

VMware, Inc.

**RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS**  
**For the Three Months Ended December 31, 2008**  
(in thousands, except per share amounts)  
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	IPR&D and Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:							
License	\$ 314,843	—	—	—	—	—	\$ 314,843
Services	199,760	—	—	—	—	—	199,760
	514,603	—	—	—	—	—	514,603
Operating expenses:							
Cost of license revenues	22,123	(317)	—	(3,145)	(11,456)	—	7,205
Cost of services revenues	49,827	(2,769)	(4)	—	—	—	47,054
Research and development	110,506	(22,085)	(79)	(6,576)	48,008	(11,003)	118,771
Sales and marketing	178,605	(13,624)	(23)	(897)	—	—	164,061
General and administrative	51,428	(8,171)	(7)	(657)	—	—	42,593
Operating income	102,114	46,966	113	11,275	(36,552)	11,003	134,919
Investment income	6,333	—	—	—	—	—	6,333
Interest expense with EMC, net	(5,095)	—	—	—	—	—	(5,095)
Other expense, net	(2,728)	—	—	—	—	—	(2,728)
Income before income taxes	100,624	46,966	113	11,275	(36,552)	11,003	133,429
Income tax provision (benefit)	(10,830)	5,918	39	3,911	(9,171)	1,834	(8,299)
Quarterly tax rate	-10.8%						-6.2%
Net income	\$ 111,454	41,048	74	7,364	(27,381)	9,169	\$ 141,728
Net income per weighted average share, basic for Class A and Class B							
	\$ 0.29	\$ 0.11	\$ 0.00	\$ 0.02	\$ (0.07)	\$ 0.02	\$ 0.36
Net income per weighted average share, diluted for Class A and Class B							
	\$ 0.29	\$ 0.11	\$ 0.00	\$ 0.02	\$ (0.07)	\$ 0.02	\$ 0.36
Weighted average shares, basic for Class A and Class B							
	388,620	388,620	388,620	388,620	388,620	388,620	388,620
Weighted average shares, diluted for Class A and Class B							
	389,733	389,733	389,733	389,733	389,733	389,733	389,733

(1) For the fourth quarter of 2008, VMware capitalized \$48.0 million (including \$11.0 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$11.5 million for the fourth quarter of 2008.

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**RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS**  
**For the Year Ended December 31, 2008**  
(in thousands, except per share amounts)  
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	IPR&D and Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:							
License	\$ 1,178,142	—	—	—	—	—	\$ 1,178,142
Services	702,885	—	—	—	—	—	702,885
	<u>1,881,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,881,027</u>
Operating expenses:							
Cost of license revenues	88,156	(1,120)	(28)	(11,278)	(51,641)	—	24,089
Cost of services revenues	215,949	(13,485)	(224)	—	—	—	202,240
Research and development	429,204	(77,992)	(2,814)	(6,576)	113,649	(22,749)	432,722
Sales and marketing	654,083	(49,762)	(1,257)	(3,586)	—	—	599,478
General and administrative	181,110	(24,157)	(519)	(2,599)	—	—	153,835
Operating income	<u>312,525</u>	<u>166,516</u>	<u>4,842</u>	<u>24,039</u>	<u>(62,008)</u>	<u>22,749</u>	<u>468,663</u>
Investment income	28,301	—	—	—	—	—	28,301
Interest expense with EMC, net	(18,316)	—	—	—	—	—	(18,316)
Other expense, net	(3,225)	—	—	—	—	—	(3,225)
Income before income taxes	<u>319,285</u>	<u>166,516</u>	<u>4,842</u>	<u>24,039</u>	<u>(62,008)</u>	<u>22,749</u>	<u>475,423</u>
Income tax provision	29,152	33,020	1,284	8,516	(16,668)	4,512	59,816
Annual tax rate	9.1%						12.6%
Net income	<u>\$ 290,133</u>	<u>133,496</u>	<u>3,558</u>	<u>15,523</u>	<u>(45,340)</u>	<u>18,237</u>	<u>\$ 415,607</u>
Net income per weighted average share,							
basic for Class A and Class B	\$ 0.75	\$ 0.35	\$ 0.01	\$ 0.04	\$ (0.12)	\$ 0.05	\$ 1.08
Net income per weighted average share,							
diluted for Class A and Class B	\$ 0.73	\$ 0.34	\$ 0.01	\$ 0.04	\$ (0.11)	\$ 0.05	\$ 1.05
Weighted average shares,							
basic for Class A and Class B	385,068	385,068	385,068	385,068	385,068	385,068	385,068
Weighted average shares,							
diluted for Class A and Class B	397,185	397,185	397,185	397,185	397,185	397,185	397,185

(1) For the year ended December 31, 2008, VMware capitalized \$113.6 million (including \$22.7 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$51.6 million for the year ended December 31, 2008.