

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended September 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	Tax Adjustment (1)	Non-GAAP, as adjusted (2)
Revenues:								
License	\$ 639	—	—	—	—	—	—	\$ 639
Services	876	—	—	—	—	—	—	876
Total revenues	1,515	—	—	—	—	—	—	1,515
Operating expenses:								
Cost of license revenues	46	(1)	—	(28)	—	—	—	18
Cost of services revenues	196	(11)	—	—	—	—	—	185
Research and development	327	(61)	(1)	(2)	—	—	—	264
Sales and marketing	529	(43)	(2)	(5)	—	—	—	478
General and administrative	169	(17)	—	(1)	—	(41)	—	110
Realignment charges	6	—	—	—	(6)	—	—	—
Operating income	242	133	3	36	6	41	—	460
Operating margin (2)	16.0%	8.8%	0.2%	2.4%	0.4%	2.7%	—	30.4%
Investment income	11	—	—	—	—	—	—	11
Interest expense with EMC, net	(7)	—	—	—	—	—	—	(7)
Other income (expense), net	(2)	—	—	—	—	—	—	(2)
Income before income taxes	244	133	3	36	6	41	—	462
Income tax provision	50	—	—	—	—	—	36	85
Tax rate (2)	20.4%	—	—	—	—	—	—	18.5%
Net income	\$ 194	133	3	36	6	41	(36)	\$ 377
Net income per weighted average share, basic for Class A and Class B (2) (3)	\$ 0.45	\$ 0.31	\$ 0.01	\$ 0.08	\$ 0.01	\$ 0.10	\$ (0.08)	\$ 0.88
Net income per weighted average share, diluted for Class A and Class B (2) (4)	\$ 0.45	\$ 0.31	\$ 0.01	\$ 0.08	\$ 0.01	\$ 0.10	\$ (0.08)	\$ 0.87

(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 430,463 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,118 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, 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 (2)
Revenues:									
License	\$ 1,814	—	—	—	—	—	—	—	\$ 1,814
Services	2,519	—	—	—	—	—	—	—	2,519
Total revenues	4,333	—	—	—	—	—	—	—	4,333
Operating expenses:									
Cost of license revenues	143	(2)	—	(79)	—	—	—	—	61
Cost of services revenues	519	(31)	(1)	(1)	—	—	—	—	488
Research and development	936	(187)	(3)	(5)	—	—	—	—	742
Sales and marketing	1,550	(128)	(3)	(14)	—	—	—	—	1,402
General and administrative	498	(51)	(1)	(1)	—	(107)	(11)	—	328
Realignment charges	4	—	—	—	(4)	—	—	—	—
Operating income	683	399	8	100	4	107	11	—	1,312
Operating margin (2)	15.8%	9.2%	0.2%	2.3%	0.1%	2.5%	0.2%	—	30.3%
Investment income	28	—	—	—	—	—	—	—	28
Interest expense with EMC, net	(18)	—	—	—	—	—	—	—	(18)
Other income (expense), net	(2)	—	—	—	—	1	—	—	(1)
Income before income taxes	691	399	8	100	4	108	11	—	1,321
Income tax provision	131	—	—	—	—	—	—	114	244
Tax rate (2)	18.9%	—	—	—	—	—	—	—	18.5%
Net income	\$ 560	399	8	100	4	108	11	(114)	\$ 1,077
Net income per weighted average share, basic for Class A and Class B (2) (3)	\$ 1.30	\$ 0.93	\$ 0.02	\$ 0.23	\$ 0.01	\$ 0.25	\$ 0.02	\$ (0.26)	\$ 2.50
Net income per weighted average share, diluted for Class A and Class B (2) (4)	\$ 1.29	\$ 0.92	\$ 0.02	\$ 0.23	\$ 0.01	\$ 0.25	\$ 0.02	\$ (0.26)	\$ 2.48

(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 430,408 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 434,656 diluted weighted-average shares for Class A and Class B.