

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS

For the Three Months Ended June 30, 2009

(in thousands, except per share amounts)

(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:							
License	\$ 227,962	—	—	—	—	—	\$ 227,962
Services	227,713	—	—	—	—	—	227,713
	455,675	—	—	—	—	—	455,675
Operating expenses:							
Cost of license revenues	27,853	(313)	(4)	(2,757)	(17,629)	—	7,150
Cost of services revenues	53,293	(3,463)	(20)	—	—	—	49,810
Research and development	121,380	(26,433)	(411)	—	18,388	(3,643)	109,281
Sales and marketing	167,421	(13,311)	(141)	(388)	—	—	153,581
General and administrative	47,729	(7,936)	(164)	(124)	—	—	39,505
Operating income	37,999	51,456	740	3,269	(759)	3,643	96,348
Investment income	2,496	—	—	—	—	—	2,496
Interest expense with EMC, net	(1,999)	—	—	—	—	—	(1,999)
Other expense, net	375	—	—	—	—	—	375
Income before income taxes	38,871	51,456	740	3,269	(759)	3,643	97,220
Income tax provision	6,336	9,853	190	1,154	(560)	686	17,659
Quarterly tax rate	16.3%						18.2%
Net income	\$ 32,535	41,603	550	2,115	(199)	2,957	\$ 79,561
Net income per weighted average share,							
basic for Class A and Class B	\$ 0.08	\$ 0.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.20
Net income per weighted average share,							
diluted for Class A and Class B	\$ 0.08	\$ 0.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.20
Weighted average shares,							
basic for Class A and Class B	391,841	391,841	391,841	391,841	391,841	391,841	391,841
Weighted average shares,							
diluted for Class A and Class B	395,826	395,826	395,826	395,826	395,826	395,826	395,826

(1) For the second quarter of 2009, VMware capitalized \$18.4 million (including \$3.6 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$17.6 million for the second quarter of 2009.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS

For the Six Months Ended June 30, 2009

(in thousands, except per share amounts)

(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Capitalized Software Development Costs (1)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:							
License	\$ 484,965	—	—	—	—	—	\$ 484,965
Services	441,020	—	—	—	—	—	441,020
	925,985	—	—	—	—	—	925,985
Operating expenses:							
Cost of license revenues	48,212	(643)	(5)	(5,514)	(28,281)	—	13,769
Cost of services revenues	107,937	(6,938)	(21)	—	—	—	100,978
Research and development	226,781	(50,337)	(606)	—	54,769	(10,089)	220,518
Sales and marketing	321,565	(27,145)	(181)	(816)	—	—	293,423
General and administrative	96,588	(16,208)	(177)	(248)	—	—	79,955
Operating income	124,902	101,271	990	6,578	(26,488)	10,089	217,342
Investment income	5,558	—	—	—	—	—	5,558
Interest expense with EMC, net	(4,673)	—	—	—	—	—	(4,673)
Other expense, net	(1,449)	—	—	—	—	—	(1,449)
Income before income taxes	124,338	101,271	990	6,578	(26,488)	10,089	216,778
Income tax provision	21,868	19,787	255	2,322	(8,675)	1,971	37,528
Quarterly tax rate	17.6%						17.3%
Net income	\$ 102,470	81,484	735	4,256	(17,813)	8,118	\$ 179,250
Net income per weighted average share,							
basic for Class A and Class B	\$ 0.26	\$ 0.21	\$ 0.00	\$ 0.01	\$ (0.04)	\$ 0.02	\$ 0.46
Net income per weighted average share,							
diluted for Class A and Class B	\$ 0.26	\$ 0.21	\$ 0.00	\$ 0.01	\$ (0.04)	\$ 0.02	\$ 0.46
Weighted average shares,							
basic for Class A and Class B	390,855	390,855	390,855	390,855	390,855	390,855	390,855
Weighted average shares,							
diluted for Class A and Class B	393,178	393,178	393,178	393,178	393,178	393,178	393,178

(1) For the first six months of 2009, VMware capitalized \$54.8 million (including \$10.1 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$28.3 million for the first six months of 2009.