

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS  
For the Three Months Ended June 30, 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	Realignment Charges	Acquisition and Other Related Items	Certain Litigation and Other Contingencies	Tax Adjustment (1)	Non-GAAP, as adjusted
Revenues:									
License	\$ 614	—	—	—	—	—	—	—	\$ 614
Services	843	—	—	—	—	—	—	—	843
Total revenues	1,457	—	—	—	—	—	—	—	1,457
Operating expenses:									
Cost of license revenues	46	(1)	—	(27)	—	—	—	—	18
Cost of services revenues	172	(11)	—	—	—	—	—	—	161
Research and development	317	(66)	(1)	(2)	—	—	—	—	248
Sales and marketing	544	(43)	(1)	(5)	—	—	—	—	495
General and administrative	179	(18)	—	(1)	—	(42)	(11)	—	107
Realignment charges	(1)	—	—	—	1	—	—	—	—
Operating income	200	139	2	35	(1)	42	11	—	428
Operating margin (2)	13.7%	9.6%	0.2%	2.4%	-0.1%	2.9%	0.7%	—	29.4%
Investment income	9	—	—	—	—	—	—	—	9
Interest expense with EMC, net	(7)	—	—	—	—	—	—	—	(7)
Other income (expense), net	—	—	—	—	—	1	—	—	1
Income before income taxes	202	139	2	35	(1)	43	11	—	431
Income tax provision	35	—	—	—	—	—	—	45	80
Tax rate (2)	17.5%	—	—	—	—	—	—	—	18.5%
Net income	\$ 167	139	2	35	(1)	43	11	(45)	\$ 351
Net income per weighted average share, basic for Class A and Class B (2) (3)	\$ 0.39	\$ 0.32	\$ 0.01	\$ 0.08	\$ —	\$ 0.10	\$ 0.02	\$ (0.10)	\$ 0.82
Net income per weighted average share, diluted for Class A and Class B (2) (4)	\$ 0.38	\$ 0.32	\$ 0.01	\$ 0.08	\$ —	\$ 0.10	\$ 0.02	\$ (0.10)	\$ 0.81

(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 430,216 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,199 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS  
For the Six Months Ended June 30, 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	Realignment Charges	Acquisition and Other Related Items	Certain Litigation and Other Contingencies	Tax Adjustment (1)	Non-GAAP, as adjusted
Revenues:									
License	\$ 1,175	—	—	—	—	—	—	—	\$ 1,175
Services	1,642	—	—	—	—	—	—	—	1,642
Total revenues	2,817	—	—	—	—	—	—	—	2,817
Operating expenses:									
Cost of license revenues	96	(2)	—	(52)	—	—	—	—	42
Cost of services revenues	323	(20)	—	—	—	—	—	—	303
Research and development	610	(126)	(3)	(3)	—	—	—	—	478
Sales and marketing	1,018	(84)	(2)	(9)	—	—	—	—	923
General and administrative	330	(35)	—	(1)	—	(65)	(11)	—	218
Realignment charges	(1)	—	—	—	1	—	—	—	—
Operating income	441	267	5	65	(1)	65	11	—	853
Operating margin (2)	15.7%	9.4%	0.2%	2.3%	0.0%	2.3%	0.4%	—	30.3%
Investment income	18	—	—	—	—	—	—	—	18
Interest expense with EMC, net	(12)	—	—	—	—	—	—	—	(12)
Other income (expense), net	—	—	—	—	—	2	—	—	2
Income before income taxes	447	267	5	65	(1)	67	11	—	861
Income tax provision	81	—	—	—	—	—	—	78	159
Tax rate (2)	18.1%	—	—	—	—	—	—	—	18.5%
Net income	\$ 366	267	5	65	(1)	67	11	(78)	\$ 702
Net income per weighted average share, basic for Class A and Class B (2) (3)	\$ 0.85	\$ 0.62	\$ 0.01	\$ 0.15	\$ —	\$ 0.16	\$ 0.02	\$ (0.18)	\$ 1.63
Net income per weighted average share, diluted for Class A and Class B (2) (4)	\$ 0.84	\$ 0.61	\$ 0.01	\$ 0.15	\$ —	\$ 0.15	\$ 0.02	\$ (0.18)	\$ 1.60

(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 430,050 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,218 diluted weighted-average shares for Class A and Class B.