

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended December 31, 2009
(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)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:								
License	\$ 304,206	—	—	—	—	—	—	\$ 304,206
Services	303,995	—	—	—	—	—	—	303,995
	608,201	—	—	—	—	—	—	608,201
Operating expenses:								
Cost of license revenues	40,945	(320)	(6)	(3,262)	—	(27,604)	—	9,753
Cost of services revenues	66,561	(3,933)	(135)	(266)	—	—	—	62,227
Research and development	136,262	(37,183)	(626)	(67)	—	18,148	(3,061)	113,473
Sales and marketing	229,596	(15,702)	(283)	(390)	—	—	—	213,221
General and administrative	63,680	(10,695)	(122)	(124)	(828)	—	—	51,911
Operating income	71,157	67,833	1,172	4,109	828	9,456	3,061	157,616
Investment income	1,054	—	—	—	—	—	—	1,054
Interest expense with EMC, net	(966)	—	—	—	—	—	—	(966)
Other expense, net	(4,008)	—	—	—	—	—	—	(4,008)
Income before income taxes	67,237	67,833	1,172	4,109	828	9,456	3,061	153,696
Income tax provision	10,828	9,463	135	1,562	—	4,738	339	27,065
Quarterly tax rate	16.1%							17.6%
Net income	\$ 56,409	58,370	1,037	2,547	828	4,718	2,722	\$ 126,631
Net income per weighted average share,								
basic for Class A and Class B (2)	\$ 0.14	\$ 0.15	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.32
Net income per weighted average share,								
diluted for Class A and Class B (3)	\$ 0.14	\$ 0.14	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.31

(1) For the fourth quarter of 2009, VMware capitalized \$18.1 million (including \$3.1 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$27.6 million for the fourth quarter of 2009.

(2) Calculated based upon 400,708 basic weighted average shares for Class A and Class B.

(3) Calculated based upon 410,973 diluted weighted average shares for Class A and Class B.

Section: A6.1
Preparer: J. Kholodenko
Reviewer: M. Nicholson
Phone: 650.427.5252

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Year Ended December 31, 2009
(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)	Stock-based Compensation Included in Capitalized Software Development Costs	Non-GAAP, as adjusted
Revenues:								
License	\$ 1,029,442	—	—	—	—	—	—	\$ 1,029,442
Services	994,495	—	—	—	—	—	—	994,495
	<u>2,023,937</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,023,937</u>
Operating expenses:								
Cost of license revenues	126,686	(1,293)	(17)	(11,669)	—	(82,915)	—	30,792
Cost of services revenues	233,042	(14,874)	(182)	(266)	—	—	—	217,720
Research and development	496,552	(121,770)	(1,684)	(107)	—	83,514	(14,903)	441,602
Sales and marketing	736,383	(58,610)	(647)	(1,594)	—	—	—	675,532
General and administrative	211,979	(34,909)	(404)	(498)	(1,601)	—	—	174,567
Operating income	<u>219,295</u>	<u>231,456</u>	<u>2,934</u>	<u>14,134</u>	<u>1,601</u>	<u>(599)</u>	<u>14,903</u>	<u>483,724</u>
Investment income	8,233	—	—	—	—	—	—	8,233
Interest expense with EMC, net	(6,958)	—	—	—	—	—	—	(6,958)
Other income (expense), net	2,879	—	—	—	(5,859)	—	—	(2,980)
Income before income taxes	<u>223,449</u>	<u>231,456</u>	<u>2,934</u>	<u>14,134</u>	<u>(4,258)</u>	<u>(599)</u>	<u>14,903</u>	<u>482,019</u>
Income tax provision	26,351	43,170	669	5,018	—	3,002	2,779	80,989
Annual tax rate	11.8%							16.8%
Net income	<u>\$ 197,098</u>	<u>188,286</u>	<u>2,265</u>	<u>9,116</u>	<u>(4,258)</u>	<u>(3,601)</u>	<u>12,124</u>	<u>\$ 401,030</u>
Net income per weighted average share,								
basic for Class A and Class B (2)	\$ 0.50	\$ 0.48	\$ 0.01	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ 0.03	\$ 1.02
Net income per weighted average share,								
diluted for Class A and Class B (3)	\$ 0.49	\$ 0.47	\$ 0.01	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ 0.03	\$ 1.00

(1) For the year ended December 31, 2009, VMware capitalized \$83.5 million (including \$14.9 million of stock-based compensation) of costs incurred for the development of software products. Amortization expense from capitalized amounts was \$82.9 million for the year ended December 31, 2009.

(2) Calculated based upon 394,269 basic weighted average shares for Class A and Class B.

(3) Calculated based upon 399,776 diluted weighted average shares for Class A and Class B.

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Preparer: J. Kholodenko
Reviewer: M. Nicholson
Phone: 650.427.5252