

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS  
For the Three Months Ended September 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	\$ 564	—	—	—	—	—	—	—	—	\$ 564
Services	725	—	—	—	—	—	—	—	—	725
Total revenues	1,289	—	—	—	—	—	—	—	—	1,289
Operating expenses:										
Cost of license revenues	51	(1)	—	(22)	—	—	(8)	—	—	20
Cost of services revenues	132	(7)	—	—	—	—	—	—	—	125
Research and development	266	(52)	(1)	(1)	—	—	—	—	—	212
Sales and marketing	449	(37)	(1)	(1)	—	—	—	—	—	410
General and administrative	103	(16)	—	—	—	(1)	—	—	—	86
Realignment charges	1	—	—	—	(1)	—	—	—	—	—
Operating income	287	113	2	24	1	1	8	—	—	436
Operating margin	22.4%	8.7%	0.2%	1.9%	—	0.1%	0.6%	—	—	33.9%
Investment income	7	—	—	—	—	—	—	—	—	7
Interest expense with EMC, net	(1)	—	—	—	—	—	—	—	—	(1)
Other income (expense), net	15	—	—	—	—	—	—	(12)	—	3
Income before income taxes	308	113	2	24	1	1	8	(12)	—	445
Income tax provision	47	—	—	—	—	—	—	—	35	82
Tax rate	15.3%	—	—	—	—	—	—	—	—	18.5%
Net income	\$ 261	113	2	24	1	1	8	(12)	(35)	\$ 363
Net income per weighted average share, basic for Class A and Class B (3)	\$ 0.61	\$ 0.26	\$ 0.01	\$ 0.06	\$ —	\$ —	\$ 0.02	\$ (0.03)	\$ (0.08)	\$ 0.85
Net income per weighted average share, diluted for Class A and Class B (4)	\$ 0.60	\$ 0.26	\$ 0.01	\$ 0.06	\$ —	\$ —	\$ 0.02	\$ (0.03)	\$ (0.08)	\$ 0.84

(1) For the third quarter of 2013, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$8.

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

(4) Calculated based upon 433 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS  
For the Nine Months Ended September 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	\$ 1,583	—	—	—	—	—	—	—	—	\$ 1,583
Services	2,141	—	—	—	—	—	—	—	—	2,141
Total revenues	3,724	—	—	—	—	—	—	—	—	3,724
Operating expenses:										
Cost of license revenues	163	(2)	—	(67)	—	—	(34)	—	—	60
Cost of services revenues	375	(21)	(2)	(2)	—	—	—	—	—	350
Research and development	797	(165)	(3)	(2)	—	—	—	—	—	627
Sales and marketing	1,308	(106)	(3)	(6)	—	—	—	—	—	1,193
General and administrative	298	(42)	(2)	—	—	(3)	—	—	—	251
Realignment charges	64	—	—	—	(64)	—	—	—	—	—
Operating income	719	336	10	77	64	3	34	—	—	1,243
Operating margin	19.3%	9.0%	0.2%	2.1%	1.7%	0.1%	0.9%	—	—	33.3%
Investment income	21	—	—	—	—	—	—	—	—	21
Interest expense with EMC, net	(3)	—	—	—	—	—	—	—	—	(3)
Other income (expense), net	29	—	—	—	—	—	—	(31)	—	(2)
Income before income taxes	766	336	10	77	64	3	34	(31)	—	1,259
Income tax provision	87	—	—	—	—	—	—	—	146	233
Tax rate	11.4%	—	—	—	—	—	—	—	—	18.5%
Net income	\$ 679	336	10	77	64	3	34	(31)	(146)	\$ 1,026
Net income per weighted average share, basic for Class A and Class B (3)	\$ 1.58	\$ 0.78	\$ 0.02	\$ 0.18	\$ 0.15	\$ 0.01	\$ 0.08	\$ (0.07)	\$ (0.34)	\$ 2.39
Net income per weighted average share, diluted for Class A and Class B (4)	\$ 1.57	\$ 0.78	\$ 0.02	\$ 0.18	\$ 0.15	\$ —	\$ 0.08	\$ (0.07)	\$ (0.34)	\$ 2.37

(1) For the first nine months of 2013, no costs were capitalized for the development of software products. Amortization expense from previously capitalized amounts was \$34.

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

(4) Calculated based upon 433 diluted weighted-average shares for Class A and Class B.