

VMware, Inc.

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

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,133,916	\$ 176,134
Accounts receivable, less allowance for doubtful accounts of \$1,382 and \$2,139	164,106	193,710
Due from EMC, net	76,681	2,245
Deferred tax asset	39,050	27,656
Other current assets	37,489	22,686
Total current assets	<u>1,451,242</u>	<u>422,431</u>
Property and equipment, net	245,882	48,675
Other assets, net	64,786	49,912
Deferred tax asset	52,987	20,935
Intangible assets, net	38,631	43,515
Goodwill	628,210	560,482
Total assets	<u>\$ 2,481,738</u>	<u>\$ 1,145,950</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 66,890	\$ 44,227
Accrued expenses	125,264	103,321
Income taxes payable to EMC, current portion	143,025	87,598
Deferred revenue, current portion	290,013	242,603
Total current liabilities	<u>625,192</u>	<u>477,749</u>
Note payable to EMC	450,000	800,000
Deferred revenue, net of current portion	137,206	63,912
Deferred tax liability	27,203	30,579
Other liabilities	9,897	4,522
Commitments and contingencies		
Stockholder's equity (deficit):		
Class A common stock, par value \$.01; authorized 2,500,000 shares; issued and outstanding 82,942 and 32,500 shares	829	325
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	1,322,566	—
Accumulated deficit	(94,155)	(234,137)
Total stockholders' equity (deficit)	<u>1,232,240</u>	<u>(230,812)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 2,481,738</u>	<u>\$ 1,145,950</u>

VMware, Inc.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
License	\$ 247,481	\$ 126,303	\$ 621,086	\$ 329,904
Services	110,335	62,503	292,250	144,419
	<u>357,816</u>	<u>188,806</u>	<u>913,336</u>	<u>474,323</u>
Costs of revenues:				
Cost of license revenues	19,158	18,498	60,546	44,717
Cost of services revenues	39,493	19,014	90,946	41,415
	<u>58,651</u>	<u>37,512</u>	<u>151,492</u>	<u>86,132</u>
Gross profit	<u>299,165</u>	<u>151,294</u>	<u>761,844</u>	<u>388,191</u>
Operating expenses:				
Research and development	67,840	43,169	194,379	98,123
Sales and marketing	125,736	61,077	311,432	157,724
General and administrative	39,839	19,016	97,166	44,514
In-process research and development	—	—	—	3,700
	<u>65,750</u>	<u>28,032</u>	<u>158,867</u>	<u>84,130</u>
Operating income	65,750	28,032	158,867	84,130
Investment income	7,300	775	11,718	1,884
Interest income (expense) with EMC, net	(6,743)	480	(13,261)	(334)
Other expense, net	(19)	(291)	(106)	(876)
Income before taxes	66,288	28,996	157,218	84,804
Income tax provision	1,610	9,765	17,236	30,068
Income before cumulative effect of a change in accounting principle	64,678	19,231	139,982	54,736
Cumulative effect of a change in accounting principle, net of tax of \$108	—	—	—	175
Net income	<u>\$ 64,678</u>	<u>\$ 19,231</u>	<u>\$ 139,982</u>	<u>\$ 54,911</u>
Net income per weighted average share, basic for Class A and Class B:				
Income per share before cumulative effect of a change in accounting principle	\$ 0.18	\$ 0.06	\$ 0.41	\$ 0.16
Cumulative effect of a change in accounting principle	—	—	—	—
Net income per share	<u>\$ 0.18</u>	<u>\$ 0.06</u>	<u>\$ 0.41</u>	<u>\$ 0.17</u>
Net income per weighted average share, diluted for Class A and Class B:				
Income per share before cumulative effect of a change in accounting principle	\$ 0.18	\$ 0.06	\$ 0.41	\$ 0.16
Cumulative effect of a change in accounting principle	—	—	—	—
Net income per share	<u>\$ 0.18</u>	<u>\$ 0.06</u>	<u>\$ 0.41</u>	<u>\$ 0.17</u>
Weighted average shares, basic for Class A and Class B	356,431	332,500	340,565	332,500
Weighted average shares, diluted for Class A and Class B	368,567	332,500	344,736	332,500

VMware, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net income	\$ 64,678	\$ 19,231	\$ 139,982	\$ 54,911
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	27,643	19,360	72,462	46,446
In-process research and development	—	—	—	3,700
Stock-based compensation	31,737	16,593	59,354	35,020
Other adjustments	(528)	499	(394)	155
Changes in assets and liabilities, net of acquisitions:				
Accounts receivable	37,062	(14,016)	30,972	(17,885)
Other assets	5,994	(9,147)	(2,666)	(10,619)
Due from EMC, net	15,644	(81,622)	(74,436)	(105,569)
Accounts payable	8,578	5,880	20,959	19,096
Accrued expenses	(667)	17,936	10,801	38,467
Income taxes payable to EMC	22,888	15,913	60,397	31,841
Deferred income taxes, net	(22,446)	(5,677)	(45,074)	(1,686)
Deferred revenue	7,750	10,761	116,505	61,170
Net cash provided (used) by operating activities	198,333	(4,289)	388,862	155,047
Cash flows from investing activities:				
Additions to furniture, fixtures and equipment	(42,375)	(20,158)	(91,294)	(41,960)
Purchase of headquarters facilities from EMC	(132,564)	—	(132,564)	—
Capitalized software development costs	(22,314)	(5,656)	(32,858)	(28,065)
Business acquisitions, net of cash acquired	(54,108)	—	(75,518)	(46,541)
Decrease (increase) in restricted cash	555	455	(5,139)	(12,129)
Net cash used in investing activities	(250,806)	(25,359)	(337,373)	(128,695)
Cash flows from financing activities:				
Proceeds from Class A common stock issued in IPO, net of issuance costs	1,035,233	—	1,035,233	—
Proceeds from Class A common stock issued to Intel Capital, net of issuance costs	218,300	—	218,300	—
Proceeds from exercises of stock options	2,760	—	2,760	—
Repayment of note payable to EMC	(350,000)	—	(350,000)	—
Net cash provided by financing activities	906,293	—	906,293	—
Net increase (decrease) in cash and cash equivalents	853,820	(29,648)	957,782	26,352
Cash and cash equivalents at beginning of the period	280,096	94,653	176,134	38,653
Cash and cash equivalents at end of the period	\$ 1,133,916	\$ 65,005	\$ 1,133,916	\$ 65,005

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended September 30, 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
Costs of revenues:						
Cost of license revenues	\$ 19,158	(212)	(5,353)	(9,212)		\$ 4,381
Cost of services revenues	39,493	(2,195)				37,298
Total costs of revenues	\$ 58,651	(2,407)	(5,353)	(9,212)	-	\$ 41,679
Operating expenses:						
Research and development	\$ 67,840	(13,033)		27,593	(5,279)	\$ 77,121
Sales and marketing	\$ 125,736	(9,594)	(766)			\$ 115,376
General and administrative	\$ 39,839	(6,703)	(491)			\$ 32,645
Operating income	\$ 65,750	31,737	6,610	(18,381)	5,279	\$ 90,995
Income before taxes	\$ 66,288	31,737	6,610	(18,381)	5,279	\$ 91,533
Income tax provision	\$ 1,610	7,009	2,446	(5,734)	1,073	\$ 6,404
Net income	\$ 64,678	24,728	4,164	(12,647)	4,206	\$ 85,129
Net income per weighted average share, basic for Class A and Class B	\$ 0.18	\$ 0.07	\$ 0.01	\$ (0.04)	\$ 0.01	\$ 0.24
Net income per weighted average share, diluted for Class A and Class B	\$ 0.18	\$ 0.07	\$ 0.01	\$ (0.03)	\$ 0.01	\$ 0.23
Weighted average shares, basic for Class A and Class B	356,431	356,431	356,431	356,431	356,431	356,431
Weighted average shares, diluted for Class A and Class B	368,567	368,567	368,567	368,567	368,567	368,567

(1) For the third quarter of 2007, VMware capitalized \$27.6 million (including \$5.3 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$9.2 million for the third quarter of 2007.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended September 30, 2006
(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
Costs of revenues:						
Cost of license revenues	\$ 18,498	(30)	(5,534)	(7,852)		\$ 5,082
Cost of services revenues	19,014	(700)				18,314
Total costs of revenues	\$ 37,512	(730)	(5,534)	(7,852)	-	\$ 23,396
Operating expenses:						
Research and development	\$ 43,169	(9,251)		6,793	(1,137)	\$ 39,574
Sales and marketing	\$ 61,077	(3,772)	(548)			\$ 56,757
General and administrative	\$ 19,016	(2,840)	(374)			\$ 15,802
Operating income	\$ 28,032	16,593	6,456	1,059	1,137	\$ 53,277
Income before taxes	\$ 28,996	16,593	6,456	1,059	1,137	\$ 54,241
Income tax provision	\$ 9,765	4,358	2,453	402	299	\$ 17,277
Net income	\$ 19,231	12,235	4,003	657	838	\$ 36,964
Net income per weighted average share, basic for Class A and Class B	\$ 0.06	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.11
Net income per weighted average share, diluted for Class A and Class B	\$ 0.06	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.11
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 third quarter of 2006, VMware capitalized \$6.8 million (including \$1.1 million of stock-based compensation), of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$7.9 million for the third quarter of 2006.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Nine Months Ended September 30, 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
Costs of revenues:						
Cost of license revenues	\$ 60,546	(322)	(15,783)	(25,929)		\$ 18,512
Cost of services revenues	90,946	(3,608)				87,338
Total costs of revenues	\$ 151,492	(3,930)	(15,783)	(25,929)	-	\$ 105,850
Operating expenses:						
Research and development	\$ 194,379	(27,677)		39,594	(6,736)	\$ 199,560
Sales and marketing	\$ 311,432	(16,778)	(1,924)			\$ 292,730
General and administrative	\$ 97,166	(10,969)	(1,476)			\$ 84,721
Operating income	\$ 158,867	59,354	19,183	(13,665)	6,736	\$ 230,475
Income before taxes	\$ 157,218	59,354	19,183	(13,665)	6,736	\$ 228,826
Income tax provision	\$ 17,236	14,743	7,098	(3,989)	1,612	\$ 36,700
Net income	\$ 139,982	44,611	12,085	(9,676)	5,124	\$ 192,126
Net income per weighted average share, basic for Class A and Class B	\$ 0.41	\$ 0.13	\$ 0.04	\$ (0.03)	\$ 0.02	\$ 0.56
Net income per weighted average share, diluted for Class A and Class B	\$ 0.41	\$ 0.13	\$ 0.04	\$ (0.03)	\$ 0.01	\$ 0.56
Weighted average shares, basic for Class A and Class B	340,565	340,565	340,565	340,565	340,565	340,565
Weighted average shares, diluted for Class A and Class B	344,736	344,736	344,736	344,736	344,736	344,736

(1) For the nine months ended September 30, 2007, VMware capitalized \$39.6 million (including \$6.7 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$25.9 million for the first nine months of 2007.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Nine Months Ended September 30, 2006
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	IPR&D and Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non- GAAP, as adjusted
Costs of revenues:						
Cost of license revenues	\$ 44,717	(62)	(16,308)	(14,236)		\$ 14,111
Cost of services revenues	41,415	(1,666)				39,749
Total costs of revenues	\$ 86,132	(1,728)	(16,308)	(14,236)	-	\$ 53,860
Operating expenses:						
Research and development	\$ 98,123	(17,341)		37,881	(9,816)	\$ 108,847
Sales and marketing	\$ 157,724	(8,377)	(1,640)			\$ 147,707
General and administrative	\$ 44,514	(7,574)	(1,122)			\$ 35,818
In-process research and development	\$ 3,700		(3,700)			\$ -
Operating income	\$ 84,130	35,020	22,770	(23,645)	9,816	\$ 128,091
Income before taxes	\$ 84,804	35,020	22,770	(23,645)	9,816	\$ 128,765
Income tax provision	\$ 30,068	9,200	7,248	(8,985)	2,579	\$ 40,110
Net income	\$ 54,911	25,820	15,522	(14,660)	7,237	\$ 88,830
Net income per weighted average share, basic for Class A and Class B	\$ 0.17	\$ 0.08	\$ 0.05	\$ (0.04)	\$ 0.02	\$ 0.27
Net income per weighted average share, diluted for Class A and Class B	\$ 0.17	\$ 0.08	\$ 0.05	\$ (0.04)	\$ 0.02	\$ 0.27
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 nine months ended September 30, 2006, VMware capitalized \$37.9 million (including \$9.8 million of stock-based compensation), of costs incurred for the development of software products. Amortization expense from previously capitalized amounts was \$14.2 million for the first nine months of 2006.