

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended March 31, 2013
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition and Other Related Items	Capitalized Software Development Costs (1)	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:									
License	\$ 488,227	—	—	—	—	—	—	—	\$ 488,227
Services	703,239	—	—	—	—	—	—	—	703,239
Total Revenues	1,191,466	—	—	—	—	—	—	—	1,191,466
Operating expenses:									
Cost of license revenues	57,344	(523)	(5)	(23,341)	—	—	(13,150)	—	20,325
Cost of services revenues	124,596	(7,278)	(112)	(990)	—	—	—	—	116,216
Research and development	270,558	(62,355)	(908)	(994)	—	—	—	—	206,301
Sales and marketing	417,418	(36,092)	(667)	(2,580)	—	—	—	—	378,079
General and administrative	98,466	(13,969)	(212)	—	—	(1,328)	—	—	82,957
Realignment charges	62,882	—	—	—	(62,882)	—	—	—	—
Operating income	160,202	120,217	1,904	27,905	62,882	1,328	13,150	—	387,588
Operating margin	13.4%	10.1%	0.2%	2.3%	5.3%	0.1%	1.1%	—	32.5%
Investment income	7,720	—	—	—	—	—	—	—	7,720
Interest expense with EMC, net	(965)	—	—	—	—	—	—	—	(965)
Other expense, net	(2,874)	—	—	—	—	—	—	—	(2,874)
Income before income taxes	164,083	120,217	1,904	27,905	62,882	1,328	13,150	—	391,469
Income tax provision	(9,486)	—	—	—	—	—	—	81,908	72,422
Tax rate	-5.8%	—	—	—	—	—	—	—	18.5%
Net income	\$ 173,569	120,217	1,904	27,905	62,882	1,328	13,150	(81,908)	\$ 319,047
Net income per weighted average share,									
basic for Class A and Class B (3)	\$ 0.41	\$ 0.28	\$ —	\$ 0.07	\$ 0.15	\$ —	\$ 0.03	\$ (0.19)	\$ 0.75
Net income per weighted average share,									
diluted for Class A and Class B (4)	\$ 0.40	\$ 0.28	\$ —	\$ 0.06	\$ 0.15	\$ —	\$ 0.03	\$ (0.18)	\$ 0.74

(1) For the first quarter of 2013, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$13.2 million.

(2) 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 adjusted 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, 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. In the first quarter of 2013, our GAAP tax rate of -5.8% was increased by 2.2% for the impact of the federal R&D tax credit reinstated retroactively for 2012 and by 22.1% for the impact of the items excluded from our non-GAAP earnings, as shown in the table above, resulting in a non-GAAP tax rate of 18.5%.

(3) Calculated based upon 428,005 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 432,631 diluted weighted-average shares for Class A and Class B.