

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended March 31, 2016

(amounts in millions, except per share amounts, and shares in thousands)

(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition and Other Related Items	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Revenues:								
License	\$ 572	—	—	—	—	—	—	\$ 572
Services	1,017	—	—	—	—	—	—	1,017
Total revenues	1,589	—	—	—	—	—	—	1,589
Operating expenses:								
Cost of license revenues	40	(1)	—	(25)	—	—	—	15
Cost of services revenues	211	(12)	—	(1)	—	—	—	198
Research and development	356	(70)	—	—	—	—	—	286
Sales and marketing	565	(49)	(3)	(6)	—	—	—	508
General and administrative	172	(18)	—	—	—	(16)	—	136
Realignment charges	53	—	—	—	(53)	—	—	—
Operating income	192	150	3	32	53	16	—	446
<i>Operating margin ⁽²⁾</i>	<i>12.1%</i>	<i>9.4%</i>	<i>0.2%</i>	<i>2.0%</i>	<i>3.3%</i>	<i>1.0%</i>	—	<i>28.1%</i>
Investment income	16	—	—	—	—	—	—	16
Interest expense with EMC	(7)	—	—	—	—	—	—	(7)
Other income (expense), net	(1)	—	—	—	—	3	—	2
Income before income taxes	200	150	3	32	53	19	—	457
Income tax provision	39	—	—	—	—	—	53	91
<i>Tax rate ⁽²⁾</i>	<i>19.5%</i>	—	—	—	—	—	—	<i>20.0%</i>
Net Income	\$ 161	150	3	32	53	19	(53)	\$ 366
Net income per weighted-average share, basic for Class A and Class B ⁽²⁾⁽³⁾	\$ 0.38	\$ 0.35	\$ 0.01	\$ 0.08	\$ 0.13	\$ 0.05	\$ (0.12)	\$ 0.86
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽⁴⁾	\$ 0.38	\$ 0.35	\$ 0.01	\$ 0.08	\$ 0.13	\$ 0.05	\$ (0.12)	\$ 0.86

⁽¹⁾ 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 as well as discrete items. 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.

⁽²⁾ Totals may not sum, due to rounding. Operating margin, tax rate and net income per weighted average share information are calculated based upon the respective underlying, non-rounded data.

⁽³⁾ Calculated based upon 423,230 basic weighted-average shares for Class A and Class B.

⁽⁴⁾ Calculated based upon 424,180 diluted weighted-average shares for Class A and Class B.