

VMware, Inc.

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

(in millions)

(unaudited)

	Three Months Ended					
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenue as reported ⁽¹⁾ :						
License	\$ 887	\$ 691	\$ 644	\$ 572	\$ 825	\$ 681
Software maintenance	987	947	915	891	901	863
Professional services	158	140	134	126	142	128
Total revenue	<u>\$ 2,032</u>	<u>\$ 1,778</u>	<u>\$ 1,693</u>	<u>\$ 1,589</u>	<u>\$ 1,868</u>	<u>\$ 1,672</u>
Change (%) over prior year:						
License	7.5%	1.4%	0.9%	(0.7)%	6.2%	6.6%
Software maintenance	9.6%	9.7%	10.4%	9.7 %	12.1%	10.8%
Professional services	11.3%	10.7%	3.5%	2.7 %	16.1%	31.3%
Total revenue	<u>8.8%</u>	<u>6.4%</u>	<u>11.3%</u>	<u>5.2 %</u>	<u>9.7%</u>	<u>10.3%</u>
Revenue as reported, excluding GSA settlement ⁽²⁾ :						
License	\$ 887	\$ 691	\$ 644	\$ 572	\$ 825	\$ 681
Software maintenance	987	947	915	891	901	863
Professional services	158	140	134	126	142	128
Non-GAAP total revenue	<u>\$ 2,032</u>	<u>\$ 1,778</u>	<u>\$ 1,693</u>	<u>\$ 1,589</u>	<u>\$ 1,868</u>	<u>\$ 1,672</u>
Change (%) over prior year:						
License	7.5%	1.4%	0.9%	(0.7)%	6.2%	6.6%
Software maintenance	9.6%	9.7%	10.4%	9.7 %	12.1%	10.8%
Professional services	11.3%	10.7%	3.5%	2.7 %	16.1%	31.3%
Non-GAAP total revenue	<u>8.8%</u>	<u>6.4%</u>	<u>6.0%</u>	<u>5.2 %</u>	<u>9.7%</u>	<u>10.3%</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 December 31, 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	Gain on Share Repurchase ⁽⁴⁾	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Operating expenses:								
Cost of license revenue	\$ 38	(1)	—	(24)	—	—	—	\$ 14
Cost of services revenue	\$ 237	(14)	—	(1)	—	—	—	\$ 222
Research and development	\$ 395	(81)	—	—	—	—	—	\$ 314
Sales and marketing	\$ 646	(49)	(2)	(5)	—	—	—	\$ 591
General and administrative	\$ 173	(20)	—	—	(9)	—	—	\$ 144
Operating income	\$ 543	165	2	30	9	—	—	\$ 747
Operating margin ⁽²⁾	26.7%	8.1%	0.1%	1.5%	0.4%	—	—	36.8%
Other income (expense), net	\$ (8)	—	—	—	6	(8)	—	\$ (11)
Income before income tax	\$ 549	165	2	30	15	(8)	—	\$ 751
Income tax provision	\$ 108						46	\$ 154
Tax rate ⁽²⁾	19.6%							20.5%
Net income	\$ 441	165	2	30	15	(8)	(46)	\$ 597
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽³⁾	\$ 1.04	\$ 0.40	\$ —	\$ 0.07	\$ 0.04	\$ —	(0.11)	\$ 1.43

⁽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 416,512 diluted weighted-average shares for Class A and Class B.

⁽⁴⁾ In December 2016, VMware entered into a stock purchase agreement with Dell and Dell's wholly-owned subsidiary, EMC Equity Assets LLC ("EMC") pursuant to which VMware agreed to purchase \$500 million of VMware Class A common stock from EMC. The final aggregate number of shares purchased will be determined based on a volume-weighted average price, less a contractually agreed upon discount. As of December 31, 2016, VMware had made an up-front payment of \$375 million, as well as recognized a derivative asset and related \$8 million gain in Other income (expense), net. The derivative asset is related to its obligation to repurchase \$125 million of additional shares and is measured at fair value on a recurring basis. In accordance with U.S. GAAP, diluted net income per share does not include the impact of the remeasurement.

VMware, Inc.

RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Twelve Months Ended December 31, 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	Gain on Share Repurchase ⁽⁴⁾	Tax Adjustment ⁽¹⁾	Non-GAAP, as adjusted ⁽²⁾
Operating expenses:									
Cost of license revenue	\$ 159	(2)	—	(100)	—	—	—	—	\$ 57
Cost of services revenue	\$ 894	(52)	(1)	(2)	—	—	—	—	\$ 839
Research and development	\$ 1,503	(305)	(1)	—	—	—	—	—	\$ 1,197
Sales and marketing	\$ 2,357	(195)	(5)	(22)	—	—	—	—	\$ 2,134
General and administrative	\$ 689	(82)	(1)	(1)	—	(34)	—	—	\$ 572
Realignment	\$ 52	—	—	—	(52)	—	—	—	\$ —
Operating income	\$ 1,439	636	8	125	52	34	—	—	\$ 2,294
Operating margin ⁽²⁾	20.3%	9.0%	0.1%	1.8%	0.7%	0.5%	—	—	32.3%
Other income (expense), net	\$ (17)	—	—	—	—	20	(8)	—	\$ (5)
Income before income tax	\$ 1,473	636	8	125	52	54	(8)	—	\$ 2,340
Income tax provision	\$ 287							191	\$ 478
Tax rate ⁽²⁾	19.5%								20.4%
Net income	\$ 1,186	636	8	125	52	54	(8)	(191)	\$ 1,862
Net income per weighted-average share, diluted for Class A and Class B ⁽²⁾⁽³⁾	\$ 2.78	\$ 1.50	\$ 0.02	\$ 0.30	\$ 0.12	\$ 0.13	\$ —	\$ (0.45)	\$ 4.39

⁽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 423,994 diluted weighted-average shares for Class A and Class B.

⁽⁴⁾ In December 2016, VMware entered into a stock purchase agreement with Dell and Dell's wholly-owned subsidiary, EMC Equity Assets LLC ("EMC") pursuant to which VMware agreed to purchase \$500 million of VMware Class A common stock from EMC. The final aggregate number of shares purchased will be determined based on a volume-weighted average price, less a contractually agreed upon discount. As of December 31, 2016, VMware had made an up-front payment of \$375 million, as well as recognized a derivative asset and related \$8 million gain in Other income (expense), net. The derivative asset is related to its obligation to repurchase \$125 million of additional shares and is measured at fair value on a recurring basis. In accordance with U.S. GAAP, diluted net income per share does not include the impact of the remeasurement.

RECONCILIATION OF GAAP CASH FLOWS FROM OPERATING ACTIVITIES**TO FREE CASH FLOWS
(A NON-GAAP FINANCIAL MEASURE)****(in millions)****(unaudited)**

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
GAAP cash flows from operating activities	\$ 463	\$ 488	\$ 2,381	\$ 1,899
Capital expenditures	(44)	(59)	(153)	(333)
Free cash flows	<u>\$ 419</u>	<u>\$ 429</u>	<u>\$ 2,228</u>	<u>\$ 1,566</u>