

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Three Months Ended December 31, 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	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Revenues:								
License	\$ 825	—	—	—	—	—	—	\$ 825
Services	1,043	—	—	—	—	—	—	1,043
Total revenues	1,868	—	—	—	—	—	—	1,868
Operating expenses:								
Cost of license revenues	44	(1)	—	(25)	—	—	—	18
Cost of services revenues	222	(11)	—	(1)	—	—	—	210
Research and development	342	(62)	(1)	—	—	—	—	280
Sales and marketing	612	(44)	(1)	(7)	—	—	—	559
General and administrative	198	(17)	—	(1)	—	(35)	—	145
Realignment charges	3	—	—	—	(3)	—	—	—
Operating income	447	135	2	34	3	35	—	656
Operating margin ⁽²⁾	23.9%	7.2%	0.1%	1.8%	0.2%	1.9%	—	35.1%
Investment income	11	—	—	—	—	—	—	11
Interest expense with EMC	(7)	—	—	—	—	—	—	(7)
Other income (expense), net	2	—	—	—	—	(2)	—	—
Income before income taxes	453	135	2	34	3	33	—	660
Income tax provision	80	—	—	—	—	—	46	126
Tax rate ⁽²⁾	17.5%	—	—	—	—	—	—	19.0%
Net Income	\$ 373	135	2	34	3	33	(46)	\$ 534
Net income per weighted-average share,								
basic for Class A and Class B ⁽²⁾⁽³⁾	\$ 0.89	\$ 0.32	\$ 0.01	\$ 0.08	\$ 0.01	\$ 0.08	\$ (0.11)	\$ 1.27
Net income per weighted-average share,								
diluted for Class A and Class B ⁽²⁾⁽⁴⁾	\$ 0.88	\$ 0.32	\$ 0.01	\$ 0.08	\$ 0.01	\$ 0.08	\$ (0.11)	\$ 1.26

⁽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 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 421,640 basic weighted-average shares for Class A and Class B.

⁽⁴⁾ Calculated based upon 422,858 diluted weighted-average shares for Class A and Class B.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Twelve Months Ended December 31, 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	\$ 2,720	—	—	—	—	—	—	—	—	\$ 2,720
Services	3,927	—	—	—	—	—	—	—	—	3,927
GSA settlement	(76)	—	—	—	—	—	76	—	—	—
Total revenues	6,571	—	—	—	—	—	76	—	—	6,647
Operating expenses:										
Cost of license revenues	186	(2)	—	(107)	—	—	—	—	—	77
Cost of services revenues	832	(44)	(1)	(3)	—	—	—	—	—	784
Research and development	1,300	(226)	(3)	—	—	—	—	—	—	1,072
Sales and marketing	2,267	(168)	(5)	(28)	—	—	—	—	—	2,066
General and administrative	766	(64)	(2)	(3)	—	(158)	6	(11)	—	534
Realignment charges	23	—	—	—	(23)	—	—	—	—	—
Operating income	1,197	504	11	141	23	158	70	11	—	2,114
Operating margin ⁽²⁾	18.2%	7.7%	0.2%	2.1%	0.4%	2.4%	1.1%	0.2%	—	31.8%
Investment income	49	—	—	—	—	—	—	—	—	49
Interest expense with EMC	(26)	—	—	—	—	—	—	—	—	(26)
Other income (expense), net	(7)	—	—	—	—	(1)	—	—	—	(7)
Income before income taxes	1,213	504	11	141	23	158	70	11	—	2,130
Income tax provision	216	—	—	—	—	—	—	—	181	398
Tax rate ⁽²⁾	17.8%	—	—	—	—	—	—	—	—	18.7%
Net Income	\$ 997	504	11	141	23	158	70	11	(181)	\$ 1,732
Net income per weighted-average share,										
basic for Class A and Class B ⁽²⁾⁽³⁾	\$ 2.35	\$ 1.19	\$ 0.03	\$ 0.33	\$ 0.05	\$ 0.37	\$ 0.17	\$ 0.03	\$ (0.43)	\$ 4.09
Net income per weighted-average share,										
diluted for Class A and Class B ⁽²⁾⁽⁴⁾	\$ 2.34	\$ 1.18	\$ 0.03	\$ 0.33	\$ 0.05	\$ 0.37	\$ 0.16	\$ 0.03	\$ (0.42)	\$ 4.06

⁽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 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 424,003 basic weighted-average shares for Class A and Class B.

⁽⁴⁾ Calculated based upon 426,547 diluted weighted-average shares for Class A and Class B.