

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended June 30, 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⁾
Operating expenses:								
Cost of license revenues	\$ 40	—	—	(25)	—	—	—	\$ 15
Cost of services revenues	\$ 221	(13)	—	(1)	—	—	—	\$ 207
Research and development	\$ 363	(74)	—	—	—	—	—	\$ 289
Sales and marketing	\$ 580	(47)	(1)	(5)	—	—	—	\$ 527
General and administrative	\$ 167	(18)	—	—	—	(3)	—	\$ 146
Realignment charges	\$ (1)	—	—	—	1	—	—	\$ —
Operating income	\$ 323	152	1	31	(1)	3	—	\$ 509
Operating margin ⁽²⁾	19.1%	9.0%	0.1%	1.8%	—%	0.2%	—	30.0%
Income before income taxes	\$ 337	152	1	31	(1)	2	—	\$ 521
Income tax provision	\$ 72						35	\$ 107
Tax rate ⁽²⁾	21.4%							20.5%
Net income	\$ 265	152	1	31	(1)	2	(35)	\$ 414
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽³⁾	\$ 0.62	\$ 0.35	\$ —	\$ 0.07	\$ —	\$ —	(0.08)	\$ 0.97

⁽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 significant tax adjustments. 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 427,102 diluted weighted-average shares for Class A and Class B.

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:									
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
<i>Operating margin⁽²⁾</i>	<i>13.5%</i>	<i>8.1%</i>	<i>0.3%</i>	<i>2.4%</i>	<i>(0.1)%</i>	<i>2.8%</i>	<i>4.6%</i>	—	<i>30.0%</i>
Income before income taxes	\$ 213	123	5	36	(2)	41	70	—	\$ 486
Income tax provision	\$ 41							49	\$ 90
<i>Tax rate⁽²⁾</i>	<i>19.3%</i>								<i>18.5%</i>
Net income	\$ 172	123	5	36	(2)	41	70	(49)	\$ 396
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽³⁾	\$ 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 as well as significant tax adjustments. 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 426,797 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, 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⁾
Operating expenses:								
Cost of license revenues	\$ 81	(1)	—	(50)	—	—	—	\$ 30
Cost of services revenues	\$ 432	(25)	—	(1)	—	—	—	\$ 405
Research and development	\$ 720	(144)	(1)	—	—	—	—	\$ 575
Sales and marketing	\$ 1,144	(95)	(2)	(11)	—	—	—	\$ 1,034
General and administrative	\$ 338	(36)	(1)	(1)	—	(19)	—	\$ 283
Realignment charges	\$ 52	—	—	—	(52)	—	—	\$ —
Operating income	\$ 515	301	4	63	52	19	—	\$ 955
<i>Operating margin⁽²⁾</i>	<i>15.7%</i>	<i>9.2%</i>	<i>0.1%</i>	<i>1.9%</i>	<i>1.6%</i>	<i>0.6%</i>	—	<i>29.1%</i>
Income before income taxes	\$ 537	301	4	63	52	21	—	\$ 978
Income tax provision	\$ 111						87	\$ 198
<i>Tax rate⁽²⁾</i>	<i>20.7%</i>							<i>20.3%</i>
Net income	\$ 426	301	4	63	52	21	(87)	\$ 780
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽³⁾	\$ 1.00	\$ 0.71	\$ 0.01	\$ 0.15	\$ 0.12	\$ 0.05	(0.21)	\$ 1.83

⁽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 425,729 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:										
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%
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, diluted 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)	\$ 1.78

⁽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 as well as significant tax adjustments. 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 428,772 diluted weighted-average shares for Class A and Class B.