

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended June 30, 2013
(in millions, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition and Other Related Items	Capitalized Software Development Costs (1)	Gain on Disposition of Certain Lines of Business & Other, Net	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:										
License	\$ 530.5	—	—	—	—	—	—	—	—	\$ 530.5
Services	712.6	—	—	—	—	—	—	—	—	712.6
Total revenues	1,243.1	—	—	—	—	—	—	—	—	1,243.1
Operating expenses:										
Cost of license revenues	54.6	(0.5)	—	(22.2)	—	—	(13.2)	—	—	18.7
Cost of services revenues	118.5	(6.7)	(0.2)	(0.8)	—	—	—	—	—	110.8
Research and development	260.7	(51.0)	(1.5)	(0.8)	—	—	—	—	—	207.4
Sales and marketing	442.1	(33.4)	(1.4)	(1.6)	—	—	—	—	—	405.7
General and administrative	96.3	(11.6)	(0.5)	—	—	(0.6)	—	—	—	83.6
Realignment charges	0.6	—	—	—	(0.6)	—	—	—	—	—
Operating income	270.3	103.2	3.6	25.4	0.6	0.6	13.2	—	—	416.9
Operating margin	21.7%	8.3%	0.3%	2.0%	0.1%	—	1.1%	—	—	33.5%
Investment income	7.0	—	—	—	—	—	—	—	—	7.0
Interest expense with EMC, net	(0.9)	—	—	—	—	—	—	—	—	(0.9)
Other income (expense), net	16.9	—	—	—	—	—	—	(18.9)	—	(2.0)
Income before income taxes	293.3	103.2	3.6	25.4	0.6	0.6	13.2	(18.9)	—	421.0
Income tax provision	49.2	—	—	—	—	—	—	—	28.7	77.9
Tax rate	16.8%	—	—	—	—	—	—	—	—	18.5%
Net income	\$ 244.1	103.2	3.6	25.4	0.6	0.6	13.2	(18.9)	(28.7)	\$ 343.1
Net income per weighted average share,										
basic for Class A and Class B (3)	\$ 0.57	\$ 0.24	\$ 0.01	\$ 0.06	\$ —	\$ —	\$ 0.03	\$ (0.04)	\$ (0.07)	\$ 0.80
Net income per weighted average share,										
diluted for Class A and Class B (4)	\$ 0.57	\$ 0.24	\$ —	\$ 0.06	\$ —	\$ —	\$ 0.03	\$ (0.04)	\$ (0.07)	\$ 0.79

(1) For the second quarter of 2013, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$13.2.

(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 428.3 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 432.0 diluted weighted-average shares for Class A and Class B.

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RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Six Months Ended June 30, 2013
(in millions, except per share amounts)
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Tax on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition and Other Related Items	Capitalized Software Development Costs (1)	Gain on Disposition of Certain Lines of Business & Other, Net	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:										
License	\$ 1,018.7	—	—	—	—	—	—	—	—	\$ 1,018.7
Services	1,415.9	—	—	—	—	—	—	—	—	1,415.9
Total revenues	2,434.6	—	—	—	—	—	—	—	—	2,434.6
Operating expenses:										
Cost of license revenues	111.9	(1.0)	—	(45.5)	—	—	(26.3)	—	—	39.1
Cost of services revenues	243.1	(14.0)	(0.4)	(1.8)	—	—	—	—	—	226.9
Research and development	531.2	(113.3)	(2.5)	(1.8)	—	—	—	—	—	413.6
Sales and marketing	859.5	(69.5)	(2.1)	(4.2)	—	—	—	—	—	783.7
General and administrative	194.8	(25.7)	(0.5)	—	—	(1.8)	—	—	—	166.8
Realignment charges	63.5	—	—	—	(63.5)	—	—	—	—	—
Operating income	430.6	223.5	5.5	53.3	63.5	1.8	26.3	—	—	804.5
Operating margin	17.7%	9.2%	0.2%	2.2%	2.6%	—	1.1%	—	—	33.0%
Investment income	14.8	—	—	—	—	—	—	—	—	14.8
Interest expense with EMC, net	(1.9)	—	—	—	—	—	—	—	—	(1.9)
Other income (expense), net	13.9	—	—	—	—	—	—	(18.9)	—	(5.0)
Income before income taxes	457.4	223.5	5.5	53.3	63.5	1.8	26.3	(18.9)	—	812.4
Income tax provision	39.7	—	—	—	—	—	—	—	110.6	150.3
Tax rate	8.7%	—	—	—	—	—	—	—	13.6%	18.5%
Net income	\$ 417.7	\$ 223.5	\$ 5.5	\$ 53.3	\$ 63.5	\$ 1.8	\$ 26.3	\$ (18.9)	\$ (110.6)	\$ 662.1
Net income per weighted average share, basic for Class A and Class B (3)										
	\$ 0.98	\$ 0.52	\$ 0.02	\$ 0.12	\$ 0.15	\$ —	\$ 0.06	\$ (0.04)	\$ (0.26)	\$ 1.55
Net income per weighted average share, diluted for Class A and Class B (4)										
	\$ 0.97	\$ 0.52	\$ 0.01	\$ 0.12	\$ 0.15	\$ —	\$ 0.06	\$ (0.04)	\$ (0.26)	\$ 1.53

(1) For the first six months of 2013, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$26.3.

(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 428.2 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 432.4 diluted weighted-average shares for Class A and Class B.