

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Year Ended December 31, 2007
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Intangible Amortization & Other	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:						
License	\$ 905,368	—	—	—	—	\$ 905,368
Services	420,443	—	—	—	—	420,443
	<u>1,325,811</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,325,811</u>
Operating expenses:						
Cost of license revenues	80,876	(558)	(20,810)	(36,407)	—	23,101
Cost of services revenues	137,798	(6,070)	144	—	—	131,872
Research and development	285,941	(42,934)	1,996	56,840	(9,105)	292,738
Sales and marketing	450,195	(26,288)	(1,787)	—	—	422,120
General and administrative	135,660	(16,556)	(1,476)	—	—	117,628
Operating income	<u>235,341</u>	<u>92,406</u>	<u>21,933</u>	<u>(20,433)</u>	<u>9,105</u>	<u>338,352</u>
Investment income	22,942	—	—	—	—	22,942
Interest expense with EMC, net	(17,757)	—	—	—	—	(17,757)
Other expense, net	(48)	—	—	—	—	(48)
Income before income taxes	<u>240,478</u>	<u>92,406</u>	<u>21,933</u>	<u>(20,433)</u>	<u>9,105</u>	<u>343,489</u>
Income tax provision	22,341	21,227	8,113	(5,256)	2,091	48,516
Quarterly tax rate	9.3%					14.1%
Net income	<u>\$ 218,137</u>	<u>71,179</u>	<u>13,820</u>	<u>(15,177)</u>	<u>7,014</u>	<u>\$ 294,973</u>
Net income per weighted average share, basic for Class A and Class B (2)	\$ 0.62	\$ 0.20	\$ 0.04	\$ (0.04)	\$ 0.02	\$ 0.84
Net income per weighted average share, diluted for Class A and Class B (3)	\$ 0.61	\$ 0.20	\$ 0.04	\$ (0.04)	\$ 0.02	\$ 0.82

(1) For the year ended December 31, 2007, VMware capitalized \$56.8 million (including \$9.1 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$36.4 million for the year ended December 31, 2007.

(2) Calculated based upon 350,493 basic weighted average shares for Class A and Class B.

(3) Calculated based upon 359,189 diluted weighted average shares for Class A and Class B.