

VMware, Inc.

CONSTANT CURRENCY GROWTH IN REVENUE PLUS SEQUENTIAL CHANGE IN UNEARNED REVENUE

(in millions)

(unaudited)

Constant Currency Growth in Total Revenue Plus Sequential Change in Unearned Revenue

	Three Months Ended	
	September 30,	
	2016	2015
Total revenue, as reported	\$ 1,778	\$ 1,672
Sequential change in unearned revenue	(27)	(128)
Total revenue plus sequential change in unearned revenue	\$ 1,751	\$ 1,544
Change (%) over prior year, as reported	13%	
Change (%) over prior year, including adjustment for impact of foreign currency ⁽¹⁾	13%	

Constant Currency Growth in License Revenue Plus Sequential Change in Unearned License Revenue

	Three Months Ended	
	September 30,	
	2016	2015
Total license revenue, as reported	\$ 691	\$ 681
Sequential change in unearned license revenue	(30)	(77)
Total license revenue plus sequential change in unearned license revenue	\$ 661	\$ 604
Change (%) over prior year, as reported	9%	
Change (%) over prior year, including adjustment for impact of foreign currency ⁽²⁾	10%	

⁽¹⁾ Percentage change compares total revenue plus sequential change in unearned revenue in constant currency for the three months ended September 30, 2016 versus total revenue plus sequential change in unearned revenue as reported for the three months ended September 30, 2015. See "Growth in Constant Currency" for more information.

⁽²⁾ Percentage change compares license revenue plus sequential change in unearned license revenue in constant currency for the three months ended September 30, 2016 versus license revenue plus sequential change in unearned license revenue as reported for the three months ended September 30, 2015. See "Growth in Constant Currency" for more information.

VMware, Inc.

**SUPPLEMENTAL REVENUE SCHEDULE
(INCLUDES RECONCILIATION OF GAAP TO NON-GAAP DATA)
(in millions)
(unaudited)**

Three Months Ended

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenue as reported ⁽¹⁾ :						
License	\$ 691	\$ 644	\$ 572	\$ 825	\$ 681	\$ 638
Software maintenance	947	915	891	901	863	829
Professional services	140	134	126	142	128	130
GSA settlement	—	—	—	—	—	(76)
Total revenue	<u>\$ 1,778</u>	<u>\$ 1,693</u>	<u>\$ 1,589</u>	<u>\$ 1,868</u>	<u>\$ 1,672</u>	<u>\$ 1,521</u>
Change (%) over prior year:						
License	1.4%	0.9%	(0.7)%	6.2%	6.6%	3.9%
Software maintenance	9.7%	10.4%	9.7 %	12.1%	10.8%	12.4%
Professional services	10.7%	3.5%	2.7 %	16.1%	31.3%	22.6%
GSA settlement	n/a	n/a	n/a	n/a	n/a	n/a
Total revenue	<u>6.4%</u>	<u>11.3%</u>	<u>5.2 %</u>	<u>9.7%</u>	<u>10.3%</u>	<u>4.4%</u>
Revenue as reported, excluding GSA settlement ⁽²⁾ :						
License	\$ 691	\$ 644	\$ 572	\$ 825	\$ 681	\$ 638
Software maintenance	947	915	891	901	863	829
Professional services	140	134	126	142	128	130
Non-GAAP total revenue	<u>\$ 1,778</u>	<u>\$ 1,693</u>	<u>\$ 1,589</u>	<u>\$ 1,868</u>	<u>\$ 1,672</u>	<u>\$ 1,597</u>
Change (%) over prior year:						
License	1.4%	0.9%	(0.7)%	6.2%	6.6%	3.9%
Software maintenance	9.7%	10.4%	9.7 %	12.1%	10.8%	12.4%
Professional services	10.7%	3.5%	2.7 %	16.1%	31.3%	22.6%
Non-GAAP total revenue	<u>6.4%</u>	<u>6.0%</u>	<u>5.2 %</u>	<u>9.7%</u>	<u>10.3%</u>	<u>9.6%</u>

⁽¹⁾ Represents revenue reported each quarter.

⁽²⁾ Represents revenue reported each quarter less the reduction of revenue due to the GSA settlement recognized in the second quarter of 2015.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended September 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	Acquisition and Other Related Items	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Operating expenses:							
Cost of license revenue	\$ 40	—	—	(26)	—	—	\$ 13
Cost of services revenue	\$ 226	(13)	—	(1)	—	—	\$ 212
Research and development	\$ 389	(80)	—	—	—	—	\$ 309
Sales and marketing	\$ 564	(51)	(2)	(5)	—	—	\$ 507
General and administrative	\$ 178	(26)	—	—	(6)	—	\$ 145
Operating income	\$ 381	170	2	32	6	—	\$ 592
<i>Operating margin⁽²⁾</i>	<i>21.4%</i>	<i>9.6%</i>	<i>0.1%</i>	<i>1.8%</i>	<i>0.4%</i>	—	<i>33.3%</i>
Other income (expense), net	\$ (8)	—	—	—	13	—	\$ 5
Income before income tax	\$ 387	170	2	32	19	—	\$ 611
Income tax provision	\$ 68					57	\$ 126
<i>Tax rate⁽²⁾</i>	<i>17.6%</i>						<i>20.5%</i>
Net income	\$ 319	170	2	32	19	(57)	\$ 485
Net income per weighted-average share, diluted for Class A and Class B ⁽³⁾	\$ 0.75	\$ 0.40	\$ 0.01	\$ 0.08	\$ 0.04	\$ (0.13)	\$ 1.14

⁽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 revenue 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 425,008 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, 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 revenue	\$ 121	(2)	—	(76)	—	—	—	\$ 43
Cost of services revenue	\$ 658	(38)	(1)	(2)	—	—	—	\$ 617
Research and development	\$ 1,109	(224)	(1)	—	—	—	—	\$ 883
Sales and marketing	\$ 1,708	(146)	(3)	(16)	—	—	—	\$ 1,542
General and administrative	\$ 516	(62)	(1)	(1)	—	(25)	—	\$ 428
Realignment	\$ 52	—	—	—	(52)	—	—	\$ —
Operating income	\$ 896	472	6	95	52	25	—	\$ 1,547
Operating margin ⁽²⁾	17.7%	9.3%	0.1%	1.9%	1.0%	0.5%	—	30.6%
Other income (expense), net	\$ (8)	—	—	—	—	15	—	\$ 6
Income before income tax	\$ 924	472	6	95	52	40	—	\$ 1,589
Income tax provision	\$ 179	—	—	—	—	—	145	\$ 324
Tax rate ⁽²⁾	19.4%	—	—	—	—	—	(145)	20.4%
Net income	\$ 745	472	6	95	52	40	(145)	\$ 1,265
Net income per weighted-average share, diluted for Class A and Class B ⁽³⁾	\$ 1.75	\$ 1.11	\$ 0.01	\$ 0.22	\$ 0.12	\$ 0.09	\$ (0.34)	\$ 2.97

⁽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 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 revenue 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 425,851 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP CASH FLOWS FROM OPERATING ACTIVITIES
TO FREE CASH FLOWS

(A NON-GAAP FINANCIAL MEASURE)

(in millions)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
GAAP cash flows from operating activities	\$ 620	\$ 411	\$ 1,917	\$ 1,411
Capital expenditures	(30)	(90)	(109)	(274)
Free cash flows	<u>\$ 590</u>	<u>\$ 321</u>	<u>\$ 1,808</u>	<u>\$ 1,137</u>