 2009, VMware capitalized \$36.4 million (including \$6.4 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$10.7 million for the first quarter of 2009.

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 income 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 capitalized amounts was \$14.9 million for the first quarter of 2008.

**VMware, Inc.**

**REVENUE BY TYPE**  
**(in thousands)**  
**(unaudited)**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
License	\$ 257,003	\$ 293,980
Services:		
Software maintenance	175,740	112,124
Professional services	<u>37,567</u>	<u>32,071</u>
Total services	<u>213,307</u>	<u>144,195</u>
	<u>\$ 470,310</u>	<u>\$ 438,175</u>
Percentage of revenues:		
License	54.6%	67.1%
Services:		
Software maintenance	37.4%	25.6%
Professional services	<u>8.0%</u>	<u>7.3%</u>
Total services	<u>45.4%</u>	<u>32.9%</u>
	<u>100.0%</u>	<u>100.0%</u>