

# WIND RIVER

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**FOR IMMEDIATE RELEASE**

## **Wind River Reports Strong First Quarter Fiscal Year 2009 Results**

**Financial Highlights for the First Quarter of Fiscal Year 2009:**

- Reported revenues increased 13 percent year-over-year to \$87.9 million
- Deferred revenues increased 15 percent year-over-year to \$145.2 million
- GAAP net income per share of \$0.00 and non-GAAP net income per share of \$0.09
- Cash flows from operations were \$29.7 million

**ALAMEDA, Calif., May 29, 2008**— Wind River Systems, Inc. (NASDAQ: WIND), the global leader in Device Software Optimization (DSO), today reported results for the first quarter of fiscal year 2009, ended April 30, 2008. Revenues for the first quarter of fiscal 2009 were \$87.9 million, compared with \$78.0 million reported in the first quarter of fiscal 2008, an increase of 13 percent.

GAAP Results: Net income for the first quarter of fiscal 2009 was \$0.3 million, compared to a net loss of \$(4.6) million in the first quarter a year ago. Net income per diluted share for the quarter was \$0.00, compared to a net loss per diluted share of \$(0.05) in the first quarter a year ago.

Non-GAAP Results: Non-GAAP net income for the first quarter of fiscal 2009 was \$7.6 million, compared to non-GAAP net income of \$3.1 million in the first quarter a year ago. Non-GAAP net income per diluted share for the quarter was \$0.09, compared to \$0.04 in the first quarter a year ago, an increase of 125 percent. A detailed reconciliation of GAAP to non-GAAP results is provided at the end of this release.

Deferred revenues as of April 30, 2008 were \$145.2 million, compared to \$126.0 million as of April 30, 2007, an increase of 15 percent. Cash, cash equivalents and investments totaled \$206.5 million as of April 30, 2008. During the first quarter of fiscal 2009, Wind River repurchased 8.7 million shares for a total amount of \$66.6 million. Cash flows from operations for the first quarter of fiscal 2009 were \$29.7 million.

“Wind River’s strong execution and solid return from the investments we have made in our products, our sales organization and alliance partnerships drove excellent first quarter financial results and marked a healthy start to fiscal year 2009,” said Ken Klein, chairman, president and chief executive officer of Wind River. “We saw strong demand across all products and geographies, indicating our strategy is resonating with customers and partners.”

### **Financial Outlook**

For the full fiscal year 2009 ending January 31, 2009:

- Revenue is expected to be in the range of \$365.0 million to \$375.0 million.
- GAAP net income per share is expected to be in the range of \$0.10 to \$0.12.
- Non-GAAP net income per share is expected to be in the range of \$0.48 to \$0.50.

For the second quarter fiscal 2009 ending July 31, 2008:

- Revenue is expected to be in the range of \$86.0 million to \$88.0 million.
- GAAP net loss per share is expected to be in the range of \$(0.01) to \$(0.02).
- Non-GAAP net income per share is expected to be in the range of \$0.07 to \$0.08.

A reconciliation of GAAP to non-GAAP targets is provided at the end of this release.

### **Conference Call**

Wind River will hold its quarterly conference call today at 5:00 p.m. ET/2:00 p.m. PT to discuss its first quarter financial results, business highlights and outlook. The conference call may be accessed via webcast at <http://ir.windriver.com> or by calling +1.800.399.5927 in the United States or +1.706.643.3427 internationally.

A replay of the webcast can be accessed via Wind River’s web site at <http://ir.windriver.com>. Additionally, an audio replay of the conference call will be available through June 6, 2008 by calling +1.800.642.1687 in the United States or +1.706.645.9291 internationally (conference id required: 47350406).

### **Use of Non-GAAP Financial Information**

This press release includes the following supplemental non-GAAP financial measures: non-GAAP gross profit, non-GAAP operating income, non-GAAP net income and non-GAAP net income per diluted share. The presentation of this supplemental non-GAAP financial information, which is not

prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with generally accepted accounting principles. In addition, these measures may be materially different from non-GAAP financial measures used by other companies. Wind River is providing these non-GAAP financial measures because it believes that such measures provide important supplemental information to management and investors about the company's core operating results, primarily because the non-GAAP measures exclude certain expenses and other amounts that management does not consider to be indicative of the company's core operating results or business outlook. Wind River management uses these non-GAAP financial measures, in addition to the corresponding GAAP financial measures, in evaluating the company's operating performance, in planning and forecasting future periods, in making decisions regarding business operations and the allocation of resources, and in comparing the company's performance against its historical performance. For a description of these non-GAAP financial measures, including the reasons management uses these measures, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please see the following sections of this release entitled "About Non-GAAP Financial Measures," "Reconciliation of GAAP to Non-GAAP Financial Measures" and "Reconciliation of GAAP to Non-GAAP Net Income (Loss) per Share Targets." All non-GAAP financial measures should be read in conjunction with the comparable information presented in accordance with GAAP. Unless specified otherwise in this release, all references to GAAP and non-GAAP net income (loss) per share are calculated on a fully-diluted basis.

### **Forward-Looking Statements**

This press release contains forward-looking statements, including those relating to expected revenues and GAAP and non-GAAP net income (loss) per share for the three-month period ending July 31, 2008 and the fiscal year ending January 31, 2009, as well as statements made by our CEO about our business. Words such as "expects," "anticipates," "projects," "intends," "plans," "believes" and "estimates," variations of such words and similar expressions are also intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. Factors that could cause or contribute to such differences include but are not limited to, the success of Wind River's implementation of its new and current products, the success of our business models and market strategies, the ability to address rapidly changing technology and markets and to deliver our products on a timely basis, our ability to grow our Linux business, the ability of our customers to sell products that include the company's software, the impact of competitive products and pricing, weakness in the

economy generally or in the technology sector specifically, the success of the company's strategic relationships, the impact of other costs and the risk factors detailed in Wind River's Annual Report on Form 10-K for the fiscal year ended January 31, 2008, its Quarterly Reports on Form 10-Q and other periodic filings with the Securities and Exchange Commission. Wind River undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

### **About Wind River**

Wind River is the global leader in Device Software Optimization (DSO). Wind River enables companies to develop, run and manage device software faster, better, at lower cost and more reliably. Wind River platforms are pre-integrated, fully standardized, enterprise-wide development solutions. They reduce effort, cost and risk and optimize quality and reliability at all phases of the device software development process, from concept to deployed product.

Founded in 1981, Wind River is headquartered in Alameda, California, with operations worldwide. To learn more, visit Wind River at [www.windriver.com](http://www.windriver.com) or call 1-800-872-4977.

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**WIND RIVER SYSTEMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>April 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Revenues, net:</b>		
Product	\$ 32,898	\$ 28,196
Subscription	33,070	28,825
Service	21,897	21,028
	<u>87,865</u>	<u>78,049</u>
Total revenues, net	87,865	78,049
<b>Cost of revenues:</b>		
Product	750	525
Subscription	4,662	4,488
Service	16,746	13,970
Amortization of purchased intangibles	528	585
	<u>22,686</u>	<u>19,568</u>
Total cost of revenues	22,686	19,568
Gross profit	65,179	58,481
<b>Operating expenses:</b>		
Selling and marketing	35,172	33,423
Product development and engineering	20,307	19,881
General and administrative	9,040	10,347
Amortization of other intangibles	107	112
Restructuring and other charges	2,930	-
	<u>67,556</u>	<u>63,763</u>
Total operating expenses	67,556	63,763
Loss from operations	(2,377)	(5,282)
Other income, net	2,563	1,941
Income (loss) before income taxes	186	(3,341)
Provision for (benefit from) income taxes	(138)	1,210
<b>Net income (loss)</b>	<u>\$ 324</u>	<u>\$ (4,551)</u>
Net income (loss) per share:		
Basic and diluted	<u>\$ 0.00</u>	<u>\$ (0.05)</u>
Shares used in per share calculation:		
Basic	<u>85,211</u>	<u>85,260</u>
Diluted	<u>85,496</u>	<u>85,260</u>

**WIND RIVER SYSTEMS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	<u>April 30,</u> <u>2008</u>	<u>January 31,</u> <u>2008</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 91,873	\$ 101,635
Short-term investments	12,754	22,646
Accounts receivable, net	71,447	85,680
Prepaid and other current assets	17,941	18,855
Total current assets	<u>194,015</u>	<u>228,816</u>
Long-term investments	101,888	119,867
Property and equipment, net	76,879	77,981
Goodwill	115,562	114,371
Other intangibles, net	4,439	4,961
Other assets	18,272	17,923
Total assets	<u>\$ 511,055</u>	<u>\$ 563,919</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,708	\$ 9,341
Accrued and other current liabilities	22,510	21,817
Accrued compensation	24,011	24,433
Income taxes payable	-	614
Deferred revenues	124,636	119,886
Total current liabilities	<u>177,865</u>	<u>176,091</u>
Long-term deferred revenues	20,590	14,647
Other long-term liabilities	7,896	7,589
Total liabilities	<u>206,351</u>	<u>198,327</u>
Stockholders' equity:		
Common stock	91	91
Additional paid-in-capital	870,837	865,565
Treasury stock	(116,649)	(49,802)
Accumulated other comprehensive income	7,420	7,057
Accumulated deficit	(456,995)	(457,319)
Total stockholders' equity	<u>304,704</u>	<u>365,592</u>
Total liabilities and stockholders' equity	<u>\$ 511,055</u>	<u>\$ 563,919</u>

**WIND RIVER SYSTEMS, INC.**  
**ABOUT NON-GAAP FINANCIAL MEASURES**

In addition to the company's condensed consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP, Wind River is providing in this release certain supplemental non-GAAP measures of financial performance. These non-GAAP financial measures include: non-GAAP gross profit, non-GAAP operating income, non-GAAP net income and non-GAAP net income per diluted share. For a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, see the following section of this release entitled "Reconciliation of GAAP to Non-GAAP Financial Measures."

The presentation of supplemental non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, these measures may be materially different from non-GAAP financial measures used by other companies.

Wind River is providing these non-GAAP financial measures because it believes that such measures provide important supplemental information to management and investors about the company's core operating results, primarily because the non-GAAP measures exclude certain expenses and other amounts that management does not consider to be indicative of the company's core operating results or business outlook. Wind River management uses these non-GAAP financial measures, in addition to the corresponding GAAP financial measures, in evaluating the company's operating performance, in planning and forecasting future periods, in making decisions regarding business operations and the allocation of resources, and in comparing the company's performance against its historical performance. Wind River excludes the following items from its non-GAAP financial measures:

*Stock-based compensation expense.* The company's non-GAAP financial measures exclude stock-based compensation expense related to the grant of stock options, other related instruments and restricted stock issued in the Interpeak acquisition. While stock-based compensation is a significant expense affecting the company's results of operations, management excludes stock-based compensation from its budget and operating decision-making processes because it believes that these non-cash expenses do not reflect the company's ongoing operating results. Since stock-based compensation expense is excluded from non-GAAP financial measures, the company also excludes unamortized stock-based compensation in its computation of non-GAAP dilutive shares, which generally decreases the weighted number of buyback shares under the treasury stock method.

*Amortization of purchased and other intangible assets.* In accordance with GAAP, Wind River incurs expenses for the amortization of purchased and other intangibles resulting from prior acquisitions. These charges are not factored into management's evaluation of potential acquisitions, or our performance after completion of acquisitions, because they are not related to our core operating performance. In addition, the frequency and amount of such charges vary significantly based on the size and timing of our acquisitions and the maturities of the businesses being acquired. Excluding this data provides investors with a basis to compare the company against the performance of other companies without this variability.

*Costs incurred for stock option review and related litigation.* The company's non-GAAP financial measures exclude costs incurred for its historical stock option review and the related litigation costs. These amounts are excluded because they are not related to the company's ongoing business operating results.

*Other costs.* Wind River excludes amounts from non-GAAP financial measures related to restructuring and other charges, employer payroll taxes on stock option exercises and impairments and net losses on investments. The company excludes such costs because management believes that they are not related to the company's core operating results and because the frequency and variability in the nature and amount of the charges can vary significantly from period to period.

*Income tax related to non-GAAP items.* In order to present full non-GAAP results, the company adjusts its provision for (benefit from) income taxes to reflect the tax effects of excluding the non-GAAP items noted above. In addition, the company includes the associated tax benefit related to stock option net operating losses in its non-GAAP financial measures and excludes amounts related to the establishment or reversal of income tax valuation allowances as management believes that such amounts are not indicative of the company's ongoing business operating results and they are not included in budget or planning processes.

All supplemental non-GAAP financial measures should be read in conjunction with the comparable information presented in accordance with generally accepted accounting principles in the United States.

**WIND RIVER SYSTEMS, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>April 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>GAAP gross profit</b>	\$ 65,179	\$ 58,481
Stock-based compensation (1)	649	586
Amortization of purchased and other intangibles	528	585
Employer payroll taxes on stock option exercises	29	9
<b>Non-GAAP gross profit</b>	<u>\$ 66,385</u>	<u>\$ 59,661</u>
<b>GAAP operating loss</b>	\$ (2,377)	\$ (5,282)
Stock-based compensation (1)	4,288	5,337
Amortization of purchased and other intangibles	635	697
Costs incurred for stock option review and related litigation	-	1,059
Restructuring and other charges	2,930	-
Employer payroll taxes on stock option exercises	33	42
<b>Non-GAAP operating income</b>	<u>\$ 5,509</u>	<u>\$ 1,853</u>
<b>GAAP net income (loss)</b>	\$ 324	\$ (4,551)
Stock-based compensation (1)	4,288	5,337
Amortization of purchased and other intangibles	635	697
Costs incurred for stock option review and related litigation	-	1,059
Restructuring and other charges	2,930	-
Employer payroll taxes on stock option exercises	33	42
Impairments and net losses on investments	357	50
Income tax related to non-GAAP adjustments	(924)	497
<b>Non-GAAP net income</b>	<u>\$ 7,643</u>	<u>\$ 3,131</u>
<b>GAAP net income (loss) per diluted share</b>	\$ 0.00	\$ (0.05)
Stock-based compensation (1)	0.05	0.06
Amortization of purchased and other intangibles	0.01	0.01
Costs incurred for stock option review and related litigation	-	0.01
Restructuring and other charges	0.03	-
Employer payroll taxes on stock option exercises	-	-
Impairments and net losses on investments	0.01	-
Income tax related to non-GAAP adjustments	(0.01)	0.01
<b>Non-GAAP net income per diluted share</b>	<u>\$ 0.09</u>	<u>\$ 0.04</u>
<b>Shares used in GAAP per diluted share amounts</b>	85,496	85,260
Adjustments to diluted shares related to non-GAAP items	791	1,479
<b>Shares used in non-GAAP per diluted share amounts</b>	<u>86,287</u>	<u>86,739</u>
(1) Includes stock-based compensation expense as follows:		
Cost of revenues:		
Product	\$ 16	\$ 15
Subscription	413	359
Service	220	212
Total cost of revenues	<u>649</u>	<u>586</u>
Operating expenses:		
Selling and marketing	1,469	1,420
Product development and engineering	929	1,183
General and administrative	1,241	2,148
Total operating expenses	<u>3,639</u>	<u>4,751</u>
Total stock-based compensation expense	<u>\$ 4,288</u>	<u>\$ 5,337</u>

**WIND RIVER SYSTEMS, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP NET INCOME (LOSS) PER SHARE TARGETS**  
**(Unaudited)**

	<b>Three Months Ending</b>	
	<b>July 31, 2008</b>	
	\$	\$
<b>GAAP net loss per diluted share range</b>	(0.02)	(0.01)
Adjustments:		
Stock-based compensation	0.06	0.06
Amortization of purchased and other intangibles	0.01	0.01
Other adjustments (1)	0.02	0.02
<b>Non-GAAP net income per diluted share range</b>	0.07	0.08

	<b>Twelve Months Ending</b>	
	<b>January 31, 2009</b>	
	\$	\$
<b>GAAP net income per diluted share range</b>	0.10	0.12
Adjustments:		
Stock-based compensation	0.22	0.22
Amortization of purchased and other intangibles	0.05	0.05
Other adjustments (1)	0.11	0.11
<b>Non-GAAP net income per diluted share range</b>	0.48	0.50

(1) Other adjustments include restructuring and other charges, other non-recurring items and employer payroll taxes on stock option exercises.

The GAAP and non-GAAP net income (loss) per share targets provided above and elsewhere in this press release are estimates. Wind River's future performance involves risks and uncertainties and the company's actual results could differ materially from such estimates. Some of the factors that could affect the company's operating results are set forth under the caption "Forward-Looking Statements" above in this release.