

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended March 31, 2014
(amounts in millions, except per share amounts, and shares in thousands)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Acquisition and Other Related Items	Tax Adjustment (1)	Non-GAAP, as adjusted
Revenues:							
License	\$ 561	—	—	—	—	—	\$ 561
Services	799	—	—	—	—	—	799
Total revenues	1,360	—	—	—	—	—	1,360
Operating expenses:							
Cost of license revenues	50	(1)	—	(24)	—	—	25
Cost of services revenues	151	(9)	—	—	—	—	142
Research and development	293	(60)	(1)	(1)	—	—	231
Sales and marketing	474	(41)	(1)	(3)	—	—	429
General and administrative	151	(17)	—	—	(24)	—	110
Operating income	241	128	2	28	24	—	423
Operating margin (2)	17.7%	9.4%	0.2%	2.1%	1.7%	—	31.1%
Investment income	9	—	—	—	—	—	9
Interest expense with EMC, net	(5)	—	—	—	—	—	(5)
Income before income taxes	245	128	2	28	24	—	427
Income tax provision	46					33	79
Tax rate (2)	18.6%						18.5%
Net income	\$ 199	128	2	28	24	(33)	\$ 348
Net income per weighted average share, basic for Class A and Class B (2) (3)	\$ 0.46	\$ 0.30	\$ —	\$ 0.07	\$ 0.06	\$ (0.08)	\$ 0.81
Net income per weighted average share, diluted for Class A and Class B (2) (4)	\$ 0.46	\$ 0.29	\$ —	\$ 0.07	\$ 0.06	\$ (0.08)	\$ 0.80

(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. 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) 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 430,546 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,729 diluted weighted-average shares for Class A and Class B.