VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended December 31, 2012
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Acquisition Related Items	Capitalized Software Development Costs (1)	Tax Adjustment (2)	Non-GAAP, as adjusted
Operating expenses:								
Cost of license revenues	$ 63,393	(547)	(17)	(25,271)	—	(13,151)	—	$ 24,407
Cost of services revenues	$128,431	(7,482)	(194)	(1,098)	—	—	—	$ 119,657
Research and development	$268,323	(62,779)	(1,277)	(1,254)	—	—	—	$ 203,013
Sales and marketing	$478,401	(39,100)	(1,076)	(3,096)	—	—	—	$ 435,129
General and administrative	$102,082	(13,894)	(631)	—	(494)	—	—	$ 87,063
Operating income	$252,525	123,802	3,195	30,719	494	13,151	—	$ 423,886
Operating margin	*19.5 %*	*9.6 %*	*0.3 %*	*2.4 %*	—	*1.0 %*	—	*32.8 %*
Income before income taxes	$259,924	123,802	3,195	30,719	494	13,151	—	$ 431,285
Income tax provision	$ 54,155						27,832	$ 81,987
Tax rate	*20.8 %*							*19.0 %*
Net income	$205,769	123,802	3,195	30,719	494	13,151	(27,832)	$ 349,298
Net income per weighted-average share, basic for Class A and Class B (3)	$ 0.48	$ 0.29	$ 0.01	$ 0.07	$ —	$ 0.03	$ (0.06)	$ 0.82
Net income per weighted-average share, diluted for Class A and Class B (4)	$ 0.47	$ 0.29	$ 0.01	$ 0.07	$ —	$ 0.03	$ (0.06)	$ 0.81

(1) For the fourth quarter of 2012, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was $13.2 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 427,266 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 433,205 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Year Ended December 31, 2012
(in thousands, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Acquisition Related Items	Capitalized Software Development Costs (1)	Tax Adjustment (2)	Non-GAAP, as adjusted
Operating expenses:								
Cost of license revenues	$ 237,027	(2,072)	(60)	(71,605)	—	(70,608)	—	$ 92,682
Cost of services revenues	$ 484,296	(28,220)	(1,040)	(4,392)	—	—	—	$ 450,644
Research and development	$ 999,214	(210,377)	(6,327)	(3,718)	—	—	—	$ 778,792
Sales and marketing	$1,644,849	(149,879)	(4,847)	(12,243)	—	—	—	$ 1,477,880
General and administrative	$ 367,718	(48,107)	(1,622)	—	(3,896)	—	—	$ 314,093
Operating income	$ 871,943	438,655	13,896	91,958	3,896	70,608	—	$ 1,490,956
Operating margin	*18.9 %*	*9.5 %*	*0.3 %*	*2.0 %*	*0.2 %*	*1.5 %*	—	*32.4 %*
Income before income taxes	$ 893,114	438,655	13,896	91,958	3,896	70,608	—	$ 1,512,127
Income tax provision	$ 147,412						129,126	$ 276,538
Tax rate	*16.5 %*							*18.3 %*
Net income	$ 745,702	438,655	13,896	91,958	3,896	70,608	(129,126)	$ 1,235,589
Net income per weighted-average share, basic for Class A and Class B (3)	$ 1.75	$ 1.03	$ 0.03	$ 0.22	$ 0.01	$ 0.17	$ (0.31)	$ 2.90
Net income per weighted-average share, diluted for Class A and Class B (4)	$ 1.72	$ 1.01	$ 0.03	$ 0.21	$ 0.01	$ 0.16	$ (0.29)	$ 2.85

(1) For the year ended December 31, 2012, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was $70.6 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 426,658 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 433,974 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP CASH FLOWS FROM OPERATING ACTIVITIES TO FREE CASH FLOWS (A NON-GAAP FINANCIAL MEASURE) (in thousands) (unaudited)

	For the Three Months Ended December 31,	
	2012	2011
GAAP cash flows from operating activities	$ 493,377	$ 561,409
Capital expenditures	(81,639)	(52,911)
Free cash flows	$ 411,738	$ 508,498

VMware, Inc.

RECONCILIATION OF GAAP CASH FLOWS FROM OPERATING ACTIVITIES TO FREE CASH FLOWS (A NON-GAAP FINANCIAL MEASURE) (in thousands) (unaudited)

	For the Year Ended December 31,	
	2012	2011
GAAP cash flows from operating activities	$1,897,524	$2,025,633
Capital expenditures	(234,458)	(230,091)
Free cash flows	$1,663,066	$1,795,542