

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Three Months Ended December 31, 2013
(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
Revenues:								
License	\$ 687	—	—	—	—	—	—	\$ 687
Services	796	—	—	—	—	—	—	796
Total revenues	1,483	—	—	—	—	—	—	1,483
Operating expenses:								
Cost of license revenues	47	—	—	(23)	—	—	—	24
Cost of services revenues	145	(8)	—	—	—	—	—	137
Research and development	284	(62)	(1)	(1)	—	—	—	220
Sales and marketing	507	(38)	—	(1)	—	—	—	468
General and administrative	122	(14)	—	—	—	(2)	—	106
Realignment charges	4	—	—	—	(4)	—	—	—
Operating income	374	122	1	25	4	2	—	528
Operating margin (2)	25.2%	8.2%	0.1%	1.7%	0.3%	0.1%	—	35.6%
Investment income	8	—	—	—	—	—	—	8
Interest expense with EMC, net	(1)	—	—	—	—	—	—	(1)
Other income (expense), net	—	—	—	—	—	—	—	—
Income before income taxes	381	122	1	25	4	2	—	535
Income tax provision	46	—	—	—	—	—	53	99
Tax rate (2)	12.1%	—	—	—	—	—	—	18.5%
Net income	\$ 335	122	1	25	4	2	(53)	\$ 436
Net income per weighted average share,								
basic for Class A and Class B (2) (3)	\$ 0.78	\$ 0.28	\$ —	\$ 0.06	\$ 0.01	\$ —	\$ (0.12)	\$ 1.01
Net income per weighted average share,								
diluted for Class A and Class B (2) (4)	\$ 0.77	\$ 0.28	\$ —	\$ 0.06	\$ 0.01	\$ —	\$ (0.11)	\$ 1.01

(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) 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 430,174 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 433,621 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP INCOME STATEMENTS
For the Year Ended December 31, 2013
(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	Capitalized Software Development Costs (1)	Gain on Disposition of Certain Lines of Business & Other, Net	Tax Adjustment (2)	Non-GAAP, as adjusted
Revenues:										
License	\$ 2,270	—	—	—	—	—	—	—	—	\$ 2,270
Services	2,937	—	—	—	—	—	—	—	—	2,937
Total revenues	5,207	—	—	—	—	—	—	—	—	5,207
Operating expenses:										
Cost of license revenues	210	(2)	—	(90)	—	—	(34)	—	—	84
Cost of services revenues	520	(29)	(1)	(2)	—	—	—	—	—	488
Research and development	1,082	(227)	(4)	(4)	—	—	—	—	—	847
Sales and marketing	1,815	(144)	(3)	(7)	—	—	—	—	—	1,661
General and administrative	419	(56)	(2)	—	—	(5)	—	—	—	356
Realignment charges	68	—	—	—	(68)	—	—	—	—	—
Operating income	1,093	458	10	103	68	5	34	—	—	1,771
Operating margin (3)	21.0%	8.8%	0.2%	2.0%	1.3%	—	0.7%	—	—	34.0%
Investment income	30	—	—	—	—	—	—	—	—	30
Interest expense with EMC, net	(4)	—	—	—	—	—	—	—	—	(4)
Other income (expense), net	28	—	—	—	—	—	—	(31)	—	(3)
Income before income taxes	1,147	458	10	103	68	5	34	(31)	—	1,794
Income tax provision	133	—	—	—	—	—	—	—	199	332
Tax rate (3)	11.6%	—	—	—	—	—	—	—	—	18.5%
Net income	\$ 1,014	458	10	103	68	5	34	(31)	(199)	\$ 1,462
Net income per weighted average share, basic for Class A and Class B (3) (4)	\$ 2.36	\$ 1.07	\$ 0.02	\$ 0.24	\$ 0.16	\$ 0.01	\$ 0.08	\$ (0.07)	\$ (0.46)	\$ 3.41
Net income per weighted average share, diluted for Class A and Class B (3) (5)	\$ 2.34	\$ 1.06	\$ 0.02	\$ 0.24	\$ 0.16	\$ —	\$ 0.08	\$ (0.07)	\$ (0.46)	\$ 3.37

(1) For the year ended December 31, 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) Operating margin, tax rate and net income per weighted-average share information are calculated based upon the respective underlying, non-rounded data.

(4) Calculated based upon 429,093 basic weighted-average shares for Class A and Class B.

(5) Calculated based upon 433,415 diluted weighted-average shares for Class A and Class B.