

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended September 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	Acquisition and Other Related Items	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Revenues:							
License	\$ 681	—	—	—	—	—	\$ 681
Services	991	—	—	—	—	—	991
Total revenues	1,672	—	—	—	—	—	1,672
Operating expenses:							
Cost of license revenues	46	—	—	(27)	—	—	19
Cost of services revenues	212	(11)	—	(1)	—	—	200
Research and development	331	(56)	—	—	—	—	274
Sales and marketing	556	(43)	(2)	(6)	—	—	506
General and administrative	201	(16)	—	(1)	(38)	—	146
Operating income	326	126	2	35	38	—	527
Operating margin ⁽²⁾	19.5%	7.5%	0.1%	2.1%	2.3%	—	31.5%
Investment income	13	—	—	—	—	—	13
Interest expense with EMC	(7)	—	—	—	—	—	(7)
Other income (expense), net	(7)	—	—	—	5	—	(2)
Income before income taxes	325	126	2	35	43	—	531
Income tax provision	69	—	—	—	—	29	98
Tax rate ⁽²⁾	21.4%	—	—	—	—	—	18.5%
Net Income	\$ 256	126	2	35	43	(29)	\$ 433
Net income per weighted-average share, basic for Class A and Class B ⁽²⁾⁽³⁾	\$ 0.61	\$ 0.30	\$ 0.01	\$ 0.08	\$ 0.10	\$ (0.07)	\$ 1.03
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽⁴⁾	\$ 0.60	\$ 0.30	\$ 0.01	\$ 0.08	\$ 0.10	\$ (0.07)	\$ 1.02

(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 422,329 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 423,981 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Nine Months Ended September 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	\$ 1,896	—	—	—	—	—	—	—	—	\$ 1,896
Services	2,883	—	—	—	—	—	—	—	—	2,883
GSA settlement	(76)	—	—	—	—	—	76	—	—	—
Total revenues	4,703	—	—	—	—	—	76	—	—	4,779
Operating expenses:										
Cost of license revenues	142	(1)	—	(82)	—	—	—	—	—	59
Cost of services revenues	609	(32)	(1)	(2)	—	—	—	—	—	574
Research and development	958	(164)	(2)	—	—	—	—	—	—	792
Sales and marketing	1,656	(124)	(4)	(21)	—	—	—	—	—	1,507
General and administrative	568	(47)	(2)	(2)	—	(123)	6	(11)	—	389
Realignment charges	20	—	—	—	(20)	—	—	—	—	—
Operating income	750	368	9	107	20	123	70	11	—	1,458
Operating margin ⁽²⁾	15.9%	7.8%	0.2%	2.3%	0.4%	2.6%	1.5%	0.2%	—	30.5%
Investment income	38	—	—	—	—	—	—	—	—	38
Interest expense with EMC	(20)	—	—	—	—	—	—	—	—	(20)
Other income (expense), net	(8)	—	—	—	—	2	—	—	—	(6)
Income before income taxes	760	368	9	107	20	124	70	11	—	1,470
Income tax provision	137	—	—	—	—	—	—	—	135	272
Tax rate ⁽²⁾	18.0%	—	—	—	—	—	—	—	—	18.5%
Net Income	\$ 623	368	9	107	20	124	70	11	(135)	\$ 1,198
Net income per weighted-average share, basic for Class A and Class B ⁽²⁾⁽³⁾										
	\$ 1.47	\$ 0.87	\$ 0.02	\$ 0.25	\$ 0.05	\$ 0.29	\$ 0.16	\$ 0.03	\$ (0.32)	\$ 2.82
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽⁴⁾										
	\$ 1.46	\$ 0.86	\$ 0.02	\$ 0.25	\$ 0.05	\$ 0.29	\$ 0.16	\$ 0.03	\$ (0.32)	\$ 2.80

(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 424,799 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 427,466 diluted weighted-average shares for Class A and Class B.