

VMware, Inc.

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

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,275,660	\$ 1,840,812
Accounts receivable, less allowance for doubtful accounts of \$1,460 and \$1,690	257,363	338,014
Deferred tax asset, current portion	51,231	44,573
Income taxes receivable from EMC	22,725	111,050
Other current assets	65,656	55,639
	2,672,635	2,390,088
Total current assets		
Property and equipment, net	415,271	418,212
Capitalized software development costs, net and other	178,330	134,553
Deferred tax asset, net of current portion	76,530	68,280
Intangible assets, net	50,406	56,984
Goodwill	768,409	771,088
	\$ 4,161,581	\$ 3,839,205
	\$ 4,161,581	\$ 3,839,205
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 38,833	\$ 74,708
Accrued expenses	214,972	211,519
Due to EMC, net	23,996	33,407
Income taxes payable	24,791	15,761
Deferred revenue, current portion	598,091	544,355
	900,683	879,750
Total current liabilities		
Note payable to EMC	450,000	450,000
Deferred revenue, net of current portion	336,153	325,634
Deferred tax liability	49,743	47,825
Other liabilities	77,827	65,929
	1,814,406	1,769,138
Total liabilities		
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, par value \$.01; authorized 2,500,000 shares; issued and outstanding 94,948 and 90,448 shares	950	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	2,027,417	1,836,513
Accumulated other comprehensive income	1,934	--
Retained earnings	313,874	229,650
	2,347,175	2,070,067
Total stockholders' equity		
	\$ 4,161,581	\$ 3,839,205
	\$ 4,161,581	\$ 3,839,205

VMware, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

For the Three Months Ended For the Six Months Ended

	June 30,		June 30,	
	2009	2008	2009	2008
Revenues:				
License	\$ 227,962	\$ 284,233	\$ 484,965	\$ 578,213
Services	227,713	171,895	441,020	316,090
	455,675	456,128	925,985	894,303
Operating expenses:				
Cost of license revenues	27,853	21,639	48,212	44,498
Cost of services revenues	53,293	58,892	107,937	113,203
Research and development	121,380	114,128	226,781	233,383
Sales and marketing	167,421	158,307	321,565	307,564
General and administrative	47,729	42,162	96,588	86,264
Operating income	37,999	61,000	124,902	109,391
Investment income	2,496	6,310	5,558	14,314
Interest expense with EMC, net	(1,999)	(3,579)	(4,673)	(9,398)
Other income (expense), net	375	370	(1,449)	824
Income before income taxes	38,871	64,101	124,338	115,131
Income tax provision	6,336	11,765	21,868	19,740
Net income	\$ 32,535	\$ 52,336	\$ 102,470	\$ 95,391
Net income per weighted-average share, basic for Class A and Class B	\$ 0.08	\$ 0.14	\$ 0.26	\$ 0.25
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.08	\$ 0.13	\$ 0.26	\$ 0.24
Weighted-average shares, basic for Class A and Class B	391,841	382,931	390,855	381,976
Weighted-average shares, diluted for Class A and Class B	395,826	398,979	393,178	398,258

VMware, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands)		(unaudited)	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Cash flows from operating activities:				
Net income	\$ 32,535	\$ 52,336	\$ 102,470	\$ 95,391
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	44,927	39,459	86,310	76,893
Stock-based				

compensation, excluding amounts capitalized	51,456	42,072	101,271	84,233
Excess tax benefits from stock-based compensation	(4,243)	(56,735)	(4,473)	(79,427)
Other	141	(278)	634	1,058
Changes in assets and liabilities, net of acquisitions:				
Accounts receivable	6,530	(25,132)	80,691	(24,286)
Other assets	(9,313)	(4,687)	896	(13,281)
Due to/from EMC, net	5,973	23,040	(9,411)	40,286
Accounts payable	(8,925)	(19,313)	(28,382)	(15,575)
Accrued expenses	26,316	12,060	13,888	489
Income taxes receivable from EMC	87,899	(107,514)	87,899	(107,514)
Income taxes payable	733	32,102	21,110	10,506
Deferred income taxes, net	(7,755)	83,063	(14,599)	46,719
Deferred revenue	17,046	80,161	64,255	168,322
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Net cash provided by operating activities	243,320	150,634	502,559	283,814
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Cash flows from investing activities:				
Additions to property and equipment	(29,843)	(51,899)	(65,668)	(100,921)
Capitalized software development costs	(14,745)	(11,770)	(44,680)	(15,934)
Purchase of investments	(25,000)	(1,750)	(25,745)	(1,750)
Business acquisitions, net of cash acquired	--	--	--	(33,289)
Decrease in restricted cash	549	--	549	896
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Net cash used in investing activities	(69,039)	(65,419)	(135,544)	(150,998)
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Cash flows from financing activities:				
Proceeds from issuance of common stock	77,103	109,658	81,606	133,327
Excess tax benefits from stock-based compensation	4,243	56,735	4,473	79,427
Shares repurchased for tax withholdings on vesting of restricted stock	(11,449)	(17,359)	(18,246)	(36,478)
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Net cash provided by financing activities	69,897	149,034	67,833	176,276
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Net increase in cash and cash equivalents	244,178	234,249	434,848	309,092
Cash and cash equivalents at beginning of the				

period	2,031,482	1,306,011	1,840,812	1,231,168
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Cash and cash equivalents at end of the period	\$ 2,275,660	\$ 1,540,260	\$ 2,275,660	\$ 1,540,260
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VMware, Inc.
RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended June 30, 2009
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization
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Operating expenses:				
Cost of license revenues	\$ 27,853	(313)	(4)	(2,757)
Cost of services revenues	\$ 53,293	(3,463)	(20)	--
Research and development	\$ 121,380	(26,433)	(411)	--
Sales and marketing General and administrative	\$ 167,421	(13,311)	(141)	(388)
Operating income	\$ 47,729	(7,936)	(164)	(124)
Income before income taxes	\$ 37,999	51,456	740	3,269
Income tax provision	\$ 38,871	51,456	740	3,269
Quarterly tax rate	16.3%	9,853	190	1,154
Net income	\$ 32,535	41,603	550	2,115
Net income per weighted-average share, basic for Class A and Class B	\$ 0.08	\$ 0.11	\$ 0.00	\$ 0.00
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.08	\$ 0.11	\$ 0.00	\$ 0.00
Weighted-average shares, basic for Class A and Class B	391,841	391,841	391,841	391,841
Weighted-average shares, diluted for Class A and Class B	395,826	395,826	395,826	395,826
		Stock-Based Compensation		
	Capitalized Software Development Costs (1)	Included in Capitalized Software Development	Non-GAAP, as adjusted	
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Operating expenses:				
Cost of license revenues	(17,629)	--	\$ 7,150	
Cost of services revenues	--	--	\$ 49,810	
Research and development	18,388	(3,643)	\$ 109,281	
Sales and marketing General and	--	--	\$ 153,581	

administrative	--	--	\$	39,505
Operating income	(759)	3,643	\$	96,348
Income before income taxes	(759)	3,643	\$	97,220
Income tax provision	(560)	686	\$	17,659
Quarterly tax rate				18.2%
Net income	(199)	2,957	\$	79,561
Net income per weighted-average share, basic for Class A and Class B	\$ 0.00	\$ 0.01	\$	0.20
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.00	\$ 0.01	\$	0.20
Weighted-average shares, basic for Class A and Class B	391,841	391,841		391,841
Weighted-average shares, diluted for Class A and Class B	395,826	395,826		395,826

(1) For the second quarter of 2009, VMware capitalized \$18.4 million (including \$3.6 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$17.6 million for the second quarter of 2009.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended June 30, 2008
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization
	-----	-----	-----	-----
Operating expenses:				
Cost of license revenues	\$ 21,639	(276)	(23)	(2,294)
Cost of services revenues	\$ 58,892	(3,795)	(154)	--
Research and development	\$ 114,128	(19,479)	(1,642)	--
Sales and marketing	\$ 158,307	(11,699)	(856)	(897)
General and administrative	\$ 42,162	(6,823)	(320)	(647)
Operating income	\$ 61,000	42,072	2,995	3,838
Income before income taxes	\$ 64,101	42,072	2,995	3,838
Income tax provision	\$ 11,765	9,913	811	1,292
Quarterly tax rate	18.4%			
Net income	\$ 52,336	32,159	2,184	2,546
Net income per weighted-average share, basic for Class A and Class B	\$ 0.14	\$ 0.08	\$ 0.00	\$ 0.01
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.13	\$ 0.08	\$ 0.00	\$ 0.01
Weighted-average shares, basic for Class A and Class B	382,931	382,931	382,931	382,931

Weighted-average shares, diluted for Class A and Class B	398,979	398,979	398,979	398,979
	Capitalized Software Development Costs (1)	Stock-Based Compensation Included in Capitalized Software Development	Non-GAAP, as adjusted	
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Operating expenses:				
Cost of license revenues	(14,269)	--	\$ 4,777	
Cost of services revenues	--	--	\$ 54,943	
Research and development	14,817	(3,046)	\$ 104,778	
Sales and marketing	--	--	\$ 144,855	
General and administrative	--	--	\$ 34,372	
Operating income	(548)	3,046	\$ 112,403	
Income before income taxes	(548)	3,046	\$ 115,504	
Income tax provision	(1,291)	682	\$ 23,172	
Quarterly tax rate			20.1%	
Net income	743	2,364	\$ 92,332	
Net income per weighted-average share, basic for Class A and Class B	\$ 0.00	\$ 0.01	\$ 0.24	
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.00	\$ 0.01	\$ 0.23	
Weighted-average shares, basic for Class A and Class B	382,931	382,931	382,931	
Weighted-average shares, diluted for Class A and Class B	398,979	398,979	398,979	

(1) For the second quarter of 2008, VMware capitalized \$14.8 million (including \$3.0 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$14.3 million for the second quarter of 2008.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Six Months Ended June 30, 2009
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization
	-----	-----	-----	-----
Operating expenses:				
Cost of license revenues	\$ 48,212	(643)	(5)	(5,514)
Cost of services revenues	\$ 107,937	(6,938)	(21)	--
Research and development	\$ 226,781	(50,337)	(606)	--
Sales and marketing	\$ 321,565	(27,145)	(181)	(816)

General and administrative	\$	96,588	(16,208)	(177)	(248)
Operating income	\$	124,902	101,271	990	6,578
Income before income taxes	\$	124,338	101,271	990	6,578
Income tax provision	\$	21,868	19,787	255	2,322
Quarterly tax rate		17.6%			
Net income	\$	102,470	81,484	735	4,256
Net income per weighted-average share, basic for Class A and Class B	\$	0.26	\$ 0.21	\$ 0.00	\$ 0.01
Net income per weighted-average share, diluted for Class A and Class B	\$	0.26	\$ 0.21	\$ 0.00	\$ 0.01
Weighted-average shares, basic for Class A and Class B		390,855	390,855	390,855	390,855
Weighted-average shares, diluted for Class A and Class B		393,178	393,178	393,178	393,178
			Stock-Based Compensation		
		Capitalized Software Development Costs (1)	Included in Capitalized Software Development	Non-GAAP, as adjusted	
		-----	-----	-----	
Operating expenses:					
Cost of license revenues		(28,281)	--	\$ 13,769	
Cost of services revenues		--	--	\$ 100,978	
Research and development		54,769	(10,089)	\$ 220,518	
Sales and marketing		--	--	\$ 293,423	
General and administrative		--	--	\$ 79,955	
Operating income		(26,488)	10,089	\$ 217,342	
Income before income taxes		(26,488)	10,089	\$ 216,778	
Income tax provision		(8,675)	1,971	\$ 37,528	
Quarterly tax rate				17.3%	
Net income		(17,813)	8,118	\$ 179,250	
Net income per weighted-average share, basic for Class A and Class B	\$	(0.04)	\$ 0.02	\$ 0.46	
Net income per weighted-average share, diluted for Class A and Class B	\$	(0.04)	\$ 0.02	\$ 0.46	
Weighted-average shares, basic for Class A and Class B		390,855	390,855	390,855	
Weighted-average shares, diluted for Class A and Class B		393,178	393,178	393,178	

(1) For the first six months of 2009, VMware capitalized \$54.8 million (including \$10.1 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$28.3 million for the first six months of 2009.

VMware, Inc.
RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Six Months Ended June 30, 2008
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization
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Operating expenses:				
Cost of license revenues	\$ 44,498	(539)	(25)	(4,604)
Cost of services revenues	\$ 113,203	(7,056)	(191)	--
Research and development	\$ 233,383	(40,576)	(2,439)	--
Sales and marketing	\$ 307,564	(23,000)	(1,144)	(1,791)
General and administrative	\$ 86,264	(13,062)	(477)	(1,294)
Operating income	\$ 109,391	84,233	4,276	7,689
Income before income taxes	\$ 115,131	84,233	4,276	7,689
Income tax provision	\$ 19,740	18,413	1,139	2,703
Quarterly tax rate	17.1%			
Net income	\$ 95,391	65,820	3,137	4,986
Net income per weighted-average share, basic for Class A and Class B	\$ 0.25	\$ 0.17	\$ 0.01	\$ 0.01
Net income per weighted-average share, diluted for Class A and Class B	\$ 0.24	\$ 0.16	\$ 0.01	\$ 0.01
Weighted-average shares, basic for Class A and Class B	381,976	381,976	381,976	381,976
Weighted-average shares, diluted for Class A and Class B	398,258	398,258	398,258	398,258
	Capitalized Software Development Costs (1)	Stock-Based Compensation Included in Capitalized Software Development	Non-GAAP, as adjusted	
	-----	-----	-----	
Operating expenses:				
Cost of license revenues	(29,139)	--	\$ 10,191	
Cost of services revenues	--	--	\$ 105,956	
Research and development	19,853	(3,919)	\$ 206,302	
Sales and marketing	--	--	\$ 281,629	
General and administrative	--	--	\$ 71,431	
Operating income	9,286	3,919	\$ 218,794	
Income before income taxes	9,286	3,919	\$ 224,534	
Income tax provision	891	857	\$ 43,743	
Quarterly tax rate			19.5%	

Net income		8,395		3,062	\$	180,791
Net income per weighted-average share, basic for Class A and Class B	\$	0.02	\$	0.01	\$	0.47
Net income per weighted-average share, diluted for Class A and Class B	\$	0.02	\$	0.01	\$	0.45
Weighted-average shares, basic for Class A and Class B		381,976		381,976		381,976
Weighted-average shares, diluted for Class A and Class B		398,258		398,258		398,258

(1) For the first six months of 2008, VMware capitalized \$19.9 million (including \$3.9 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$29.1 million for the first six months of 2008.

VMware, Inc.
REVENUE BY TYPE
(in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
License	\$ 227,962	\$ 284,233	\$ 484,965	\$ 578,213
Services:				
Software maintenance	188,995	135,981	364,735	248,105
Professional services	38,718	35,914	76,285	67,985
Total services	227,713	171,895	441,020	316,090
	\$ 455,675	\$ 456,128	\$ 925,985	\$ 894,303
Percentage of revenues:				
License	50.0%	62.3%	52.4%	64.7%
Services:				
Software maintenance	41.5%	29.8%	39.4%	27.7%
Professional services	8.5%	7.9%	8.2%	7.6%
Total services	50.0%	37.7%	47.6%	35.3%
	100.0%	100.0%	100.0%	100.0%

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP CASH FLOWS
FROM OPERATING ACTIVITIES
For the Three Months Ended June 30, 2009 and 2008
(in thousands)
(unaudited)

	For the Three Months Ended June 30,	
	2009	2008
GAAP cash flows from operating activities	\$ 243,320	\$ 150,634
Capitalized software development costs	(14,745)	(11,770)
Excess tax benefits from stock-based		

compensation	4,243	56,735
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Non-GAAP cash flows from operating activities	\$ 232,818	\$ 195,599
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VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP CASH FLOWS

FROM OPERATING ACTIVITIES

For the Trailing Twelve Months Ended June 30, 2009 and 2008

(in thousands)

(unaudited)

	For the Trailing Twelve Months Ended June 30,	
	----- 2009	----- 2008
GAAP cash flows from operating activities	\$ 1,018,876	\$ 645,721
Capitalized software development costs	(119,646)	(53,125)
Excess tax benefits from stock-based compensation	10,822	79,427
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Non-GAAP cash flows from operating activities	\$ 910,052	\$ 672,023
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