1. What are the basic facts regarding the Special Dividend? What does a stockholder need to know?

- On April 13, 2021, the VMware Board of Directors declared a conditional special dividend of $11.5 billion to $12.0 billion to be distributed pro-rata to stockholders (“Special Dividend”).
- The Special Dividend is payable in connection with the closing of the transactions contemplated by that Separation and Distribution Agreement (the “Separation Agreement”), both originally announced on April 14, 2021, pursuant to which VMware will be spun-off from Dell Technologies Inc.
- On October 7, 2021, VMware announced that the amount of the Special Dividend will be $11.5 billion to be distributed pro-rata to all VMware stockholders, subject to satisfaction of the certain conditions.
- On October 19, 2021, VMware announced that October 29, 2021, will be the record date (“Record Date”) and November 1, 2021, will be the payment date (“Payment Date”) for the Special Dividend.
- The Special Dividend will be payable pro-rata to all VMware stockholders of record as of the close of business on the Record Date.
- Stockholders of record of Dell common stock that are entitled to receive the distribution of VMware Class A common stock as part of the Spin-off will not be entitled to the cash dividend.
- The final per share amount of the Special Dividend to VMware stockholders will be $27.40 per share. Dell’s pro-rata share of the Special Dividend was $9.2 billion.
- On August 2, 2021, VMware issued five unsecured senior notes pursuant to a public debt offering in an aggregate amount of $6.0 billion. The proceeds are expected to be used to fund a portion of the Special Dividend and, to the extent any proceeds remain, for general corporate purposes.
- On September 2, 2021, VMware received commitments under term loan facilities that would provide VMware with financing of up to $4.0 billion, which, if funded, may be used to finance a portion of the Special Dividend and for general corporate purposes.
- This Special Dividend is declared in connection with the Spin-off. VMware does not plan to pay a recurring dividend.
2. **What is the Spin-off and how is it related to the Special Dividend?**
   - As of the close of business on October 29, 2021, Dell owned 80.5% of VMware’s outstanding capital stock and 97.4% of the outstanding voting power. As of October 29, 2021, the number of shares of VMware common stock outstanding was 419,662,495, of which 112,440,659 shares were VMware Class A common stock (publicly traded on the New York Stock Exchange (the “NYSE”) under the ticker symbol “VMW”) and 307,221,836 shares were VMware Class B common stock (not publicly traded).
   - On April 14, 2021, Dell and VMware entered into the Separation Agreement pursuant to which VMware paid the Special Dividend of $11.5 billion, distributed pro-rata to all VMware stockholders as of the Record Date, including Dell. Immediately following payment of the Special Dividend, Dell distributed all of its shares of VMware common stock pro-rata to Dell stockholders (the “Distribution”) and, immediately following, and automatically as a result of, the Distribution, all shares of VMware Class B common stock converted to VMware Class A common stock on a 1-to-1 basis.
   - Accordingly, following the Spin-Off, all shares of VMware Class B common stock converted into Class A common stock, and all shares of VMware common stock held by Dell became held instead by Dell stockholders.
   - In connection with the Separation Agreement, VMware and Dell also agreed to the form of certain ancillary agreements more fully described in the Current Reports on Form 8-K filed by VMware with the SEC on April 14, 2021, and November 1, 2021.
   - The Special Dividend Payment Date is November 1, 2021.

3. **What are the key dates to understand?**
   - There are three key dates to understand.
     - **First is the Record Date.** All stockholders who held outstanding shares of VMware common stock at the close of trading on the Record Date (October 29, 2021) and held such shares through the Payment Date (November 1, 2021) will be entitled to receive their pro rata share of Special Dividend amount. The per share dividend amount is $27.40 per share. The per share dividend amount was determined based on the number of shares outstanding on the Record Date, which was 419,662,495 shares.
     - **Second is the dividend Payment Date.** The dividend Payment Date is when the dividend will be paid to stockholders entitled to receive the dividend. It is the first trading day immediately following the Record Date, subject to satisfaction of the closing conditions, or November 1, 2021.
     - **Third is the ex-dividend date.** November 2, 2021 is the day that the NYSE has informed VMware that VMware shares will begin trading without the right to receive the dividend payment and the VMware per share stock price will be adjusted down by the per share dividend amount ($27.40 per share).

4. **What does a Special Dividend mean?**
   - We are calling this dividend a “special” dividend because VMware does not pay ordinary (or recurring) dividends on a periodic basis. Subsequent to VMware’s initial public offering in August 2007, VMware had not declared or paid regular cash dividends on its common stock. We previously paid a special dividend of $11.0 billion in 2018, a per share dividend amount of $26.81, in connection with the elimination of the Dell Class V common stock that had been
designed to track the economic performance of VMware. Aside from the 2018 special dividend and this Special Dividend, we do not plan to pay dividends in the future.

5. **Who will actually receive the Special Dividend and when will they actually receive it?**
   - VMware stockholders as of the close of business on the Record Date (October 29, 2021) who held their shares through the close of trading on the Payment Date (November 1, 2021) are entitled to receive the Special Dividend.
   - On the trading date prior to the Record Date, we expect that VMware shares will trade with the right to receive the dividend ("due bills") until and including the dividend Payment Date, which we expect will be the trading day immediately following the Record Date.
   - Accordingly, all holders of record of VMware stock at the close of trading on the NYSE on the Payment Date will receive the dividend payment.
   - On the Payment Date, VMware will distribute the dividend according to standard dividend payment procedures.
   - Stockholders who hold VMware shares in a brokerage or similar account should check with their broker for more details on when to expect the dividend payment to appear in their brokerage account.

6. **When will VMware’s stock price trade ex-dividend? What will happen to VMware’s stock price after the Special Dividend?**
   - The ex-dividend date will be November 2, 2021 (the first trading day following the Payment Date of November 1, 2021). Shares of VMware Class A common stock will trade with due bills from October 28, 2021, through and including the Payment Date of November 1, 2021.
   - While we do not offer predictions about our stock price, in accordance with NYSE rules, the NYSE will adjust our stock price down by the amount of the per share Special Dividend at the open of trading on the ex-dividend date of November 2, 2021 (the first trading day following the Payment Date).
   - For example, in 2018, we paid a per share dividend amount of $26.81 on December 28 and the NYSE adjusted VMware’s stock price down from $158.38 to $131.57 at the start of the next trading day.
   - That said, the Special Dividend does not alter our focus on building our business. Our ability to return capital to stockholders through this Special Dividend is the direct result of the exceptional performance we have delivered and the strength of our broad-based portfolio.
   - As always, VMware’s stock price following the Special Dividend will continue to reflect investor perceptions of our business performance, financial conditions and future prospects, as well as general economic and market conditions.

7. **Will the Special Dividend payment be taxable to VMware stockholders?**
   - VMware currently estimates that, for federal tax purposes, 39.49% of the Special Dividend will be treated as a taxable dividend, with the other 60.51% of the Special Dividend being first treated as a return on capital to stockholders to the extent of their basis in VMware common stock, and thereafter as capital gain.
   - The tax treatment of the Special Dividend will be based on VMware’s current and accumulated earnings and profits through VMware’s fiscal year ending January 28, 2022 ("FY22"). The process of determining current and accumulated earnings and profits requires a final determination of VMware’s financial results for FY22 and a review of certain other factors. The determination will be
based in part on factors that are outside of the control of VMware and which cannot be ascertained at this time. VMware does not expect the calculation of the portion that will be treated as a taxable dividend for federal tax purposes to be finalized until after the completion of FY22. Accordingly, the portion of the Special Dividend estimated to be a taxable dividend provided in this release is based upon currently available information and is subject to change.

- The taxable dividend may be eligible for treatment as a qualified dividend for federal tax purposes depending on the holding period of the underlying stock and other personal tax matters. The precise tax impact of the Special Dividend to specific stockholders depends upon the stockholder’s individual tax situation.

- The Internal Revenue Service (“IRS”) Form 1099-DIV, issued no later than January 31 of each tax year (or as allowed by IRS procedures), will reflect the amount of the Special Dividend to be treated as a taxable dividend and the amount of the distribution first treated as a return on capital to stockholders to the extent of their basis in VMware common stock, and thereafter as capital gain.

- Since the tax treatment of the Special Dividend cannot be finalized until after the close of FY22 this may result in stockholders receiving an amended IRS Form 1099-DIV or other required reporting after the initial IRS Form 1099-DIV forms are distributed on January 31, 2022. The decision to issue an amended IRS Form 1099-DIV to stockholders will be made by individual brokerage firms.

- Stockholders are urged to consult with a tax advisor to determine the tax consequences of the Special Dividend received, including any state, local or foreign tax considerations.

- The current estimated return of capital percentages relating to the Special Dividend will also be reported on IRS Form 8937 pursuant to U.S. tax basis reporting required under Internal Revenue Code Section 6045B. The IRS Form 8937 will be posted on the Payment Date to VMware’s investor relations website ir.vmware.com and may be updated once the return of capital percentages on the Special Dividend are finalized.