

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA
For the Three Months Ended December 31, 2014
(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)
Revenues:								
License	\$ 777	—	—	—	—	—	—	\$ 777
Services	926	—	—	—	—	—	—	926
Total revenues	1,703	—	—	—	—	—	—	1,703
Operating expenses:								
Cost of license revenues	50	(1)	—	(28)	—	—	—	22
Cost of services revenues	204	(11)	—	(2)	—	—	—	191
Research and development	302	(57)	(1)	5	—	—	—	249
Sales and marketing	595	(43)	(2)	(10)	—	—	—	539
General and administrative	197	(19)	—	(1)	—	(43)	—	135
Realignment charges	11	—	—	—	(11)	—	—	—
Operating income	344	131	3	36	11	43	—	567
Operating margin (2)	20.2%	7.7%	0.2%	2.1%	0.7%	2.5%	0.0%	33.3%
Investment income	10	—	—	—	—	—	—	10
Interest expense with EMC, net	(7)	—	—	—	—	—	—	(7)
Other income	11	—	—	—	—	(8)	—	3
Income before income taxes	358	131	3	36	11	35	—	573
Income tax provision	32	—	—	—	—	—	74	106
Tax rate (2)	8.9%	—	—	—	—	—	—	18.5%
Net Income	\$ 326	131	3	36	11	35	(74)	\$ 467
Net income per weighted-average share, basic for Class A and Class B (2) (3)	\$ 0.76	\$ 0.30	\$ 0.01	\$ 0.08	\$ 0.03	\$ 0.08	\$ (0.17)	\$ 1.09
Net income per weighted-average share, diluted for Class A and Class B (2) (4)	\$ 0.75	\$ 0.30	\$ 0.01	\$ 0.08	\$ 0.03	\$ 0.08	\$ (0.17)	\$ 1.08

(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 430,198 basic weighted-average shares for Class A and Class B.

(4) Calculated based upon 433,205 diluted weighted-average shares for Class A and Class B.