

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended June 30, 2015

(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	GSA Settlement	Tax Adjustment (1)	Non-GAAP, as adjusted (2)
Revenues:									
License	\$ 638	—	—	—	—	—	—	—	\$ 638
Services	959	—	—	—	—	—	—	—	959
GSA settlement	(76)	—	—	—	—	—	76	—	—
Total revenues	1,521	—	—	—	—	—	76	—	1,597
Operating expenses:									
Cost of license revenues	46	—	—	(28)	—	—	—	—	18
Cost of services revenues	204	(10)	—	(1)	—	—	—	—	192
Research and development	322	(53)	(1)	—	—	—	—	—	268
Sales and marketing	565	(43)	(3)	(6)	—	—	—	—	515
General and administrative	180	(17)	(1)	(1)	—	(42)	6	—	125
Realignment charges	(2)	—	—	—	2	—	—	—	—
Operating income	206	123	5	36	(2)	42	70	—	479
Operating margin (2)	13.5%	8.1%	0.3%	2.4%	(0.1)%	2.8%	4.6%	—	30.0%
Investment income	13	—	—	—	—	—	—	—	13
Interest expense with EMC	(7)	—	—	—	—	—	—	—	(7)
Other income	1	—	—	—	—	(1)	—	—	1
Income before income taxes	213	123	5	36	(2)	41	70	—	486
Income tax provision	41	—	—	—	—	—	—	49	90
Tax rate (2)	19.3%	—	—	—	—	—	—	—	18.5%
Net Income	\$ 172	123	5	36	(2)	41	70	(49)	\$ 396
Net income per weighted-average share, basic for Class A and Class B (2) (3)	\$ 0.41	\$ 0.29	\$ 0.01	\$ 0.09	\$ —	\$ 0.10	\$ 0.16	\$ (0.11)	\$ 0.93
Net income per weighted-average share, diluted for Class A and Class B (2) (4)	\$ 0.40	\$ 0.29	\$ 0.01	\$ 0.08	\$ —	\$ 0.10	\$ 0.16	\$ (0.11)	\$ 0.93

(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) 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 424,169 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 426,797 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Six Months Ended June 30, 2015

(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	GSA Settlement	Certain Litigation and Other Contingencies	Tax Adjustment (1)	Non-GAAP, as adjusted (2)
Revenues:										
License	\$ 1,214	—	—	—	—	—	—	—	—	\$ 1,214
Services	1,894	—	—	—	—	—	—	—	—	1,894
GSA settlement	(76)	—	—	—	—	—	76	—	—	—
Total revenues	3,032	—	—	—	—	—	76	—	—	3,107
Operating expenses:										
Cost of license revenues	96	(1)	—	(55)	—	—	—	—	—	40
Cost of services revenues	397	(22)	(1)	(1)	—	—	—	—	—	374
Research and development	627	(107)	(2)	—	—	—	—	—	—	518
Sales and marketing	1,100	(81)	(2)	(15)	—	—	—	—	—	1,001
General and administrative	367	(31)	(2)	(1)	—	(84)	6	(11)	—	243
Realignment charges	21	—	—	—	(21)	—	—	—	—	—
Operating income	424	242	7	72	21	84	70	11	—	931
Operating margin (2)	14.0%	8.0%	0.2%	2.4%	0.7%	2.8%	2.3%	0.4%	—	30.0%
Investment income	25	—	—	—	—	—	—	—	—	25
Interest expense with EMC	(13)	—	—	—	—	—	—	—	—	(13)
Other income	—	—	—	—	—	(3)	—	—	—	(4)
Income before income taxes	436	242	7	72	21	81	70	11	—	939
Income tax provision	68	—	—	—	—	—	—	—	106	174
Tax rate (2)	15.5%	—	—	—	—	—	—	—	—	18.5%
Net Income	\$ 368	242	7	72	21	81	70	11	(106)	\$ 765
Net income per weighted-average share,										
basic for Class A and Class B (2) (3)	\$ 0.86	\$ 0.57	\$ 0.02	\$ 0.17	\$ 0.05	\$ 0.19	\$ 0.16	\$ 0.03	\$ (0.25)	\$ 1.80
Net income per weighted-average share,										
diluted for Class A and Class B (2) (4)	\$ 0.86	\$ 0.57	\$ 0.02	\$ 0.17	\$ 0.05	\$ 0.19	\$ 0.16	\$ 0.03	\$ (0.25)	\$ 1.78

(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) 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 426,055 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 428,772 diluted weighted-average shares for Class A and Class B.