

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended September 30, 2012
(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)	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:								
License	\$ 491,121	—	—	—	—	—	—	\$ 491,121
Services	642,563	—	—	—	—	—	—	642,563
Total Revenues	1,133,684	—	—	—	—	—	—	1,133,684
Operating expenses:								
Cost of license revenues	60,338	(561)	(7)	(19,306)	—	(14,859)	—	25,605
Cost of services revenues	119,024	(7,816)	1	(1,098)	—	—	—	110,111
Research and development	259,907	(60,194)	(996)	(962)	—	—	—	197,755
Sales and marketing	411,535	(51,662)	(332)	(3,287)	—	—	—	356,254
General and administrative	92,537	(11,914)	(150)	—	(1,723)	—	—	78,750
Operating income	190,343	132,147	1,484	24,653	1,723	14,859	—	365,209
Operating margin	16.8%	11.7%	0.1%	2.2%	0.1%	1.3%	—	32.2%
Investment income	7,505	—	—	—	—	—	—	7,505
Interest expense with EMC, net	(1,162)	—	—	—	—	—	—	(1,162)
Other expense, net	(1,539)	—	—	—	—	—	—	(1,539)
Income before income taxes	195,147	132,147	1,484	24,653	1,723	14,859	—	370,013
Income tax provision	38,379	—	—	—	—	—	28,223	66,602
Tax rate	19.7%	—	—	—	—	—	—	18.0%
Net income	\$ 156,768	132,147	1,484	24,653	1,723	14,859	(28,223)	\$ 303,411
Net income per weighted average share,								
basic for Class A and Class B (3)	\$ 0.37	\$ 0.31	\$ —	\$ 0.06	\$ —	\$ 0.03	\$ (0.06)	\$ 0.71
Net income per weighted average share,								
diluted for Class A and Class B (4)	\$ 0.36	\$ 0.30	\$ —	\$ 0.06	\$ —	\$ 0.04	\$ (0.06)	\$ 0.70

(1) For the third quarter of 2012, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$14.9 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.

(3) Calculated based upon 427,142 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 433,288 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Nine Months Ended September 30, 2012
(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)	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:								
License	\$ 1,490,270	—	—	—	—	—	—	\$ 1,490,270
Services	1,821,622	—	—	—	—	—	—	1,821,622
Total Revenues	3,311,892	—	—	—	—	—	—	3,311,892
Operating expenses:								
Cost of license revenues	173,634	(1,525)	(43)	(46,334)	—	(57,457)	—	68,275
Cost of services revenues	355,865	(20,738)	(846)	(3,294)	—	—	—	330,987
Research and development	730,891	(147,598)	(5,050)	(2,464)	—	—	—	575,779
Sales and marketing	1,166,448	(110,779)	(3,771)	(9,147)	—	—	—	1,042,751
General and administrative	265,636	(34,213)	(991)	—	(3,402)	—	—	227,030
Operating income	619,418	314,853	10,701	61,239	3,402	57,457	—	1,067,070
<i>Operating margin</i>	<i>18.7%</i>	<i>9.5%</i>	<i>0.3%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>1.7%</i>	<i>—</i>	<i>32.2%</i>
Investment income	20,193	—	—	—	—	—	—	20,193
Interest expense with EMC, net	(3,607)	—	—	—	—	—	—	(3,607)
Other expense, net	(2,814)	—	—	—	—	—	—	(2,814)
Income before income taxes	633,190	314,853	10,701	61,239	3,402	57,457	—	1,080,842
Income tax provision	93,257	—	—	—	—	—	101,295	194,552
<i>Tax rate</i>	<i>14.7%</i>							<i>18.0%</i>
Net income	\$ 539,933	314,853	10,701	61,239	3,402	57,457	(101,295)	\$ 886,290
Net income per weighted average share,								
basic for Class A and Class B (3)	\$ 1.26	\$ 0.74	\$ 0.03	\$ 0.14	\$ 0.01	\$ 0.14	\$ (0.24)	\$ 2.08
Net income per weighted average share,								
diluted for Class A and Class B (4)	\$ 1.24	\$ 0.72	\$ 0.02	\$ 0.14	\$ 0.01	\$ 0.14	\$ (0.23)	\$ 2.04

(1) For the third quarter of 2012, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$14.9 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.

(3) Calculated based upon 426,902 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,438 diluted weighted-average shares for Class A and Class B.