

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS  
For the Three Months Ended March 31, 2010  
(in thousands, except per share amounts)  
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Acquisition Related Items	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Tax Adjustment (4)	Non-GAAP, as adjusted
Revenues:									
License	\$ 312,177	—	—	—	—	—	—	—	\$ 312,177
Services	321,356	—	—	—	—	—	—	—	321,356
	633,533	—	—	—	—	—	—	—	633,533
Operating expenses:									
Cost of license revenues	40,121	(385)	(12)	(3,111)	—	(23,681)	—	—	12,932
Cost of services revenues	68,529	(4,157)	(55)	(257)	—	—	—	—	64,060
Research and development	138,112	(34,723)	(983)	(473)	—	26,041	(4,180)	—	123,794
Sales and marketing	216,829	(16,047)	(337)	(440)	—	—	—	—	200,005
General and administrative	67,756	(8,385)	(211)	(38)	(1,239)	—	—	—	57,883
Operating income	102,186	63,697	1,598	4,319	1,239	(2,360)	4,180	—	174,859
Investment income	685	—	—	—	—	—	—	—	685
Interest expense with EMC, net	(901)	—	—	—	—	—	—	—	(901)
Other expense, net	(4,331)	—	—	—	—	—	—	—	(4,331)
Income before income taxes	97,639	63,697	1,598	4,319	1,239	(2,360)	4,180	—	170,312
Income tax provision	19,218	—	—	—	—	—	—	18,251	37,469
Quarterly tax rate	19.7%	—	—	—	—	—	—	—	22.0%
Net income	\$ 78,421	63,697	1,598	4,319	1,239	(2,360)	4,180	(18,251)	\$ 132,843
Net income per weighted average share,									
basic for Class A and Class B (2)	\$ 0.19	\$ 0.16	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.01	\$ (0.05)	\$ 0.33
Net income per weighted average share,									
diluted for Class A and Class B (3)	\$ 0.19	\$ 0.15	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.01	\$ (0.04)	\$ 0.32

(1) For the first quarter of 2010, VMware capitalized \$26.0 million (including \$4.2 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$23.7 million for the first quarter of 2010.

(2) Calculated based upon 404,480 basic weighted average shares for Class A and Class B.

(3) Calculated based upon 416,853 diluted weighted average shares for Class A and Class B.

(4) Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above. Our estimated tax rate on non-GAAP income is determined annually and may be re-calculated during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, tax audit closures, material changes in the geographic mix of revenues and expenses and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.