

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 28, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33622

VMWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3401 Hillview Avenue
Palo Alto, CA
(Address of principal executive offices)

94-3292913
(I.R.S. Employer
Identification Number)

94304
(Zip Code)

(650) 427-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	VMW	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 30, 2021, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant (based upon the closing sale price of such shares on the New York Stock Exchange on July 30, 2021) was approximately \$12.4 billion. Shares of the registrant's Class A and Class B common stock held by each executive officer and director and by each entity or person, other than investment companies, that, to the registrant's knowledge, owned 5% or more of the registrant's outstanding Class A common stock as of July 30, 2021 have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 15, 2022, the number of shares of Class A common stock, par value \$0.01 per share, of the registrant outstanding was 421,056,294.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2022. The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year ended January 28, 2022.

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VMware, Tanzu, Pivotal, Bitnami, Heptio, Wavefront, CloudHealth, vRealize, vSphere, VMware vSAN, NSX, vCenter, VMware HCX, Carbon Black, Workspace ONE, Anywhere Workspace, Horizon, VMworld, vForum, SpringONE, VeloCloud, Nyansa, Datrium, Lastline, Avi Networks and AetherPal are registered trademarks or trademarks of VMware, Inc. or its subsidiaries in the United States and other jurisdictions. All other marks and names mentioned herein may be trademarks of their respective organizations.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements. All statements other than statements of historical fact could be deemed forward-looking statements and words such as “expect,” “anticipate,” “target,” “goal,” “project,” “intent,” “plan,” “believe,” “momentum,” “seek,” “estimate,” “continue,” “potential,” “future,” “endeavor,” “will,” “may,” “should,” “could,” “depend,” “predict,” and variations or the negative expression of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this report include, but are not limited to, statements relating to expected industry trends and conditions; future financial performance, trends or plans; anticipated impacts of developments in accounting rules and tax laws and rates; our expectations regarding the timing of tax payments and the impacts of changes in our corporate structure and alignment; plans for and anticipated benefits of VMware products, services and solutions and partner and alliance relationships; plans for, timing of and anticipated impacts and benefits of corporate transactions, capital-raising activities, acquisitions, stock repurchases and investment activities; the outcome or impact of pending litigation, claims or disputes; our ESG-related programs including the objectives of our 2030 Agenda and our programs to further diversity, equity and inclusion; the continuing impact of the COVID-19 pandemic on the global economy as well as any related effects on our business operations, financial performance, results of operations and stock price; our commercial relationship with Dell following completion of the Spin-Off and the related payment of the Special Dividend; our plans to repay our outstanding indebtedness, including the indebtedness incurred to pay a portion of the Special Dividend; our commitment and ability to maintain an investment-grade credit rating; the sufficiency of our cash sources to fund our operations; and any statements of assumptions underlying any of the foregoing. These statements are based on current expectations about the industries in which VMware operates and the beliefs and assumptions of management. These forward-looking statements involve risks and uncertainties and the cautionary statements set forth above and those contained in the section of this report entitled “Risk Factors” identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof. We assume no obligation to and do not currently intend to, update these forward-looking statements.

Risk Factor Summary

VMware is subject to various risks as set forth in Part I, Item 1A of this Annual Report on Form 10-K, including:

Operation of Business and Strategic Risks

- A significant decrease in demand for our data center virtualization products would adversely affect our operating results.
- Our subscription and software-as-a-service (“SaaS”) offerings, which constitute a growing portion of our business and our initiatives to extend our data center virtualization and container platforms into the public cloud, involve various risks.
- Our success depends upon our ability to adapt our business and pricing models to a subscription and SaaS model appropriately.
- We face intense competition.
- Our commercial relationship with Dell could adversely impact our business, stock price, market share and ability to build and maintain other strategic relationships.
- Our success depends increasingly on customer acceptance of our newer products and services.
- Competition for our highly skilled employees is intense and costly.
- The loss of key management personnel could harm our business.
- Our current research and development efforts may not produce significant revenue.
- Acquisitions and divestitures could materially harm our business and operating results.
- Disruptions to our distribution channels, including our various routes to market through Dell, could harm our business.
- The evolution of our business requires more complex go-to-market strategies.
- We may not be able to respond to rapid technological changes with new solutions and services offerings.
- We operate a global business that exposes us to additional risks.
- Russia’s military actions in Ukraine have affected and may continue to affect our business.
- Our success depends on the interoperability of our products and services with those of other companies.

- Failure to effectively manage our product and service lifecycles could harm our business.

Financial Risks

- Our operating results may fluctuate significantly.
- Adverse economic conditions may harm our business.
- We have substantial indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.
- We have potential tax liabilities as a result of our former controlling ownership by Dell, which could have an adverse effect on our operating results and financial condition.
- Our operating results may be adversely impacted by exposure to additional tax liabilities and higher than expected tax rates.

Security Risks

- Cybersecurity breaches of our systems or the systems of our vendors, partners and suppliers could materially harm our business.
- Our products and services are highly technical and may contain or be subject to our own or suppliers' errors, defects or security vulnerabilities.
- Problems with our information systems could interfere with our business and could adversely impact our operations.

Legal and Compliance Risks

- We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us.
- We may not be able to adequately protect our intellectual property rights.
- Actual or perceived non-compliance with privacy and data protection laws, regulations and standards could adversely impact our business.
- Our use of "open source" software in our products could negatively affect our ability to sell our products and subject us to litigation.
- If we fail to comply with government contracting regulations, our business could be adversely affected.
- Some of our directors have potential conflicts of interest with Dell.

Risks Related to Owning Our Class A Common Stock

- The MSD Stockholders and the SLP Stockholders have significant influence over us and their interests may conflict with our interests and the interests of our other stockholders.
- The price of our Class A common stock has fluctuated significantly in recent years and may fluctuate significantly in the future.
- Anti-takeover provisions in Delaware law and our charter documents could discourage takeover attempts.
- Our bylaws provide for an exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

General Risks

- We are exposed to foreign exchange risks.
- If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.
- Changes in accounting principles and guidance could result in unfavorable accounting charges or effects.
- Natural disasters, catastrophic events or geo-political conditions could disrupt our business.
- Climate change may have a long-term negative impact on our business.
- Social and ethical issues, including our ability to make progress on our ESG goals and commitments, may result in reputational harm and liability.

PART I

ITEM 1. BUSINESS

Overview

VMware, Inc. (“VMware”) originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware, and then evolved to become the private cloud and mobility management leader. Building upon that leadership, VMware is focused on becoming the multi-cloud leader. Information technology (“IT”) driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. Organizations’ IT departments and corporate divisions are working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses and their product teams through a digital transformation. To take on these challenges, we are helping customers drive their multi-cloud strategy by providing the multi-cloud platform for all applications, enabling digital innovation and enterprise control.

Our multi-cloud portfolio, spanning application modernization, cloud management, cloud infrastructure, networking, security and anywhere workspaces, forms a flexible, consistent digital foundation on which customers can build, run, manage, connect and protect their mission-critical workloads.

We incorporated in Delaware in 1998 and were acquired by EMC Corporation (“EMC”) in 2004. In August 2007, we conducted an initial public offering of our Class A common stock (“Class A Stock”), but remained majority-owned by EMC, the sole stockholder of our Class B common stock (“Class B Stock”). In September 2016, Dell Technologies Inc. (“Dell”) acquired EMC and we became a majority-owned subsidiary of Dell. On November 1, 2021, our spin-off from Dell was completed, each share of Class B Stock converted into one fully paid and non-assessable share of Class A Stock and we became a standalone company (the “Spin-Off”). In connection with the Spin-Off, we paid an \$11.5 billion cash dividend, pro rata, to each of the holders of our Class A Stock and Class B Stock as of the close of business on October 29, 2021 (the “Special Dividend”).

Our fiscal year is the 52 or 53 weeks ending on the Friday nearest to January 31 of each year. We refer to our fiscal year ending February 3, 2023 and fiscal years ended January 28, 2022 and January 29, 2021 as “fiscal 2023,” “fiscal 2022,” and “fiscal 2021,” respectively. Fiscal 2023 is a 53-week fiscal year, while fiscal 2022 and fiscal 2021 were each 52-week fiscal years.

Total revenue in fiscal 2022 increased 9% to \$12.9 billion. Total revenue is comprised of license revenue of \$3.1 billion, subscription and software-as-a-service (“SaaS”) revenue of \$3.2 billion and services revenue of \$6.5 billion. As customers shift from our on-premises offerings to our subscription and SaaS offerings, license revenue and software maintenance revenue may be lower and subject to greater fluctuation in the future, resulting from a higher proportion of our sales occurring through our subscription and SaaS offerings.

Our corporate headquarters are located at 3401 Hillview Avenue, Palo Alto, California and we have 111 offices worldwide.

Products and Technology Solutions

Our portfolio supports and addresses our customers’ key priorities, including modernizing their applications, managing multi-cloud environments, accelerating their cloud journey, modernizing the network using commodity hardware, embracing zero-trust security and empowering anywhere workspaces. We enable digital transformation of customers’ applications, infrastructure and operations for their constantly evolving business and employee needs.

Application Modernization

VMware Tanzu, a portfolio of products and services for modernizing applications and infrastructure, enables customers to deliver better software to production, continuously. The portfolio enables customers to build, run and manage modern applications on any cloud and simplifies the use of Kubernetes, an open-source platform for managing containers, in a multi-cloud environment. The modern or cloud-native applications allow businesses to bring new ideas to market faster and respond sooner to customer demands. Tanzu uses cloud native patterns to build applications with microservices and application programming interfaces and uses Kubernetes to simplify how these applications are deployed, observed and managed across on-premises, public clouds and edge environments. Tanzu includes technologies acquired as part of our Pivotal, Bitnami, Heptio and Wavefront acquisitions.

Key products within our Application Modernization portfolio include:

- *Tanzu Application Platform*—a modular, application-aware platform that provides a rich set of developer tooling and a prepared path to production to build and deploy software quickly and more securely on any compliant public cloud or on-premises Kubernetes cluster.

- *Tanzu Operations Platform*—a platform that simplifies operating Kubernetes for multi-cloud deployment by centralizing management and governance for clusters and teams across on-premises, public clouds and edge environments.
- *Tanzu Application Service*—a platform that allows enterprises to accelerate cloud-native software development with managed access to native cloud services and portability to run across any cloud.
- *Tanzu Observability*— an enterprise-grade monitoring and observability platform, with out-of-the-box integration with Tanzu, that Development and IT operations (“DevOps”) and Site Reliability Engineering teams use to troubleshoot and optimize the performance of their multi-cloud applications operating at massive, cloud-native scale.
- *Tanzu Community Edition*—a full-featured, easy-to-manage Kubernetes platform for learners and users. It is a freely available, community-supported, open-source distribution of VMware Tanzu that can be installed and configured in minutes on local workstations or any cloud.
- *Tanzu Labs*—a service that provides guidance and support to help customers modernize existing applications or build new, modern applications with agile development practices.

Cloud Management

Our cloud management products help customers manage multi-cloud environments running a range of workloads, including virtual machines and containers. VMware Cloud Management offerings optimize cloud usage and costs; automate the deployment, management and migration of applications and data; improve cloud security and compliance; and monitor application and cloud infrastructure.

Key products within our Cloud Management portfolio include:

- *vRealize Cloud Management*—offers cloud management products, available as a service or as an on-premises offering, that are integrated together, delivering consistent operations from the data centers to the cloud and to the edge, including:
 - *vRealize Automation*—a modern infrastructure automation platform, enabling customers to accelerate their multi-cloud infrastructure transformations based on DevOps, open source and self-service automation.
 - *vRealize Operations*—enables self-driving operations with unified application-to-infrastructure visibility, capacity and cost management, workloads optimization and configuration and compliance management to better optimize, plan and scale private-, hybrid- and multi-cloud environments.
 - *vRealize Log Insight*—manages data at scale with centralized log management, deep operational visibility and intelligent analytics for troubleshooting and auditing across private-, hybrid- and multi-cloud environments.
 - *vRealize Network Insight*—provides end-to-end network visibility to help customers monitor and build an optimized, highly available and more secure network infrastructure across clouds.

Our *vRealize Cloud Universal* combines SaaS and on-premises vRealize Cloud Management products into a single offering with a single license, providing customers with a consistent hybrid and multi-cloud management experience.

- *vCloud Suite*—an enterprise-grade cloud infrastructure and management solution combining vRealize Cloud Management with vSphere.
- *CloudHealth by VMware Suite*—available as a service offering, enables organizations to simplify financial management, streamline operations and strengthen security and compliance for public cloud and multi-cloud environments.
 - *CloudHealth* —a robust multi-cloud management platform that helps organizations optimize and control spend and improve cross-organizational collaboration.
 - *CloudHealth Secure State* —an intelligent multi-cloud security and compliance monitoring platform that helps organizations reduce risk and protect cloud resources.

Cloud Infrastructure

Our Cloud Infrastructure solutions include infrastructure products and services that enable customers to connect to multiple clouds and create a common operating environment, based on VMware Cloud Foundation, extending from on-premises data centers to the cloud and to the edge.

Key products within our Cloud Infrastructure portfolio include:

- *vSphere*—our flagship data center infrastructure offering, utilizes our hypervisor software, which resides between the operating system and system hardware, to provide the fundamental compute layer for customer environments, enabling virtualization. We continue to build on vSphere with VMware Tanzu solutions, which provide a simple way for vSphere customers around the world to get started with Kubernetes and to modernize their workloads running on vSphere. Additionally, we are partnering to deliver an AI-Ready Enterprise platform that combines vSphere with the NVIDIA AI Enterprise suite to enable customers to rapidly deploy, manage and scale AI in production with confidence.
- *vSAN* and *VxRail*—offer cost-effective, holistic data storage and protection options for all applications running on vSphere. These products are applicable to hyperconverged infrastructure as well as traditional infrastructure solutions and enable customers to deploy on a broad range of hardware solutions. Our vSAN offering creates simple, shared storage designed for virtual machines. VxRail is a hyperconverged infrastructure solution comprised of a fully integrated and pre-configured Dell EMC appliance powered by vSAN and vSphere software.
- *VMware Cloud Foundation*—a cloud platform that combines our vSphere, vSAN and NSX, or network virtualization, offerings with vRealize Cloud Management into an integrated stack that delivers developer-ready infrastructure for public and private clouds. VMware Cloud Foundation extends to multi-cloud through these main routes: VMware Cloud on AWS and VMware Cloud on Dell EMC offerings; hyperscaler public cloud services, including Azure VMware Solution, Google Cloud VMware Engine, IBM Cloud for VMware Solutions and Oracle Cloud VMware Solution; and VMware Cloud Verified Providers. Available from VMware and reseller partners, VMware Cloud Universal is a flexible subscription that simplifies the purchase and consumption of VMware multi-cloud infrastructure and management services across the data centers, public clouds or edge.
 - *VMware Cloud on AWS*—an integrated hybrid cloud solution that extends on-premises vSphere environments to a VMware Software-Defined Data Center (“SDDC”) running on Amazon Elastic Compute Cloud (“Amazon EC2”). Jointly engineered by VMware and Amazon Web Services (“AWS”), this on-demand service enables IT teams to seamlessly extend, migrate and manage their cloud-based resources with familiar VMware tools, minimizing the difficulty of learning new skills or utilizing new tools. VMware Cloud on AWS integrates VMware’s flagship compute, storage and network virtualization products (vSphere, vSAN and NSX), along with vCenter Server management as well as robust disaster protection and optimizes them to run on dedicated, elastic, Amazon EC2 bare-metal infrastructure that is fully integrated with AWS Cloud. VMware, AWS and the AWS partner networks sell VMware Cloud on AWS, which is available in 20 global AWS regions, while VMware and our partner community deliver and support the service.
 - *VMware Cloud on other major hyperscalers*—includes Azure VMware Solution, an infrastructure-as-a-service private cloud offering built on VMware Cloud Foundation that runs on dedicated bare-metal servers in Azure regions. It is a service sold and supported by Microsoft, backed and cloud verified by VMware. VMware Cloud on other major hyperscalers also includes Google Cloud VMware Engine, an integrated first-party offering that is built, sold and supported directly by Google Cloud and delivers a fully managed VMware Cloud Foundation stack along with VMware HCX for cloud migration in a dedicated environment on Google Cloud.
 - *VMware Cloud Providers*—a key component of our strategic priority to support multi-cloud, this global ecosystem of more than 4,500 cloud providers in over 120 countries provides VMware-based cloud services. VMware Cloud Provider offerings are directed at traditional hosting partners, regional cloud providers and local and global managed service providers. VMware Cloud Providers give organizations the flexibility of running applications in virtual machines, in containers or both on their own private clouds inside their data center and on public clouds by providing multi-cloud managed services. IBM was our first cloud provider partner to offer VMware Cloud Foundation as-a-service, enabling their customers to leverage our technologies on IBM Cloud in their worldwide cloud data centers.
 - *VMware Cloud on Dell EMC*—a fully managed on-premises, local cloud-as-a-service offering providing customers with a hybrid cloud experience that combines the simplicity and agility of the public cloud with the security and control of on-premises infrastructure.

Networking

We offer a complete portfolio of Layer 2-7 virtual networking and security solutions that deliver innovative software-based capabilities for switching, routing, firewalling, intrusion prevention and intrusion detection systems, network detection and response, load balancing, service mesh and SD-WAN for enterprise and Telco environments. These networking solutions enable customers to connect and protect all workloads running on bare metal, in containers, on virtual machines and across data

centers, multi-cloud environments and the distributed edge. Adoption of VMware networking solutions is driven by customers who are replacing legacy, hardware-based network and security infrastructure, such as physical firewalls and load balancers and expensive dedicated wide-area network links.

Key products within our Networking portfolio include:

- *VMware NSX*—our network virtualization platform that abstracts physical networks to greatly simplify customers' provisioning and consumption of networking and security resources. NSX can be layered into any environment, integrates with many automation, security and container solutions and is a foundational part of our key offerings, such as VMware Cloud Foundation.
- *NSX Distributed and Gateway Firewalls*—a zone firewall and a software-defined Layer 7 firewall that are purpose-built to help secure multi-cloud traffic across virtualized workloads. They provide stateful firewalling with intrusion detection and prevention, sandboxing, network traffic analysis and network detection and response to provide complete visibility into applications and workload flows with policy automation that are linked to workload lifecycles.
- *NSX Network Detection and Response*—an AI-based threat correlation and forensics engine, delivered as either standalone or integrated tightly within NSX, that helps network security and security operations teams efficiently detect malicious activity and block lateral movement of sophisticated threats.
- *NSX Advanced Load Balancer (Avi)*—provides consistent, multi-cloud load balancing, web application firewall and application insights across data centers and public clouds for virtual machines, container and bare-metal workloads.
- *Tanzu Service Mesh*—provides end-to-end operational visibility, control and security for distributed cloud-native applications, across end-users, applications and data, on any platform or cloud.

Our offerings also include *VMware SASE*, a cloud-native platform that converges cloud networking and cloud security into one holistic solution. Regardless of the location of users and applications, VMware SASE provides unified secure access from a single management platform. Organizations use VMware SASE to provide their users with more reliable, optimal and secure access to any application in on-premises, public cloud and edge environments. The VMware SASE platform includes VMware SD-WAN, which delivers high-performance, reliable and more secure access to cloud services, private data centers and SaaS-based enterprise applications for remote workers and branch locations; VMware Secure Access, a cloud-hosted solution that secures and optimizes corporate network and application access for remote and mobile users based on a Zero Trust Network Access framework; and VMware Cloud Web Security, a cloud-hosted service that protects users and infrastructure accessing SaaS and Internet applications from evolving threats, offers visibility into and control over internet and SaaS application usage and enables compliance with administered security access rights. These services can be sold individually or together for the full VMware SASE solution.

Security

Today's modern, distributed enterprise requires security that is both built-in and built differently. We leverage the unique power of virtualization to put security everywhere, helping our customers to secure any cloud, any application and anywhere workspaces. VMware Carbon Black Cloud, a SaaS-delivered cloud native endpoint, workload and container protection platform, is at the center of the VMware security portfolio.

Key products within our Security portfolio include:

- *Carbon Black Endpoint*—consolidates multiple endpoint security capabilities using one lightweight agent and cloud console to ease analysis of complex attacks, simplify the automation of detection and response workflows and identify attackers' changing behavior patterns to better detect, respond to and prevent emerging and continuing attacks. This endpoint protection platform includes next-generation antivirus, endpoint detection and response; managed detection, audit and remediation; and threat hunting and containment.
- *Carbon Black Workload*—delivers advanced protection purpose-built for better securing modern workloads, reducing the attack surface and strengthening security postures. The solution combines prioritized vulnerability reporting and foundational workload hardening with prevention, detection and response capabilities to protect workloads running in virtualized private and hybrid cloud environments. VMware Carbon Black Workload is also tightly integrated with vSphere to provide built-in security that alleviates installation and management overhead and consolidates the collection or telemetry for multiple workload security use cases.
- *Carbon Black Container*—enables enterprise-grade container security to reduce risk, enhance visibility, maintain compliance and simplify security for Kubernetes environments, from development to production. VMware Carbon Black Container empowers cross-functional teams to secure the complete lifecycle of Kubernetes applications, detect and fix vulnerabilities and misconfigurations before production deployment, meet compliance standards and achieve simple, secure multi-cloud and hybrid cloud Kubernetes environments at scale.

Anywhere Workspace

VMware Anywhere Workspace is a software solution that is designed to deliver secure and seamless experiences for distributed workforces while reducing costs and operational overhead for organizations. It combines the key elements of unified endpoint management (“UEM”), desktop and application virtualization, secure access service edge and endpoint security technologies to fully meet the needs of today’s distributed workforce. Specifically, VMware Anywhere Workspace brings together the benefits of our three innovative solutions: Workspace ONE, Carbon Black Cloud and VMware SASE.

As our End User Computing business drives VMware Anywhere Workspace forward, we continue to offer our digital workspace solution, *Workspace ONE*. Workspace ONE is a platform that more securely delivers and manages any application on any device by integrating multi-platform endpoint management, access control and application management. The platform brings the following offerings together with a common access control and analytics layer:

- *Workspace ONE UEM*—a solution built to manage and help secure mobile devices, laptops and other devices across all major operating systems from a single management console and includes a suite of productivity applications that enable customers to more effectively manage and secure both corporate and personal devices.
- *Workspace ONE Access*—a cloud service that enables customers to continuously track device state, user details and authentication context to determine user and device risk, allow or deny access and require multi-factor authentication or a remediation for access.
- *Workspace ONE Intelligent Hub*—a solution that empowers employees to more securely access corporate applications and resources “from hire to retire.” IT can grant single-sign-on access to any application from a unified catalog, send informational and actionable notifications and enable one-click contextual workflows with SaaS and backend applications on-the-go.
- *Horizon*—a platform that provides a streamlined approach to delivering, protecting and managing virtual desktops and applications from one digital workspace, while containing costs and allowing end users to work anytime, anywhere and across any device.

Through the continued expansion of our portfolio, customers can deliver virtual desktops and applications to users in many ways, from customer-managed solutions that run on any on-premises or VMware Cloud certified environments, including VMware Cloud on AWS, Google Cloud VMware Engine, IBM Cloud, Oracle Cloud VMware Solution, Azure VMware Solution and more, to a fully-managed Desktop as a Service solution delivered natively from Microsoft Azure.

Technology Alliances

We have more than 1,100 technology partners with whom we bring offerings to the marketplace and over 4,500 active cloud, hyperscaler and managed service provider partners. We classify our partners as follows:

Independent Hardware Vendors (“IHVs”)—we have established relationships with large system vendors, including Apple, Cisco, Fujitsu, Hitachi, HPE, IBM, Lenovo and Samsung, for certification and co-development and we continue to work closely with Dell, Intel, NVIDIA and other technology vendors to provide input on product development to enable them to deliver advancements that benefit multi-cloud and modern applications users. We coordinate with the leading technology platform vendors to ensure interoperability and enable our solutions to access their differentiated functionality.

Independent Software Vendors (“ISVs”)—we partner with leading systems management, infrastructure software and application software vendors, including healthcare, telecom, finance and retail leaders, to deliver value-added products that integrate with our products.

VMware Cloud Providers—we have established partnerships with over 4,500 active cloud, hyperscaler and managed service providers, including Microsoft, Google, Oracle, Lumen, IBM, AUCloud, OVH, Rackspace, NxtGen, Telefonica, TietoEvry and UKCloud, that support our multi-cloud strategy. These partners leverage our cloud technologies to host and deliver enterprise-class cloud services for enterprises to extend their data centers to external clouds, while preserving security, compliance and quality of service.

In addition to our base of active partnerships with cloud providers, we have a strategic alliance with AWS to build and deliver an integrated hybrid offering, VMware Cloud on AWS, that enables customers to run applications across vSphere-based private, public and multi-cloud environments.

Our Technology Alliance Partner (“TAP”) program facilitates collaborative solution creation and coordinated go-to-market activities for our ecosystem of more than 1,100 technology partners. Created exclusively for IHV and ISV partners, the TAP program gives technology partners the ability to test, integrate and package application software, infrastructure and hardware products with our products and services offerings—on premises or in the cloud.

Our ISVs and other alliance partners, developers and additional VMware community members continue to distribute software applications as virtual appliances. We invest significant capital in testing and certifications of infrastructure to rigorously ensure our software is compatible with major hardware and software products.

Research and Development

We have made, and expect to continue to make, significant investments in research and development (“R&D”). We have assembled an experienced group of developers with expertise within application modernization, cloud management, cloud infrastructure, networking, security, anywhere workspaces, software-as-a-service, open source and edge solutions. We also have strong ties to leading academic institutions around the world and we invest in joint research with academia.

We prioritize our product development efforts through a combination of engineering-driven innovation and customer- and market-driven feedback. Our R&D culture places a high value on innovation, quality and open collaboration with our partners. We currently participate in numerous standards groups and our employees hold a variety of leadership positions with standards organizations.

We continue to invest in our key growth areas while also investing in areas that we expect to be significant growth drivers in future periods.

Sales and Marketing

Our go-to-market efforts include a direct sales force, including a specialized sales force for our key growth offerings, and our channel and cloud partners.

We have well-established, ongoing business relationships with our distributors. Our distributors purchase software licenses and software support from us for resale to end-user customers via resellers. These resellers are part of VMware Partner Connect, a program which offers resellers pricing incentives, rebates, sales and product enablement through the VMware Partner Connect web portal and access to the worldwide network of VMware distributors. In addition, our channel partner network includes certain systems integrators and resellers trained and certified to deliver consulting services and solutions leveraging our products. Our channel network also includes partners that host our products and deliver them as-a-service to customers.

We generally do not have long-term contracts or minimum-purchase commitments with our distributors, resellers, system vendors and systems integrators and our contracts with these channel partners do not prohibit them from offering products or services that compete with ours.

End users can purchase the full breadth of our subscription, SaaS, license and services portfolio through discrete purchases or through enterprise agreements (“EAs”), both of which provide access to a range of flexible purchasing programs. EAs are sold to our direct customers and through channel partners and can include our license, multi-year maintenance and support, subscription and SaaS offerings. EAs enable us to build long-term relationships with our customers as they commit to our virtual infrastructure solutions. Our sales cycle varies depending on numerous factors, including the size and complexity of the proposed offering and a customer’s infrastructure footprint.

In establishing list prices for our solutions, we take into account, among other numerous factors, the value our solutions deliver and the cost of alternative virtualization, end-user computing, hardware and security solutions.

Our marketing efforts focus on communicating the benefits of our solutions and educating our customers and users, distributors, resellers, system vendors, systems integrators, the media and analysts about the advantages of our innovative offerings. We raise awareness of our company and brands, market our products and generate sales leads through VMware and industry events, public relations efforts, marketing materials, advertising, direct marketing, social media initiatives, free downloads and trials and our website. We have invested in multiple online communities that enable customers and partners to share and discuss sales and development resources, best practices implementation and industry trends among other topics. Our annual user conferences, VMworld, vForum and SpringOne are global events. We also offer management presentations, seminars and webinars on our solutions and services. We believe the combination of these activities strengthens our brand and enhances our leadership in the industries in which we compete.

On November 1, 2021, in connection with the Spin-Off, we and Dell entered into the Commercial Framework Agreement to provide a framework under which we and Dell will continue our strategic commercial relationship, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service or platform that may provide the parties with a strategic market opportunity. The Commercial Framework Agreement has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions. Bookings through Dell sales channels in aggregate comprise the largest route-to-market for our sales.

We also have strategic partnerships with AWS, Google, IBM and Microsoft to jointly provide the expertise, solutions and go-to-market capabilities to help our customers efficiently and more securely extend their proven software-defined solutions into public clouds, utilizing the tools and processes with which our customers are already familiar.

Our business and the sales of our products and services are subject to seasonality. For example, our fourth quarter revenue is affected by a number of seasonal factors, including year-end spending trends, that impact the timing of renewals of our EAs and support and maintenance contracts.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted customer contracts at the end of any given period.

As of January 28, 2022, the aggregate transaction price allocated to remaining performance obligations was \$12.0 billion, of which approximately 57% is expected to be recognized as revenue over the next twelve months and the remainder thereafter.

As of January 29, 2021, the aggregate transaction price allocated to remaining performance obligations was \$11.3 billion, of which approximately 55% was expected to be recognized as revenue during fiscal 2022 and the remainder thereafter.

Backlog

Backlog is comprised of unfulfilled purchase orders or unfulfilled executed agreements at the end of a given period and is net of related estimated rebates and marketing development funds. Backlog consists of licenses, subscription and SaaS and services. As of January 28, 2022, our total backlog was \$88 million and our backlog related to licenses was \$14 million. For our backlog related to licenses, we generally expect to deliver and recognize revenue during the following quarter. Backlog totaling \$36 million as of January 28, 2022 was excluded from the remaining performance obligations because such contracts are subject to cancellation until the performance obligation is fulfilled.

As of January 29, 2021, our total backlog was \$93 million and our backlog related to licenses was \$23 million. Backlog totaling \$18 million as of January 29, 2021 was excluded from the remaining performance obligations because such contracts were subject to cancellation until the performance obligation is fulfilled.

The amount and composition of backlog will fluctuate period to period and backlog is managed based upon multiple considerations, including product and geography. We do not believe that the amount of backlog is indicative of future sales or revenue or that the mix of backlog at the end of any given period correlates with actual sales performance of a particular geography or particular products or services.

Customers

Our product offerings allow customers to manage IT resources across private clouds and complex multi-cloud, multi-device environments. Customer deployments range in size from a single virtualized server for small businesses to thousands of virtual machines and managed devices for our largest enterprise customers.

During fiscal 2022, revenue from Dell, including purchases of products and services directly from us, as well as through our channel partners, accounted for 38% of our consolidated revenue. These purchases included Dell selling joint solutions as an OEM, which accounted for 13% of total revenue from Dell, or 5% of our consolidated revenue. The remaining revenue from Dell consisted of Dell acting as a distributor to other non-Dell resellers, reselling products and services as a reseller or purchasing products and services for its own internal use. On certain transactions, Dell Financial Services also provided financing to our end users at our end users' discretion.

Other than Dell, none of our distributors accounted for more than 10% of our consolidated revenue during fiscal 2022. Our distribution agreements are typically terminable at will by either party upon 30 to 90 days' prior written notice to the other party and neither party has any obligation to purchase or sell any products under the agreement.

Competition

We face intense competition across all markets for our products and services. We believe that the key factors in our ability to successfully compete include the level of reliability, interoperability and new functionality of our product and service offerings; the ability of our product offerings to support multiple hardware platforms, operating systems, applications frameworks and public cloud platforms; our ability to anticipate customer needs in rapidly evolving markets for IT resources; the pricing of our product and service offerings; the ability to integrate open source technologies that are critical in private and public cloud computing architectures; the ability to attract and retain key employees; and the ability to maintain and expand our ecosystem of technology partners, service providers and sales channel partners. While we believe that we are a technology leader in virtualization and cloud infrastructure solutions and have a strong, favorable image with our customers, many of our

current or potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do. Additionally, the adoption of public cloud, micro-services, containers and open source technologies has the potential to erode our profitability.

We face competition from, among others:

Providers of public cloud infrastructure and SaaS-based multi-cloud offerings. As businesses increasingly utilize public cloud and SaaS-based offerings, they are building more of their new compute workloads and may also shift some of their existing workloads, off-premises. A significant percentage of new application development is happening in the public cloud, with providers such as AWS, Microsoft Azure (“Azure”) or Google Cloud, or in a distributed fashion and these new applications are often deployed on public cloud or multi-cloud infrastructure. As a result, the demand for on-premises information technology (“IT”) resources is expected to slow and our products and services will need to increasingly compete for customers’ IT workloads with off-premises public cloud and SaaS-based multi-cloud offerings, such as those offered by Datadog in monitoring and IT telemetry and ServiceNow in the automation space. If we fail to address evolving customer priorities or requirements, the demand for VMware’s products and services may decline and we could experience slower than expected or no growth. Additionally, VMware Cloud Provider Program (“VCP”) offerings from our partners may compete directly with infrastructure-as-a-service (“IaaS”) offerings from various public cloud providers, which are increasingly integrated with on-premises solutions. In fiscal 2018, we entered into a strategic alliance with AWS to deliver a vSphere-based cloud service, VMware Cloud on AWS, running in AWS data centers available in certain geographies and, in fiscal 2019, we extended our collaboration with AWS to include AWS Outposts. In fiscal 2020, we also announced partnerships with Microsoft (Azure VMware Solution by CloudSimple), Google (Google Cloud VMware Solution by CloudSimple) and Oracle (Oracle Cloud VMware Solution) under the framework of our VCP that enable customers to run native VMware-based workloads on each of Azure, Google Cloud and Oracle Cloud. Our partnerships with AWS and other public cloud providers may be seen as competitive with each other and with other VCP partners, while some partners may elect to include solutions such as VMware Cloud on AWS as part of their managed services provider offerings. In addition, many of these public cloud providers are delivering hybrid cloud hardware solutions with their distributed cloud management. For example, many public cloud infrastructure providers have also entered into strategic partnerships with mobile telecommunications network providers to jointly embed distributed cloud infrastructure and management tools into 5G mobile networks. To the extent customers and partners, including service providers, choose to operate native cloud environments (or similar non-VMware environments, such as Azure Stack or AWS Wavelength) in their data centers in lieu of purchasing VMware’s on-premises and hybrid and multi-cloud products, our operating results could be materially adversely affected.

Providers of application modernization and open source developer platform services. Many public cloud infrastructure and multi-cloud SaaS competitors also offer standalone or embedded application development, or Platform-as-a-Service (“PaaS”), services. In the case of AWS, Azure and Google Cloud, these PaaS services are often bundled with consumption-based IaaS offerings. These IaaS providers and other developer solution partners, such as Red Hat, a subsidiary of IBM, and HashiCorp, offer tools and services based on containers and DevSecOps (or development security and operations) practices. Open source technologies for containerization and cloud platforms, such as Xen, KVM, Docker, rkt, OpenShift, Mesos, Kubernetes and OpenStack, and other open source software-based products, solutions and services may reduce the demand for our solutions, put pricing pressure on our offerings and enable competing vendors to leverage open source technologies to compete directly with us. New platform technologies and standards based on open source software are consistently being developed and can gain popularity quickly. Improvements in open source software could cause customers to replace software purchased from us with open source software. In step with these trends, we deliver a comprehensive container, Kubernetes and Cloud Native Application technologies portfolio with VMware Tanzu and have increased our level of commitment to open source projects and communities, such as the Cloud Native Computing Foundation, that are designed to increase the rate at which customers adopt micro-services architectures. The adoption of distributed micro-service application architectures, and their alignment with container technologies, represents an emerging area of competition. As we continue to invest in these areas, we will experience increasing competitive overlap with other cloud native vendors, such as Red Hat, and the large providers of public cloud infrastructure. Such competitive pressure or the availability of new open source software may cause us to experience reduced sales, increased pricing pressure, increased sales and marketing expenses and reduced operating margins, any one of which may adversely affect our operating results.

Providers of enterprise security offerings. With our acquisition of Carbon Black Inc. (“Carbon Black”) in 2019, we launched a new set of enterprise security solutions that includes the Carbon Black endpoint security platform and the intrinsic security elements of our existing NSX virtual networking, Workspace ONE end user and our compute offerings. The cybersecurity market is large, highly competitive, fragmented and subject to rapidly evolving technology, shifting customer needs and frequent introductions of new solutions. Competitors in the end point security space range from established solution providers such as Microsoft and Trend Micro to next-generation endpoint security providers such as CrowdStrike and SentinelOne. While we believe that the intrinsic security elements in our existing offerings coupled with our Carbon Black endpoint security offerings and new combined offerings we expect to develop and introduce in the future will enable us to

provide an integrated security offering with significant advantages over our competitors' current offerings, our ability to gain traction and market share as a new entrant into this well-established market segment is uncertain. Additionally, new trends, such as Extended Threat Detection (XDR), Secure Access Service Edge (SASE) and Zero Trust Network Access, represent the coalescence of formerly distinct markets, such as identity management, secure web gateway, SD-WAN, network firewall and cloud access security brokers. These new trends may bring existing partners, such as Fortinet, Zscaler and Okta into a more competitive position with our Carbon Black, VeloCloud and other distributed network security offerings. If we are unable to successfully adapt our product and service offerings to meet these opportunities and rapidly evolving trends our operating results could be adversely affected.

Large, diversified enterprise software and hardware companies. These competitors supply a wide variety of products and services to, and have well-established relationships with, our current and prospective end users. For example, small- to medium-sized businesses and companies in emerging markets that are evaluating the adoption of virtualization-based technologies and solutions may be inclined to consider Microsoft solutions because of their existing use of Windows and Office products. Some of these competitors have in the past and may in the future take advantage of their existing relationships to engage in business practices that make our products and services less attractive or more expensive to our end users. For example, in 2019, Microsoft modified its on-premises licensing terms to require end users who wish to deploy Microsoft software on certain dedicated hosted cloud services other than Microsoft's Azure cloud service, including VMware Cloud on AWS, to purchase additional rights from Microsoft. Other competitors have limited or denied support for their applications running in VMware virtualization environments. In addition, these competitors could integrate competitive capabilities into their existing products and services and make them available without additional charge. For example, Oracle provides free server virtualization software intended to support Oracle and non-Oracle applications, Microsoft offers its own server, network and storage virtualization software packaged with its Windows Server product as well as built-in virtualization in the client version of Windows and Cisco includes network virtualization technology in many of its data center networking platforms. As a result, existing and prospective VMware customers may elect to use products that are perceived to be "free" or "very low cost" instead of purchasing VMware products and services for certain applications where they do not believe that more advanced and robust capabilities are required.

Other industry alliances. Many of our competitors have entered into or extended partnerships or other strategic relationships to offer more comprehensive virtualization and cloud computing solutions than they individually had offered. We expect these trends to continue as companies attempt to strengthen or maintain their positions in the evolving virtualization infrastructure and enterprise IT solutions industry. For example, CrowdStrike has formed the CrowdXDR Alliance, an initiative competitive with VMware security offerings that includes VMware partners such as Zscaler and Google Cloud. These alliances may result in more compelling product and service offerings than those we offer.

Our partners and members of our developer and technology partner ecosystem. We face competition from our partners. For example, third parties currently selling our products and services could build and market their own competing products and services or market competing products and services of other vendors. Additionally, as formerly distinct sectors of enterprise IT such as software-based virtualization and hardware-based server, networking and storage solutions converge, we also increasingly compete with companies who are members of our developer and technology partner ecosystem. For example, in 2019, one of our important partners and customers, IBM, acquired Red Hat, one of our competitors in the cloud native applications space. Consequently, when such convergences occur, we may find it more difficult to continue to collaborate productively on other projects with these partners, and the advantages we derive from our ecosystem could diminish.

These various forms of competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our operating margins and could also prevent our new products and services from gaining market acceptance, thereby harming our ability to increase, or causing us to lose, market share.

Intellectual Property

As of January 28, 2022, over 5,000 patents of varying duration issued by the U.S. Patent and Trademark Office have been granted or assigned to us. We also have been granted or assigned patents from other countries. These patents cover various aspects of our server virtualization and other technologies. We also have numerous pending U.S. provisional and non-provisional patent applications, and numerous pending foreign and international patent applications, that cover other aspects of our virtualization and other technologies.

We have federal trademark registrations in the U.S. for "VMWARE," "VMWORLD," "VSPHERE," "V-CLOUD," "V-CENTER SERVER," "VMOTION," "HORIZON," "AIRWATCH," "V-REALIZE," "V-CLOUD," "WORKSPACE ONE," "ESX," "VMWARE NSX," "VMWARE CLOUD FOUNDATION," "VELOCLOUD," "CARBON BLACK," "BITNAMI" and "PIVOTAL" and numerous other trademarks. We also have trademarks registered in several foreign countries.

We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property rights and our brand.

We enforce our intellectual property rights in the U.S. and several foreign countries. Despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the U.S. patent filings are intended to provide the holder with a right to exclude others from making, using, offering to sell, selling or importing into the U.S. products covered by the claims of granted patents.

Our granted U.S. patents, and any future patents (to the extent they are issued), may be contested, circumvented or invalidated in the future. Moreover, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages, and we may not be able to prevent third parties from infringing these patents. Therefore, the exact effect of our patents and the other steps we have taken to protect our intellectual property cannot be predicted with certainty.

Environmental, Social and Governance (“ESG”)

At VMware, we believe technology can have a positive impact on society and the planet. In December 2020, we announced our 2030 Agenda, which represents our ESG strategy focused on three business outcomes: Sustainability, Equity and Trust. Our 2030 Agenda is designed for the benefit of all VMware stakeholders: shareholders, customers, employees, partners, suppliers and communities.

- *Sustainability*: We are committed to decarbonization for our customers, supply chain and operations through our focus on: net-zero emissions, radical efficiency, zero-carbon clouds, energy resilience for an “anywhere” workforce and investing in innovation.
- *Equity*: We are committed to building a future that is accessible, inclusive and just for all through our focus on: distributed workforce technology; human capital development; diversity, equity and inclusion; product accessibility; nonprofit digital transformation; and digital skills.
- *Trust*: We are committed to building and protecting trust with all stakeholders—our customers, partners, stockholders, people and communities through our focus on: security, privacy-by-design, digital ethics and transparent business practices.

To promote long-term stakeholder value creation, we created an ESG governance structure comprised of internal leadership and members of our executive staff to guide strategy, measure performance and engage with our Board of Directors to review ESG matters. The Nominating, Governance and Related Persons Transactions Committee of our Board of Directors meets with our ESG leadership team on a regular cadence throughout the year to review ESG objectives and their integration into VMware’s strategic objectives and to monitor progress against the goals set in our 2030 Agenda.

Environmental Sustainability

We are committed to creating products and services that support our customers in reducing the environmental impact of their digital infrastructure. In fiscal 2022, we launched VMware Zero Carbon Committed where we help connect customers who are looking for low-carbon solutions with a VMware Cloud Provider partner who can help customers achieve their sustainability goals. This zero-carbon cloud initiative is possible through renewable energy-powered operations and energy-efficient data centers and helps customers reduce the environmental impact of their digital infrastructure.

VMware is committed to achieving net zero carbon emissions for our operations and supply chain by 2030 as part of our ESG strategy. Our net zero goal builds on validated science-based targets as well as our achievements of continuing to operate as a certified CarbonNeutral company in accordance with the CarbonNeutral Protocol and procuring 100% renewable energy for our operations, in accordance with RE100’s technical guidance. In fiscal 2022, we launched our Responsible Sourcing program to drive sustainability, diversity and accessibility across our supply chain.

During fiscal 2022, we continued to utilize concepts from the Financial Stability Board’s Taskforce for Climate-Related Financial Disclosures (“TCFD”) framework and expanded our climate change risk assessment to model multiple climate change scenarios and their potential impacts on our global operations. We will use the risk assessment process to inform future risk mitigation strategies. In addition to TCFD, VMware’s ESG self-assessments and goals are informed by ESG frameworks including Sustainability Accounting Standards Board, Global Reporting Initiative and the United Nations’ Global Compact.

Our commitment to ESG was recognized for the second consecutive year by being included in the Dow Jones Sustainability Indices. More details on our ESG programs, goals and commitments can be found in our annual ESG Report on our website. Information on our website is not deemed to be incorporated by reference into this filing on Form 10-K.

Human Capital

General Demographics

As of January 28, 2022, we employed approximately 37,500 employees located in 60 countries, approximately 15,700 of which work in the U.S.

We use contractors from time to time for temporary assignments and in locations in which we do not currently have operating subsidiaries or branches. In the event that these contractor resources were not available, we do not believe that this would have a material adverse effect on our operations. None of our employees are represented by labor unions and we consider current employee relations to be good.

Wellbeing and Culture

The VMware culture is based on a set of shared values best expressed through the acronym EPIC2: Execution, Passion, Integrity, Customers and Community. Each year, we honor extraordinary employees through our EPIC2 Achievement Awards program. Individuals are recognized for their ability to regularly go above and beyond the Company's high standards. We have quarterly EPIC2 days off and an EPIC2 shutdown at the end of the year, which enable our people to focus on their wellbeing and rejuvenate.

During fiscal 2022, we continued our programs initiated in response to the COVID-19 pandemic in order to address the safety of our employees while continuing to support the business continuity needs of our customers and partners. We have enabled employees to choose to work in the office or remotely consistent with local health regulations and operational requirements. We have continued to implement flexible work and customer outreach experiences that allow our teams to remain connected with each other and with our customers while maintaining and enhancing productivity, operational excellence and innovation. We continued additional benefits to employees including a wellbeing allowance, home equipment allowance for all new employees, coverage of COVID-19 testing and treatment, as well as additional personal paid time off days.

Future of Work

During fiscal 2022, we continued to build and expand a dynamic, global workforce of the future that empowers our people to work from any location, consistent with business requirements, that accelerates their productivity to deliver innovative solutions and operational excellence for our customers worldwide. We believe our approach to employee choice and flexibility is enabling the Company to successfully compete to hire and retain skilled and talented team members from many new locations globally and contribute to meeting our diversity, equity and inclusion goals. As our employees demonstrated throughout the pandemic, work location does not dictate success. The choice and flexibility that form the cornerstones of this new distributed workforce model mirror the choice and flexibility we provide to our customers when choosing their digital infrastructure.

Diversity, Equity and Inclusion ("DEI")

DEI is a business priority at VMware. Our DEI initiative, VMInclusion, is a business-led effort to attract, develop and retain the multinational, multicultural talent critical to our globally connected business. We are committed to creating a flexible, inclusive environment where everyone is respected and has equal opportunity to succeed. Specifically, we are focused on driving a culture that is inclusive of all forms of diversity: from demographic factors such as race, ethnicity, national origin, gender identity, sexual orientation, disability, veteran status to other critical factors such as function, office location, personality, age and life experience. During fiscal 2022, all Senior Directors and above were assigned responsibility for achievement of company-wide DEI goals tied to bonus compensation. We are continuing to expand our programs and monitor the impact of our practices on the hiring and retention of talent from underrepresented communities including women, people with disabilities, veterans and those that self-identify as being part of LGBTQ+ communities.

We have been recognized for our achievements including Forbes 2021 The Best Employers for Diversity, Forbes 2021 The Best Employers for Women and the 2022 Human Rights Campaign Foundation Best Places to Work for LGBTQ Equality as well as 2021 DEI Best Places to Work for Disability Inclusion.

As of the end of fiscal 2022, women represented 29% of our global employees and underrepresented minorities represented 12% of our U.S. employees.

We are committed to equitable compensation. We know that leveraging the power of human difference starts with equal pay for equal work. We continually analyze compensation globally, accounting for multiple factors that influence pay such as job, grade, tenure, time in job, geographic location and performance. Our most recent data analysis as of October 2021 shows that at VMware, women, in the aggregate, adjusting for the factors identified above, earn 99% of their male counterparts' target cash compensation globally and underrepresented minorities earn 100% of their white counterparts in the U.S.

Compensation and Benefits

We tailor our compensation programs including base pay strategy, variable compensation programs and health, wellbeing and retirement programs to meet the needs of our employees. Equity awards are a key compensation component that enables us to recruit and retain top talent. The Compensation Committee of our Board of Directors oversees the utilization of stock-based compensation to appropriately balance competitive needs against the dilutive impact on our stockholders. These components of

total compensation are part of a broader framework of employee recognition, as well as our strategy to reinforce VMware's culture and to attract, develop and retain a talented and diverse workforce.

Available Information

Our website is located at vmware.com and our investor relations website is located at ir.vmware.com. Our goal is to maintain the investor relations website as a portal through which investors can easily find or navigate to pertinent information about us, all of which is made available free of charge, including:

- our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the Securities and Exchange Commission ("SEC");
- announcements of investor conferences, speeches and events at which our executives discuss our products, services and competitive strategies;
- webcasts of our quarterly earnings calls and links to webcasts of investor conferences at which our executives appear (archives of these events are also available for a limited time);
- additional information on financial metrics, including reconciliations of non-GAAP financial measures discussed in our presentations to the nearest comparable GAAP measure;
- press releases on quarterly earnings, product and service announcements, legal developments and international news;
- corporate governance information including our certificate of incorporation, bylaws, corporate governance guidelines, board committee charters, business conduct guidelines (which constitutes our code of business conduct and ethics) and other governance-related policies;
- ESG (environmental, social and governance) information;
- other news, blogs and announcements that we may post from time to time that investors might find useful or interesting; and
- opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

The information found on our website is not part of, and is not incorporated by reference into, this or any other report we file with, or furnish to, the SEC. The SEC also maintains a website at sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names of our executive officers and their ages as of March 15, 2022, are as follows:

Name	Age	Position(s)
Rangarajan (Raghu) Raghuram	59	Chief Executive Officer
Zane Rowe	51	Chief Financial Officer and Executive Vice President
Sumit Dhawan	47	President
Jean-Pierre Brulard	63	Executive Vice President, Worldwide Sales
Amy Fliegelman Olli	58	Executive Vice President, General Counsel and Secretary

Rangarajan (Raghu) Raghuram has served as VMware's Chief Executive Officer and a director of VMware since June 2021. Prior to that Mr. Raghuram served as VMware's Chief Operating Officer, Products and Cloud Services since October 2016, guiding VMware's cloud and SaaS transformation efforts. Prior to that he served as Executive Vice President, Software-Defined Data Center division from February 2014 to October 2016 and Executive Vice President, Cloud Infrastructure and Management from April 2012 to February 2014. Mr. Raghuram joined VMware in 2003 and has held multiple product management and marketing roles. Mr. Raghuram served as Senior Vice President and General Manager, Cloud Infrastructure and Management, Virtualization and Cloud Platforms and Enterprise Products, from December 2009 through March 2012. Mr. Raghuram previously served as Vice President of VMware's Server business unit and of Product and Solutions Marketing through December 2009. Prior to VMware, Mr. Raghuram held product management and marketing roles at Netscape Communications Corporation and Bang Networks, Inc.

Zane Rowe has served as VMware's Chief Financial Officer and Executive Vice President since March 2016. Mr. Rowe also served as VMware's interim Chief Executive Officer from February 2021 through May 2021. Prior to joining VMware, he was EMC's Executive Vice President and Chief Financial Officer from October 2014 until February 2016. Prior to joining

EMC, Mr. Rowe was Vice President of North American Sales of Apple Inc., a technology company that designs, develops and sells consumer electronics, computer software, online services and personal computers, from May 2012 until May 2014. He was Executive Vice President and Chief Financial Officer of United Continental Holdings, Inc., an airline holdings company, from October 2010 until April 2012 and was Executive Vice President and Chief Financial Officer of Continental Airlines from August 2008 to September 2010. Mr. Rowe joined Continental Airlines in 1993. Mr. Rowe currently serves on the board of Sabre Corporation.

Sumit Dhawan has served as VMware's President since June 2021. Prior to that Mr. Dhawan served as VMware's Chief Customer Experience Officer since February 2020. From May 2018 until February 2020, Mr. Dhawan served as CEO of Instart (formerly Instart Logic), a multinational cloud company focused on web and mobile application delivery, customer experience and security for enterprise customers. Mr. Dhawan initially joined VMware in 2013 and served in various roles with VMware's End User Computing group, including as Senior Vice President and General Manager of VMware's End User Computing group from November 2016 through May 2018.

Jean-Pierre Brulard has served as VMware's Executive Vice President, Worldwide Sales since February 2020. Mr. Brulard previously served as VMware's Senior Vice President and General Manager, EMEA from April 2015 to January 2020 and as Vice President, EMEA, Southern Region from April 2009 to April 2015. Prior to joining VMware, Mr. Brulard served in senior management positions of increasing responsibility for Business Objects, an enterprise software company, for seven years, most recently as its Senior Vice President and General Manager, EMEA.

Amy Fliegelman Olli has served as VMware's Executive Vice President, General Counsel and Secretary since December 2020. She joined VMware as Senior Vice President and General Counsel in August 2017 and was appointed as Secretary in October 2017. Prior to joining VMware, Ms. Fliegelman Olli served as Senior Vice President and General Counsel of Avaya, Inc., a provider of contact center, unified communications and networking products, from June 2014 through August 2017. Previously, she was the General Counsel of CA, Inc., a provider of software solutions, from September 2006 to June 2014 where her responsibilities covered all legal, governance, compliance, internal audit, security, risk management and controls matters. Ms. Fliegelman Olli also spent 18 years with IBM Corporation, ultimately serving as Vice President and General Counsel for the Americas and Europe.

ITEM 1A. RISK FACTORS

The risk factors that appear below could materially affect our business, financial condition and operating results. The risks and uncertainties described below are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies.

Operation of Business and Strategic Risks

A significant decrease in demand for our data center virtualization products would adversely affect our operating results.

A significant portion of our revenue is derived, and will for the foreseeable future continue to be derived, from our data center virtualization products. As more businesses achieve high levels of virtualization in their data centers, the market for our vSphere product continues to mature. Additionally, as businesses increasingly utilize public cloud and SaaS-based offerings, they are building more of their new compute workloads off-premises and are increasingly shifting some of their existing and many of their new workloads to public cloud providers, thereby limiting growth and potentially reducing the market for on-premises deployments of vSphere. Although sales of vSphere have declined as a portion of our overall business and we expect this trend to continue, vSphere remains key to our future growth as it serves as the foundation for our newer SDDC, network virtualization and our newer subscription and SaaS offerings. Although we have launched, and are continuing to develop, products to extend our vSphere-based SDDC offerings to the public cloud, due to our product concentration, a significant decrease in demand for our server virtualization products would adversely affect our operating results.

Our subscription and SaaS offerings, which constitute a growing portion of our business, and our initiatives to extend our data center virtualization and container platforms into the public cloud involve various risks, including, among others, reliance on third-party providers for data center space and colocation services and on public cloud providers to prevent service disruptions.

As we continue to develop and offer subscription and SaaS versions of our products, we must continue to evolve our processes to meet various intellectual property, regulatory, contractual and service compliance challenges, including compliance with licenses for open source and third-party software embedded in our offerings, compliance with export control and privacy regulations, protecting our services from external threats or inappropriate use, maintaining the continuous service levels and data security expected by our customers and adapting our go-to-market efforts. The expansion of our subscription and SaaS offerings also requires significant investments, and our operating margins, results of operations and operating cash flows may be adversely affected if our new offerings are not widely adopted by customers.

Additionally, our subscription and SaaS offerings rely upon third-party providers to supply data center space, equipment maintenance and other colocation services and our initiatives to extend our virtualization and container platforms into the public cloud rely upon the ability of our public cloud and VCPP partners to maintain continuous service availability and protect customer data on their services. Although we have entered into various agreements for the lease of data center space, equipment maintenance and other services, third parties could fail to live up to their contractual obligations. The failure of a third-party provider to prevent service disruptions (including as a result of climate change), data losses or security breaches may require us to issue credits or refunds or indemnify or otherwise be liable to customers or third parties for damages that may occur, and contractual provisions with our third-party providers and public cloud partners may limit our recourse against the third-party provider or public cloud partner responsible for such failure. Additionally, if these third-party providers fail to deliver on their obligations, our reputation could be damaged, our customers could lose confidence in us, and our ability to maintain and expand our subscription and SaaS offerings would be impaired.

Our success depends upon our ability to adapt our business and pricing models to a subscription and SaaS model appropriately.

We continue to transition our portfolio from a perpetual license model to subscription and SaaS offerings. During this transition, we will recognize less revenue up front than we would otherwise recognize as part of the multi-year license contracts through which we typically sell our established offerings. Additionally, in order to provide customers flexibility, we offer one- and three-year term licenses for certain portions of our perpetual portfolio, which have certain characteristics that are similar to subscription products but are accounted for as License and Services revenue. Our transition to these term licenses and subscription and SaaS offerings involve various risks that may negatively affect our operating results, including:

- We may fail to set pricing for subscription and SaaS offerings at levels appropriate to maintain our revenue streams or our customers may choose to deploy products from our competitors that they believe are priced more favorably.
- We may fail to accurately predict subscription renewal rates or their impact on operating results, and because revenue from subscriptions is recognized for our services over the term of the subscription, downturns or upturns in sales may not be immediately reflected in our results.
- As customers transition to our subscription and SaaS products and services, our revenue and license revenue growth rate may be adversely impacted during the period of transition when we recognize less revenue up front than we would otherwise recognize as part of the multi-year license contracts. For example, effective with the fourth quarter of fiscal 2020, we commenced reporting revenue from our subscription and SaaS as a separate revenue line item, breaking out components that had previously been included in our license revenue and services revenue and prior period amounts were reclassified to conform with this presentation. As a result, the rate of growth in our license revenue, which was previously viewed as a leading indicator of our business performance, as well as our software maintenance revenue and deferred revenue were negatively impacted. At the same time, growth in subscription and SaaS revenue may not appear as robust because such revenue is recognized ratably over time as customers consume our subscription-based products.
- The transition from selling support and maintenance with perpetual licenses to selling subscription and SaaS offerings may negatively affect our profitability, as the cost associated with software maintenance renewals is generally lower than the cost associated with selling new subscription and SaaS offerings.
- Term licenses are sold with shorter support and maintenance terms than perpetual licenses are, and customers may not renew such licenses at the end of their term or transition to subscription and SaaS offerings.
- As we offer more services that depend on converting users of free services to users of premium services and purchasers of our on-premises products to our SaaS offerings, our ability to maintain or improve and to predict conversion rates will become more important.

We face intense competition that could adversely affect our operating results.

The application platform, multi-cloud, digital workspace, networking and security product areas are interrelated and rapidly evolving, and we face intense competition across all the markets for our products and services. Many of our current or potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do. Additionally, the adoption of public and distributed cloud, micro-services, containers, and open source technologies has the potential to erode our profitability.

We face competition from, among others:

Providers of public cloud infrastructure and SaaS-based multi-cloud offerings. As businesses increasingly utilize public cloud and SaaS-based offerings, they are building more of their new compute workloads, and may also shift some of their existing workloads, off-premises. A significant percentage of new application development is happening in the public cloud,

with providers such as Amazon Web Services (“AWS”), Microsoft Azure (“Azure”) or Google Cloud, or in a distributed fashion, and these new applications are often deployed on public cloud or multi-cloud infrastructure. As a result, the demand for on-premises information technology (“IT”) resources is expected to slow, and our products and services will need to increasingly compete for customers’ IT workloads with off-premises public cloud and SaaS-based multi-cloud offerings, such as those offered by Datadog in monitoring and IT telemetry and ServiceNow in the automation space. If we fail to address evolving customer priorities or requirements, the demand for VMware’s products and services may decline, and we could experience slower than expected or no growth. Additionally, VMware Cloud Provider Program (“VCP”) offerings from our partners may compete directly with infrastructure-as-a-service (“IaaS”) offerings from various public cloud providers, which are increasingly integrated with on-premises solutions. In fiscal 2018, we entered into a strategic alliance with AWS to deliver a vSphere-based cloud service, VMware Cloud on AWS, running in AWS data centers available in certain geographies, and, in fiscal 2019, we extended our collaboration with AWS to include AWS Outposts. In fiscal 2020, we also announced partnerships with Microsoft (Azure VMware Solution by CloudSimple), Google (Google Cloud VMware Solution by CloudSimple), and Oracle (Oracle Cloud VMware Solution) under the framework of our VCP that enable customers to run native VMware-based workloads on each of Azure, Google Cloud, and Oracle Cloud. Our partnerships with AWS and other public cloud providers may be seen as competitive with each other and with other VCP partners, while some partners may elect to include solutions such as VMware Cloud on AWS as part of their managed services provider offerings. In addition, many of these public cloud providers are delivering hybrid cloud hardware solutions with their distributed cloud management. For example, many public cloud infrastructure providers have also entered into strategic partnerships with mobile telecommunications network providers to jointly embed distributed cloud infrastructure and management tools into 5G mobile networks. To the extent customers and partners, including service providers, choose to operate native cloud environments (or similar non-VMware environments, such as Azure Stack or AWS Wavelength) in their data centers in lieu of purchasing VMware’s on-premises and hybrid and multi-cloud products, our operating results could be materially adversely affected.

Providers of application modernization and open source developer platform services. Many public cloud infrastructure and multi-cloud SaaS competitors also offer standalone or embedded application development, or Platform-as-a-Service (“PaaS”), services. In the case of AWS, Azure and Google Cloud, these PaaS services are often bundled with consumption-based IaaS offerings. These IaaS providers and other developer solution partners, such as Red Hat, a subsidiary of IBM, and HashiCorp, offer tools and services based on containers and DevSecOps (or development security and operations) practices. Open source technologies for containerization and cloud platforms, such as Xen, KVM, Docker, rkt, OpenShift, Mesos, Kubernetes and OpenStack, and other open source software-based products, solutions and services may reduce the demand for our solutions, put pricing pressure on our offerings and enable competing vendors to leverage open source technologies to compete directly with us. New platform technologies and standards based on open source software are consistently being developed and can gain popularity quickly. Improvements in open source software could cause customers to replace software purchased from us with open source software. In step with these trends, we deliver a comprehensive container, Kubernetes and Cloud Native Application technologies portfolio with VMware Tanzu and have increased our level of commitment to open source projects and communities, such as the Cloud Native Computing Foundation, that are designed to increase the rate at which customers adopt micro-services architectures. The adoption of distributed micro-service application architectures, and their alignment with container technologies, represents an emerging area of competition. As we continue to invest in these areas, we will experience increasing competitive overlap with other cloud native vendors, such as Red Hat, and the large providers of public cloud infrastructure. Such competitive pressure or the availability of new open source software may cause us to experience reduced sales, increased pricing pressure, increased sales and marketing expenses and reduced operating margins, any one of which may adversely affect our operating results.

Providers of enterprise security offerings. With our acquisition of Carbon Black Inc. (“Carbon Black”) in 2019, we launched a new set of enterprise security solutions that includes the Carbon Black endpoint security platform and the intrinsic security elements of our existing NSX virtual networking, Workspace ONE end user and our compute offerings. The cybersecurity market is large, highly competitive, fragmented and subject to rapidly evolving technology, shifting customer needs and frequent introductions of new solutions. Competitors in the end point security space range from established solution providers such as Microsoft and Trend Micro to next-generation endpoint security providers such as CrowdStrike and SentinelOne. While we believe that the intrinsic security elements in our existing offerings coupled with our Carbon Black endpoint security offerings and new combined offerings we expect to develop and introduce in the future will enable us to provide an integrated security offering with significant advantages over our competitors’ current offerings, our ability to gain traction and market share as a new entrant into this well-established market segment is uncertain. Additionally, new trends, such as Extended Threat Detection (XDR), Secure Access Service Edge (SASE) and Zero Trust Network Access, represent the coalescence of formerly distinct markets, such as identity management, secure web gateway, SD-WAN, network firewall and cloud access security brokers. These new trends may bring existing partners, such as Fortinet, Zscaler and Okta into a more competitive position with our Carbon Black, VeloCloud and other distributed network security offerings. If we are unable to successfully adapt our product and service offerings to meet these opportunities and rapidly evolving trends our operating results could be adversely affected.

Large, diversified enterprise software and hardware companies. These competitors supply a wide variety of products and services to, and have well-established relationships with, our current and prospective end users. For example, small- to medium-sized businesses and companies in emerging markets that are evaluating the adoption of virtualization-based technologies and solutions may be inclined to consider Microsoft solutions because of their existing use of Windows and Office products. Some of these competitors have in the past and may in the future take advantage of their existing relationships to engage in business practices that make our products and services less attractive or more expensive to our end users. For example, in 2019, Microsoft modified its on-premises licensing terms to require end users who wish to deploy Microsoft software on certain dedicated hosted cloud services other than Microsoft's Azure cloud service, including VMware Cloud on AWS, to purchase additional rights from Microsoft. Other competitors have limited or denied support for their applications running in VMware virtualization environments. In addition, these competitors could integrate competitive capabilities into their existing products and services and make them available without additional charge. For example, Oracle provides free server virtualization software intended to support Oracle and non-Oracle applications, Microsoft offers its own server, network and storage virtualization software packaged with its Windows Server product as well as built-in virtualization in the client version of Windows and Cisco includes network virtualization technology in many of its data center networking platforms. As a result, existing and prospective VMware customers may elect to use products that are perceived to be "free" or "very low cost" instead of purchasing VMware products and services for certain applications where they do not believe that more advanced and robust capabilities are required.

Other industry alliances. Many of our competitors have entered into or extended partnerships or other strategic relationships to offer more comprehensive virtualization and cloud computing solutions than they individually had offered. We expect these trends to continue as companies attempt to strengthen or maintain their positions in the evolving virtualization infrastructure and enterprise IT solutions industry. For example, CrowdStrike has formed the CrowdXDR Alliance, an initiative competitive with VMware security offerings that includes VMware partners such as Zscaler and Google Cloud. These alliances may result in more compelling product and service offerings than those we offer.

Our partners and members of our developer and technology partner ecosystem. We face competition from our partners. For example, third parties currently selling our products and services could build and market their own competing products and services or market competing products and services of other vendors. Additionally, as formerly distinct sectors of enterprise IT such as software-based virtualization and hardware-based server, networking and storage solutions converge, we also increasingly compete with companies who are members of our developer and technology partner ecosystem. For example, in 2019, one of our important partners and customers, IBM, acquired Red Hat, one of our competitors in the cloud native applications space. Consequently, when such convergences occur, we may find it more difficult to continue to collaborate productively on other projects with these partners, and the advantages we derive from our ecosystem could diminish.

These various forms of competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our operating margins, and could also prevent our new products and services from gaining market acceptance, thereby harming our ability to increase, or causing us to lose, market share.

Our commercial relationship with Dell could adversely impact our business, stock price, market share and ability to build and maintain other strategic relationships.

Our commercial relationship with Dell is significant and complex. During the time in which we were a majority-owned subsidiary of Dell, the portion of our sales that were realized through the Dell sales channel grew more rapidly than our sales through non-Dell resellers and distributors. As a standalone company following the Spin-Off, we continue to transact a significant amount of business with Dell pursuant to the commercial framework agreement between us and Dell that became effective upon the Spin-Off, which involves various risks such as:

Reliance on our relationship with Dell. During the year ended January 28, 2022, revenue from Dell, including purchases of products and services directly from us, as well as through our channel partners, accounted for 38% of our consolidated revenue, which included revenue from Dell selling joint solutions as an OEM, acting as a distributor to other non-Dell resellers, reselling products and services as a reseller and purchasing products and services for its own internal use. On certain transactions, Dell Financial Services also provides financing to our end users and channel partners at our end users' and channel partners' discretion. Our reliance on the Dell sales channel could negatively impact our ability to negotiate favorable go-to-market arrangements with Dell and our relationships with other channel partners.

Dell's arrangements with our competitors. Dell maintains significant partnerships with certain of our competitors, including Microsoft, and may enter into more such partnerships in the future. Further, Dell may choose to partner with our competitors instead of with us. These partnerships may adversely impact our relationship with Dell, impede our standalone competitive success and result in declines in our stock price or market share. Additionally, our potential strategic relationships may be negatively affected by our relationship with Dell, as companies may favor or choose to partner with our competitors because of those competitors' relationship with Dell or due to our relationship with Dell.

Overlaps in areas in which we and Dell compete. We and Dell compete across the IT infrastructure industry providing products and services that overlap in various areas, including software-based storage, management, hyperconverged infrastructure and cloud computing. Dell competes with us in these areas now and may compete with us in new areas and engage in increased competition with us in the future. Some of our products compete directly with products sold or distributed by Dell, which could result in declines in VMware sales. Additionally, this competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our operating margins, and could also prevent our new products and services from gaining market acceptance, thereby harming our ability to increase, or causing us to lose, market share.

Our arrangements with Dell's competitors. We partner and have arrangements with a number of companies that compete with Dell, including certain of our significant channel, technology and other marketing partners, such as IBM and Hewlett-Packard. Our relationship with Dell could adversely affect our relationships with these companies or other customers, suppliers and partners. Further, our relationships with these companies could adversely impact our relationship with Dell.

We believe that our commercial relationship with Dell provides us a unique opportunity to leverage the respective technical expertise, product strengths and market presence of Dell for the benefit of our customers and stockholders while enabling us to compete more effectively with our larger competitors. However, such transactions may prove not to be successful and may divert our resources or the attention of our management from other opportunities. Negotiating and implementing these arrangements can be time consuming and cause delays in the introduction of joint product and service offerings and disruptions to VMware's business. Additionally, though we, as a standalone company, now have more flexibility in our strategic partnerships with cloud and on-premises infrastructure companies, for example, such companies may not choose to partner with us to the full extent or at all due to our historical and on-going commercial relationship with Dell. As a result, we may be unable to capitalize, either strategically or commercially, on our new flexibility, and our business, stock price, market share and relationships may suffer.

Our success depends increasingly on customer acceptance of our newer products and services.

Our products and services are primarily based on data center virtualization, application modernization and related multi-cloud technologies used to manage distributed computing architectures, which form the foundation for multi-cloud computing. As the market for server virtualization continues to mature, the rate of growth in license sales of VMware vSphere ("vSphere") has declined. We are increasingly directing our product development and marketing and sales efforts toward products and services that enable businesses to modernize applications and efficiently implement their multi-cloud services. We have also been introducing SaaS versions of our on-premises products, including vRealize Cloud Universal, and investing in a range of SaaS and cloud-native technologies and products, including through acquisitions such as CloudHealth Technologies, Inc., Carbon Black and Pivotal Software, Inc. ("Pivotal"). These cloud and SaaS initiatives present new and difficult technological, operational and compliance challenges, and significant investments continue to be required to develop or acquire solutions to address those challenges. Our success depends on our current and future customers perceiving technological and operational benefits and cost savings associated with adopting our multi-cloud and application platform solutions. As the market for our data center virtualization products continues to mature, and the scale of our business continues to increase, our rate of revenue growth increasingly depends upon the success of our newer product and service offerings. To the extent that adoption rates for our newer products and services are not sufficient to offset declines in revenue growth for our established server virtualization offerings, our overall revenue growth rates may slow materially or our revenue may decline substantially. Additionally, we may fail to realize returns on our investments in new initiatives and our operating results could be materially adversely affected.

Competition for our highly skilled employees is intense and costly, and our business and growth prospects may suffer if we cannot attract and retain them.

We must continue to attract and retain highly qualified personnel, particularly software and cloud engineers and sales and customer experience personnel, for which competition, particularly against companies with greater resources, startups and emerging growth companies is intense. Research and development personnel are also aggressively recruited by startup and emerging growth companies, which are especially active in many of the technical areas and geographic regions in which we conduct product and service development. This competitive situation has become exacerbated by the increase in employee resignations currently taking place throughout the U.S., in part as a result of the COVID-19 pandemic, which is commonly referred to as the "great resignation." This competition results in increased costs in the form of cash and stock-based compensation and can have a dilutive impact on our stock. We have experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications, and, if we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could suffer.

The loss of key management personnel could harm our business.

We depend on the continued services of key management personnel. We generally do not have employment or non-compete agreements with our employees, and, therefore, they could terminate their employment with us at any time without

penalty and could pursue employment opportunities with any of our competitors. In addition, we do not maintain any key-person life insurance policies. The loss of key management personnel could harm our business.

Our current research and development efforts may not produce significant revenue for several years, if at all.

Developing our products and services is expensive, and developing and launching disruptive technologies requires significant investment often entailing greater risk than incremental investments in existing products and services. Our research and development expenses were approximately 24% of our total revenue during the year ended January 28, 2022. We plan to continue to significantly invest in our research and development efforts to maintain our competitive position. Our investments in research and development may result in products or services that generate less revenue than we anticipate or may not result in marketable products and services for several years or at all.

Acquisitions and divestitures could materially harm our business and operating results.

We have acquired in the past, and plan to acquire in the future, other businesses, products or technologies. We also sell or divest businesses, products and technologies from time-to-time. Acquisitions and divestitures involve significant risks and uncertainties, including:

- disruptions to our ongoing operations and diverting management from day-to-day responsibilities due to, for example, the need to provide transition services in connection with a disposition or difficulty integrating the operations, technologies, products, customers and personnel of acquired businesses effectively;
- adverse impacts to our business and financial results resulting from increases to our expenses due to, among other things, integrating business operations and on-boarding personnel and the incurrence of amortization expense related to identifiable intangible assets acquired and other accounting consequences of acquisitions;
- reductions to our cash available for operations, stock repurchase programs and other uses, potentially dilutive issuances of equity securities or the incurrence of additional debt;
- uncertainties in achieving the expected benefits of an acquisition or disposition, including with respect to our business strategy, revenue, technology, human resources, cost and operating efficiencies and other synergies, due to, among other things, a lack of experience in new markets, products or technologies; or an initial dependence on unfamiliar distribution partners or vendors;
- unidentified issues that were not discovered during the diligence process, including issues with the acquired or divested business's intellectual property, product quality, security, privacy and accounting practices, regulatory compliance or legal contingencies;
- lawsuits resulting from an acquisition or disposition;
- maintenance or establishment of acceptable standards, controls, procedures or policies with respect to an acquired business; and
- the need to later divest acquired assets at a loss if an acquisition does not meet our expectations.

Disruptions to our distribution channels, including our various routes to market through Dell, could harm our business.

Our future success is highly dependent on our relationships with channel partners, including distributors, resellers, system vendors and systems integrators, which contribute to a significant portion of our revenue. Recruiting and retaining qualified channel partners and training them in the use of our technology and product offerings requires significant time and resources. Our failure to maintain good relationships with channel partners would likely lead to a loss of end users of our products and services, which would adversely affect our revenue. We generally do not have long-term contracts or minimum purchase commitments with our channel partners, and the contracts that we do have with these channel partners do not prohibit them from offering products or services that compete with ours.

Sales via our various route-to-market relationships with Dell accounted for 38% of our consolidated revenue during the year ended January 28, 2022 and transactions where Dell acted as an original equipment manufacturer ("OEM") accounted for 13% of the revenue from Dell, or 5% of our consolidated revenue. Such routes to market include Dell selling joint solutions as an OEM, acting as a distributor to other non-Dell resellers, reselling products and services as a reseller or purchasing products and services for its own internal use. Although we and Dell entered into a commercial agreement effective upon the Spin-Off that is intended to preserve and enhance our strategic partnership, as a standalone company, our relationship with Dell is fundamentally different from the relationship that we had with Dell when we were its majority-owned subsidiary. Following the Spin-Off, Dell no longer consolidates VMware's revenues, and Dell may not be sufficiently incentivized to drive VMware business through our various route-to-market relationships. If sales through Dell decline and VMware is unable to shift business to suitable alternative channel partners, our business and operating results will be negatively affected. Additionally, any disruption or significant change to our relationship with Dell or the terms upon which they sell and distribute our products and

services could have a negative impact on our operating results until such time as we arrange to replace these distribution services with the services of existing or new distributors.

Other than Dell, none of our distributors accounted for 10% or more of our consolidated revenue during the year ended January 28, 2022. Although we believe that we have in place, or would have in place by the date of any such termination, agreements with replacement distributors sufficient to maintain our revenue from distribution, if we were to lose the distribution services of a significant distributor, such loss could have a negative impact on our operating results until such time as we arrange to replace these distribution services with the services of existing or new distributors.

The evolution of our business requires more complex go-to-market strategies, which involve significant risk.

Our increasing focus on developing and marketing IT management and automation and IaaS offerings (including software-defined networking, VCPP-integrated virtual desktop and mobile device, cloud and SaaS) that enable customers to transform their IT systems requires a greater focus on marketing and selling product suites and more holistic solutions, rather than selling on a product-by-product basis. Consequently, we have developed, and must continue to develop, new strategies for marketing and selling our offerings. In addition, marketing and selling new technologies to enterprises requires us to invest significant time and resources to educate customers on the benefits of our offerings. These investments can be costly and educating our sales force can distract from their efforts to sell existing products and services. Additionally, from time to time, we reorganize our go-to-market teams to increase efficiencies and improve customer coverage, but these reorganizations can cause short-term disruptions that may negatively impact sales over one or more fiscal periods. Further, upon entering into new industry segments, we may choose to go to market with third-party manufactured hardware appliances that are integrated with our software—as we did when we entered into the SD-WAN space through our acquisitions of VeloCloud Networks, Inc. and Nyansa, Inc.—which requires us to rapidly develop, deploy and scale new hardware procurement, supply chain and inventory management processes and product support services and integrate them into our ongoing business systems and controls. Similarly, our launches of managed subscription services, such as VMware Cloud on AWS and VMware Cloud on Dell EMC, require us to implement new methods to deliver and monitor end user services and adjust our model for releasing product upgrades. As our customers increasingly shift from one-time purchases of perpetual software licenses to purchasing our software via more subscription and SaaS-based programs, our go-to-market teams will need to alter their outreach to customers to support ongoing consumption of our offerings, and we will need to appropriately adjust the variable compensation programs we use to incentivize our sales teams. If we fail to successfully adjust, develop and implement effective go-to-market strategies, our financial results may be materially adversely impacted.

We may not be able to respond to rapid technological changes with new solutions and services offerings.

The industries in which we compete are characterized by rapid, complex and disruptive changes in technology, customer demands and industry standards that could make it difficult for us to effectively compete and cause our existing and future software solutions to become obsolete and unmarketable. Our ability to react quickly to new technology trends—such as cloud computing, which is disrupting the ways businesses consume, manage and provide physical IT resources, applications, data and IT services—and customer requirements is negatively impacted by the length of our development cycle for new and enhanced products and services, which has frequently been longer than we originally anticipated. This is due in part to the increasing complexity of our product offerings as we increase their interoperability and maintain their compatibility with IT resources, such as public clouds, utilized by our customers while sustaining and enhancing product quality. When we release significant new versions of our existing offerings, the complexity of our products may require existing customers to remove and replace prior versions to take full advantage of substantial new capabilities, which may subdue initial demand for the new versions or depress demand for existing versions until the customer is ready to purchase and install the newest release. If we are unable to evolve our solutions and offerings in time to respond to and remain ahead of new technological developments—in applications, networking or security, for example—or in ways that are compelling to customers, our ability to retain or increase market share and revenue could be materially adversely affected. We may also fail to adequately anticipate the commercialization of emerging technologies, such as blockchain, and the development of new markets and applications for our technology, such as edge computing, and thereby fail to take advantage of new market opportunities or fall behind early movers in those markets.

We operate a global business that exposes us to additional risks.

A significant portion of our employees, customers, channel partners and third-party providers whom we rely upon to help deliver our subscription and SaaS services are located outside the U.S. Our international activities account for a substantial portion of our revenue and profits, and our investment portfolio includes investments in non-U.S. financial instruments and holdings in non-U.S. financial institutions. In addition to the risks described elsewhere in these risk factors, our international operations subject us to a variety of risks, including:

- difficulties in delivering support, training and documentation; enforcing contracts; collecting accounts receivable; transferring funds; maintaining appropriate controls relating to revenue recognition practices; and longer payment cycles in certain countries and especially in emerging markets;

- network security and privacy concerns, which could make foreign customers reluctant to purchase products and services from U.S.-based technology companies;
- tariffs and trade barriers, and other regulatory or contractual limitations on our ability to sell or develop our products and services in certain foreign markets, such as in China, whose government has adopted a range of laws and regulations relating to the procurement of key network equipment and security products and the storage and processing of data that might cause our business in China to suffer and expose us to civil and criminal penalties;
- localized impacts of the COVID-19 pandemic that persist or flare up in particular regions, such as in India where several of our global support services as well as research and development personnel are located, have in the past and in the future could cause delays or disruptions in certain of our business operations and product development;
- regional impacts of climate change which increase the risk of extreme weather events, wildfire and drought that can impact local infrastructure such as the reliability of local electrical grids and telecommunications;
- economic or political instability, military actions or armed conflict, such as the Russian invasion of Ukraine, both of which are locations where we have employees, partners and customers, and uncertainty about or changes in government and trade relationships, policies, and treaties that could adversely affect the ability of U.S.-based companies to conduct business in non-U.S. markets, such as in the U.K. where considerable regulatory uncertainty remains regarding compliance post-Brexit; and
- legal risks, particularly in emerging markets, relating to compliance with U.S. exchange control requirements and international and U.S. anti-corruption laws and associated exposure to significant fines, penalties and reputational harm.

Our failure to manage any of these risks successfully could negatively affect our reputation and materially adversely affect our operating results.

Russia's military actions in Ukraine have affected and may continue to affect our business.

In response to Russian military actions in Ukraine, we have suspended business operations in Russia and Belarus, including suspension of sales, support on existing contracts and professional services in both countries. Furthermore, the sanctions imposed by the U.S. and other countries in connection with the Russian invasion of Ukraine include restrictions on selling or importing goods, services or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. Sanctions imposed on Russia and our suspension of business operations could impact the fulfillment of existing orders, future revenue streams from impacted customers and the recoverability of certain financial assets. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on the global economy.

Our success depends on the interoperability of our products and services with those of other companies.

The success of our products depends upon the cooperation of hardware and software vendors to ensure interoperability with our products and offer compatible products and services to end users. In addition, we extend the functionality of various products to work with native public cloud applications, which in some cases requires the cooperation of public cloud vendors. To the extent that hardware, software and public cloud vendors perceive that their products and services compete with ours, they may have an incentive to withhold their cooperation, decline to share access or sell to us their proprietary APIs, protocols or formats, or engage in practices to actively limit the functionality, compatibility and certification of our products. In addition, vendors may fail to certify or support or continue to certify or support our products for their systems. If any of the foregoing occurs, our product development efforts may be delayed or foreclosed and it may be difficult and more costly for us to achieve functionality and service levels that would make our services attractive to end users, any of which could negatively impact our business and operating results.

Failure to effectively manage our product and service lifecycles could harm our business.

As part of the natural lifecycle of our products and services, we periodically inform customers that products or services will be reaching their end of life or end of availability and will no longer be supported or receive updates and security patches. To the extent these products or services remain subject to a service contract with the customer, we offer to transition the customer to alternative products or services. Failure to effectively manage our product and service lifecycles could lead to customer dissatisfaction and contractual liabilities, which could adversely affect our business and operating results.

Financial Risks

Our operating results may fluctuate significantly.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance. In addition, a significant portion of our quarterly sales typically occurs during the last two weeks of the quarter, which generally reflects customer buying patterns for enterprise technology. As a result, our quarterly operating results are difficult to predict even in the near term. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, the price of our Class A common stock would likely decline substantially.

Factors that may cause fluctuations in our operating results include, among others, the factors described elsewhere in this risk factors section and the following:

- fluctuations in demand, adoption and renewal rates, sales cycles and pricing levels for our products and services;
- variations in customer choices among our on-premises and subscription and SaaS offerings, which can impact our rates of total revenue and license revenue growth;
- the timing of announcements or releases of new or upgraded products and services by us, our partners or competitors;
- the timing of sales orders processing, which can cause fluctuations in our backlog and impact our bookings and timing of revenue recognition;
- our ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- our ability to control costs, including our operating expenses, and the timing and amount of internal use software development costs that may be capitalized;
- the credit risks associated with our distributors, who account for a significant portion of our product revenue and accounts receivable, and our customers;
- the timing and size of realignment plans and restructuring charges;
- seasonal factors such as end of fiscal period expenditures by our customers and the timing of holiday and vacation periods;
- unplanned events that could affect market perception of the quality or cost-effectiveness of our products and solutions; and
- fluctuations in the severity and duration of the COVID-19 pandemic and resulting restrictions on business activity which may vary significantly by region.

Adverse economic conditions may harm our business.

Our business success depends in part on worldwide economic conditions. The overall demand for and spend on IT may be viewed by our current and prospective customers as discretionary and, in times of economic uncertainty, customers may delay, decrease, reduce the value and duration, or cancel purchases and upgrades of our products and services. Weak economic conditions or significant uncertainty regarding the stability of financial markets related to stock market volatility, inflation, recession, changes in tariffs, trade agreements or governmental fiscal, monetary and tax policies, among others, could adversely impact our business, financial condition and operating results. General and ongoing tightening in the credit market, lower levels of liquidity, increases in rates of default and bankruptcy and significant volatility in equity and fixed-income markets could all negatively impact our customers' purchasing decisions. Increases in interest rates on credit and debt that would increase the cost of our borrowing could impact our ability to access the capital markets and adversely affect our ability to repay or refinance our outstanding indebtedness, fund future product development and acquisitions or conduct stock buybacks.

For example, the COVID-19 pandemic has depressed economic activity worldwide, and the timing and strength of an economic recovery is highly uncertain and likely to vary significantly by region. While the COVID-19 pandemic, including the dangers posed by COVID-19 variants, has not had a material adverse financial impact on our operations to date, we have observed negative impacts on our sales and our financial results from, and there continues to be significant uncertainty regarding, the economic effects of the COVID-19 pandemic. For example, during much of fiscal 2021, we saw delays in customers' large transformative on-premises projects that we believe were largely due to COVID-19, which negatively impacted our product sales. Accordingly, should the pandemic continue to persist for an extended period of time, economic conditions globally or in particular regions may fail to recover or even worsen, which could cause material adverse impacts to our earnings and other results of operations. More recently, inflation rates in the U.S. have increased to levels not seen in

several years, which may result in decreased demand for our products and services, increases in our operating costs, constrained credit and liquidity, reduced government spending and volatility in financial markets.

Additionally, trade tensions between the U.S. and its trading partners, like China, have caused and may continue to cause significant volatility in global financial markets. Amidst sustained economic uncertainty, many national and local governments that are current or prospective customers, including the U.S. federal government, may need to make significant changes in their spending priorities, which could reduce the amount of government spending on IT and the potential demand for our products and services from the government sector.

These adverse economic conditions can arise suddenly, have unpredictable impacts and materially adversely affect our future sales and operating results. Further, volatility due to these types of adverse economic conditions in financial and other capital markets, has and may continue to adversely impact our stock price and may in the future impact our ability to access the equity or debt capital markets on attractive terms or at all for a period of time, which could have an adverse effect on our liquidity position.

We have substantial indebtedness, and we may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of January 28, 2022, we had an aggregate of \$12.7 billion of outstanding indebtedness. Additionally, we have entered into a \$1.5 billion unsecured revolving credit facility, which is undrawn.

The terms of our indebtedness and revolving credit facility impose restrictions on us, including in specified and customary covenants, our compliance with which may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we fail to satisfy any of the terms or breach any of the covenants and do not obtain a waiver from the lenders or note holders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable or, with respect to the unsecured notes, we may be required to repurchase our unsecured notes at a price equal to 101% of the aggregate principal plus any accrued and unpaid interest.

We intend to reduce our indebtedness during the next fiscal years. While we believe our remaining cash balances and cash generated by our business operations will be sufficient to fund our operations and pursue our existing stock repurchase program and strategic plans, if our business operations do not generate the cash flows we expect, then our ability to fund future stock repurchases, invest in our business and pursue strategic alternatives, including business acquisitions, will be reduced, which could reduce our ability to manage dilution of our stock and limit our future growth. If in the future we are unable to generate sufficient operating cash flows to service our debt, we may be required to, among other things, seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned expenditures. Even so, such measures may not be sufficient to enable us to service our debt.

Our current and any future debt may adversely affect our financial condition and future financial results by, among other things, increasing our vulnerability to adverse changes in general economic and industry conditions, necessitating use or dedication of our expected cash flow from operations to service our indebtedness instead of for other purposes, such as capital expenditures and acquisitions, impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes, and limiting our flexibility in planning for, or reacting to, business changes.

In addition, any actual or anticipated changes to our credit ratings, including any announcement that our credit ratings are under review by any rating agency, may:

- negatively impact the value and liquidity of our debt and equity securities;
- result in an increase in the interest rate payable by us and the cost of borrowing under our revolving credit facility and senior unsecured term loan facility;
- negatively affect the terms of and restrict our ability to obtain financing in the future; and
- upon the occurrence of certain downgrades of the ratings of our unsecured notes, require us to repurchase our unsecured notes at a price equal to 101% of the aggregate principal plus any accrued and unpaid interest.

Refer to “Liquidity and Capital Resources” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report on Form 10-K for more information on our outstanding indebtedness.

We have potential tax liabilities as a result of our former controlling ownership by Dell, which could have an adverse effect on our operating results and financial condition.

Membership in a consolidated tax group. We were included in EMC’s consolidated group for U.S. federal income tax purposes, as well as in certain consolidated, combined or unitary groups that include EMC or certain of its subsidiaries for state and local income tax purposes, from the time of our acquisition by EMC in 2004 through the acquisition of EMC by Dell effective September 7, 2016 (the “Dell Acquisition”), when we became included in Dell’s consolidated tax group. Each

member of a consolidated group during any part of a consolidated return year is jointly and severally liable for tax on the consolidated return of such year and for any subsequently determined deficiency thereon. Similarly, in some jurisdictions, each member of a consolidated, combined or unitary group for state, local or foreign income tax purposes is jointly and severally liable for the state, local or foreign income tax liability of each other member of such group. Accordingly, for any period in which we were included in the Dell consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of Dell and its subsidiaries, we could be liable in the event that any income tax liability was incurred, but not discharged, by any other member of any such group. Additionally, the impact of the 2017 Tax Cuts and Jobs Act (the “2017 Tax Act”) upon consolidated groups is highly complex and uncertain and its impact must be further interpreted in the context of various tax-related agreements we have agreed to with EMC and Dell (the “Tax Agreements”) to determine VMware’s related payment. As a result of the Spin-Off, we are no longer a member of Dell’s consolidated tax group, however, we are still subject to potential tax liabilities for the periods prior to the Spin-Off.

Tax Agreements. We have agreed to Tax Agreements that govern, among other things, our potential liabilities for other members of the consolidated tax groups of which we are considered members. Pursuant to the Tax Agreements, we and Dell generally will make payments to each other such that, with respect to tax returns for any taxable period in which we or any of our subsidiaries are included in Dell’s consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of Dell or its subsidiaries, the amount of taxes to be paid by us will be determined, subject to certain consolidated return adjustments, as if we and each of our subsidiaries included in such consolidated, combined or unitary group filed our own consolidated, combined or unitary tax return. Although the Tax Agreements provide that our tax liability is calculated primarily as though VMware were a separate taxpayer, certain tax attributes and transactions are assessed using consolidated tax return rules as applied to the Dell consolidated tax group and are subject to other specialized terms under the Tax Agreements. In April 2019, we expanded the Tax Agreements by entering into a letter agreement with Dell and EMC that governs our portion of the one-time transition tax imposed by the 2017 Tax Act on accumulated earnings of foreign subsidiaries. Additionally, in December 2019, we amended the Tax Agreements to, subject to certain exceptions, generally limit VMware’s maximum annual tax liability to Dell to the amount VMware would owe on a separate tax return basis. Concurrent with the signing of the Separation and Distribution Agreement in April 2021, we and Dell entered into a new tax matters agreement and terminated a preceding tax sharing agreement. A substantial lack of alignment or disagreement between us and Dell regarding the applicability or interpretation of the Tax Agreements, or any unanticipated material tax liability arising pursuant to the Tax Agreements, could adversely impact our financial condition and operating results.

Pivotal. Prior to the Spin-Off, Pivotal filed a separate tax return for U.S. federal income tax purposes as it left the Dell consolidated tax group at the time of Pivotal’s initial public offering in April 2018. Pivotal continued to be included on Dell’s unitary state tax returns until the Spin-Off. Pursuant to a tax agreement between Pivotal and Dell, Pivotal may receive or owe payments from or to Dell for tax benefits or expenses that Dell realized due to Pivotal’s inclusion on such returns.

Tracking Stock. Pursuant to the Tax Agreements, if it is subsequently determined that the tracking stock issued in connection with the Dell Acquisition and which Dell subsequently eliminated through a share exchange constitutes a taxable distribution, we could be liable for all or a portion of the tax liability, which could have a material adverse effect on our operating results and financial condition.

Spin-Off. If the Spin-Off is later determined to not be tax-free for any reason, we could be liable for all or a portion of the tax liability. Additionally, under the Tax Agreements, we are prohibited from taking or failing to take any action that prevents the Spin-Off from being tax-free for U.S. federal income tax purposes. We would be responsible for any taxes imposed on Dell or any of its affiliates as a result of the failure of the Spin-Off to qualify for favorable treatment under the Code if such failure is attributable to certain actions taken after the Spin-Off by or in respect of us, which could have a material adverse effect on our operating results and financial condition. Further, during the two-year period following the Spin-Off, without obtaining the consent of Dell, a private letter ruling from the IRS or an unqualified opinion of a nationally recognized law firm, we may be prohibited from taking certain specified actions that could impact the treatment of the Spin-Off, such as significant equity transactions that shift more than a significant portion of the value or total combined voting power of all outstanding shares of our stock. These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. These obligations may also discourage, delay or prevent a change of control of our company.

Our operating results may be adversely impacted by exposure to additional tax liabilities and higher than expected tax rates.

We are subject to income taxes as well as non-income-based taxes, such as payroll, sales and property taxes, in many of the jurisdictions in which we operate. Our tax liabilities are dependent on the allocation of revenue and expenses in different jurisdictions and the timing of recognizing revenue and expenses. Significant judgment is required to determine our worldwide provision for income taxes and other tax liabilities. For example, in the ordinary course of our global business, we execute

intercompany transactions, including intellectual property transfers, that require us to make tax estimates because the ultimate tax determination is uncertain.

We are subject to income and indirect tax examinations and are undergoing audits in various jurisdictions. For instance, the Internal Revenue Service (“IRS”) has started its examination of fiscal years 2015 through 2019 for the Dell consolidated group, of which VMware was a member beginning in Dell’s fiscal year 2017. As a result of the Spin-Off, VMware is no longer a member of the Dell consolidated group. However, we are still subject to examination by the IRS for the periods in which we were a member of the Dell consolidated group. While we believe we have complied with all applicable income tax laws and made reasonable tax estimates, a governing tax authority could have a different legal interpretation and a final determination of tax audits or disputes may differ from what is reflected in our historical income tax provisions or benefits and accruals and we may be assessed with additional taxes. Further, the Tax Agreements between us and Dell provide that, when we become subject to federal income tax audits as a member of Dell’s consolidated group, Dell has authority to control the audit and represent Dell and our interests to the IRS. Accordingly, if we and Dell differ on appropriate responses and positions to take with respect to tax questions that may arise in the course of an audit, our ability to affect the outcome of such audits may be impaired.

In addition, regulatory guidance is still forthcoming with respect to the 2017 Tax Act and such guidance may adversely impact our tax provision. Any assessment of additional taxes could materially affect our financial condition and operating results. Further, beginning in fiscal 2023, the 2017 Tax Act eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for domestic expenses and fifteen years for certain foreign expenses. Although the U.S. Congress is considering various legislative options that would defer the amortization requirement to later years, we have no assurance that the provision will be repealed or otherwise modified. If these provisions are not deferred, modified, or repealed by Congress with retroactive effect to January 1, 2022, they will materially decrease our cash from operations beginning in fiscal 2023. We currently estimate an impact on fiscal 2023 cash from operations based on the provisions currently in effect possibly in excess of \$500 million. The actual impact on fiscal 2023 cash from operations will depend on if and when these provisions are deferred, modified, or repealed by Congress, including if retroactively, and the amount of research and development expenses paid or incurred in fiscal 2023, among other factors.

Our future effective tax rate may also be affected by such factors as:

- the expiration of legal statutes of limitation and settlements of audits;
- the impact of accounting for stock-based compensation and for business combinations;
- the recognition of excess tax benefits or deficiencies within the income tax provision or benefit in the period in which they occur;
- the overall levels and proportion of our income before provision for income taxes earned in the U.S. and in jurisdictions with a tax rate lower than the U.S. statutory rate; and
- other developments related to tax laws or their interpretations, in our business or statutory rates, and in our corporate structure.

For example, numerous other countries have also recently enacted or are considering enacting changes to tax laws, administrative interpretations, decisions, policies and positions. In addition, the Organization for Economic, Co-operation and Development (“OECD”), an international association of countries, including the U.S., has made changes and is contemplating additional changes to numerous long-standing tax principles.

These and any other significant developments related to U.S. or international tax laws could materially adversely affect our effective tax rate, the timing and amount of our tax liabilities and payments, our financial condition and operating results.

Security Risks

Cybersecurity breaches of our systems or the systems of our vendors, partners and suppliers could materially harm our business.

Cyber risks represent a large and growing risk to our business, as we depend upon our IT systems, internally developed and proprietary software and services, as well as the software and systems of SaaS providers, to conduct virtually all of our business operations. Some of the factors that contribute to significant cyber risks include:

- We increasingly develop and maintain large data sets and rely on machine learning, artificial intelligence and analytics to provide services to our customers and partners.
- Customers conduct purchase and service transactions online, and we store increasing amounts of customer data and host or manage parts of customers’ businesses in cloud-based IT environments.

- We rely on third parties and their systems for a number of our business functions and to sell our products and services as distributors, resellers, system vendors and systems integrators.
- Hardware, software and applications that we produce or procure from third parties can contain defects or vulnerabilities, such as the Log4J vulnerability reported in December 2021, that have in the past and could in the future interfere with our systems and processes and introduce defects and vulnerabilities into our products and services.
- Our leadership position in the enterprise security industry makes us, our employees and contractors and our products a target of hackers or other threat actors seeking to compromise product security.
- Our large and globally distributed workforce may increase our exposure to internal threats and cyber-attacks.
- Our products, to function as intended, often require heightened permissions within customer environments, and also serve as underlying technology infrastructure for customers' other systems, making our products more attractive targets for threat actors.
- We are considered an essential supplier in the digital supply chain for the United States government and others, including entities operating critical infrastructure, which makes us and our products a target for those seeking to threaten the confidentiality, availability and integrity of critical infrastructure globally.

Cyber-attacks, which are increasing in number and technical sophistication, threaten to misappropriate our proprietary information, cause interruptions of our IT services, introduce vulnerabilities or malicious files into our IT systems and our products and services, extract financial gain and commit fraud. Hackers and other threat actors often target company employees and contractors in an effort to compromise our IT systems and products using techniques such as email phishing and social engineering, which risk is heightened due to greater numbers of employees and contractors working remotely as a result of the “work from anywhere” movement. We may not be able to anticipate the techniques used in such attacks, as they change frequently and may not be recognized until launched or at all. If unauthorized access or sabotage remains undetected for an extended period of time, or if the source of an incident cannot be determined for an extended period of time, the effects of any such breach, incident or exploit could be exacerbated.

Unauthorized parties (which may have included nation states and individuals sponsored by them, as well as internal actors exceeding access permissions and policies) have penetrated our network security and our website in the past and may do so in the future. We are increasingly targeted for financial gain and fraud by criminal persons and groups that seek to extort or steal funds from companies and employees. Significant and increasing investments of time, resources and management and Board attention have been, and will continue to be, required to anticipate and address cyber-related risks, incidents and challenges. Accordingly, if our cybersecurity systems and those of our contractors, partners and vendors fail to protect against breaches, internal threats or other incidents, our ability to conduct our business could be damaged in a number of ways, including:

- sensitive data regarding our business, including intellectual property and other proprietary data, could be stolen;
- our IT systems could be disrupted, and our ability to conduct our business operations could be seriously damaged until they are restored and secured;
- our supply chain may become compromised, resulting in impact to confidentiality, availability and integrity of our internal or customer-facing systems;
- our ability to process and electronically deliver customer orders could be degraded, and our distribution channels could be disrupted, resulting in delays in revenue recognition; and
- personally identifiable information or confidential data of our customers, employees and business partners could be stolen or lost.

Should any of the above events occur, or are perceived to have occurred, we could be subject to significant claims for liability from our customers, partners, vendors, or employees (among others); we could face regulatory actions and sanctions from governmental agencies under privacy, data protection, cybersecurity or other laws; our ability to protect our intellectual property rights could be compromised; our ability to attract and retain customers could be negatively impacted; our reputation and competitive position could be materially harmed; we could face material losses as the result of successful financial cyber-fraud schemes; and we could incur significant costs in order to upgrade our cybersecurity systems, remediate damages and defend the Company in any legal, regulatory or legislative proceedings. Consequently, our business, financial condition and operating results could be materially adversely affected.

Our products and services are highly technical and may contain, or be subject to our own or suppliers', errors, defects or security vulnerabilities.

Our products and services are highly technical and complex and, when deployed, contain errors, defects or security vulnerabilities, some of which may not be discovered before or after a product or service has been released, installed and used

by customers. The complexity of our technical and production environment, which involves multiple product and engineering teams working on different product initiatives, increases the risk that vulnerabilities or defects are introduced into our products and services and may delay our ability to detect or mitigate such vulnerabilities. The need to coordinate with multiple parties in the supply chain when vulnerabilities are detected can also delay mitigation, thereby increasing risks to customers. Our internal logging, alerting, and cyber incident detection mechanisms may not cover every system potentially targeted by threat actors, may not have the capability to detect certain types of incidents and may not capture and surface information sufficient to enable us to detect and take responsive action. In addition, employees or contractors have introduced vulnerabilities in, and enabled the exploitation of, our IT environments, our software products (and correspondingly our customers' environments), and our subscription and SaaS offerings in the past and may do so in the future.

Security vulnerabilities in our IT environments, software products or customer environments, installation errors or misuse can also lead to increased cybersecurity risks for customers and partners, including unintended access to or exploitation of our products, which risks are exacerbated if customers fail to implement security recommendations and software updates that we and other IT vendors issue from time to time when significant issues have been identified. Undiscovered or unresolved vulnerabilities in our products or services could expose our customers to hackers, threat actors or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack customers using our products or services. Further, our use of open-source software in our offerings can make our products and services vulnerable to additional security risks not posed by proprietary products.

In the past, VMware has been made aware of public postings by hackers of portions of our source code. It is possible that the released source code could expose unknown security vulnerabilities in our products and services that could be exploited by hackers or others. In addition, public exposure, or exploitation of vulnerabilities in our products by threat actors, could result in reputational damage and lost customers and could negatively affect our operating results and those of our customers.

VMware products and services are also subject to known and unknown security vulnerabilities resulting from integration with products or services of other companies (such as applications, operating systems or semiconductors).

Actual or perceived errors, defects or security vulnerabilities in our products or services could harm our reputation, result in litigation or regulatory actions or lead some customers to return products or services or cancel subscriptions, reduce or delay future purchases or use competitive products or services, any of which could materially negatively impact our business, operating results and stock price.

Problems with our information systems could interfere with our business and could adversely impact our operations.

We rely on our information systems and those of third parties for fulfilling contractual obligations, including processing customer orders, delivering products and providing services, performing accounting operations, supporting our employees, managing employee data and otherwise running our business. If our systems fail, our disaster and data recovery planning and capacity may prove insufficient to enable timely recovery of important functions and business records. Additionally, our information systems may not efficiently support new business models and initiatives, and significant investments could be required in order to upgrade existing or implement new systems. Business requirements may require additional capabilities including implementation of a new information system. In particular, our systems and operations were built to support a perpetual software licensing model, and significant enhancements are required to support our transition to subscription and SaaS products and services. Further, we continuously work to enhance our information systems, such as our enterprise resource planning software, and the implementation of such enhancements is frequently disruptive to the underlying enterprise, which may especially be the case for us due to the size and complexity of our business, and may disrupt internal controls and business processes that could introduce unintended vulnerability to error. Any such disruption to our information systems and those of the third parties upon whom we rely could have a material impact on our business.

Legal and Compliance Risks

We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us.

As described in Note E (Litigation) to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K, we are, and may become, involved in various legal and regulatory proceedings, and investigations relating to our business, including with respect to antitrust and competition, breach of contract, class action, commercial, corporate governance, cybersecurity, employment, intellectual property, privacy, securities, and whistleblower matters. Matters such as these may impact our business in different ways. Intellectual property infringement claims, for example, may seek injunctive relief or other court orders that could prevent us from offering our products. As a result, we might be required to seek a license for the use of such intellectual property, which may not be available on commercially reasonable terms or at all, or we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Because we generally indemnify our customers and partners from intellectual property infringement claims in connection with the use of our products, we may be called on to defend these customers and partners in litigation. From time to time, we also receive inquiries from and have discussions with government entities regarding our compliance with laws and

regulations. Such litigation, investigations, regulatory inquiries, and proceedings can be unpredictable and time-consuming, divert management’s attention and resources, and cause us to incur significant expenses. Allegations made in connection with these matters may harm our reputation, regardless of their merit and could have a material adverse impact on our business, financial condition, cash flows or results of operations if decided adversely to or settled by us.

We may not be able to adequately protect our intellectual property rights.

We depend on our ability to protect our proprietary technology. We rely on trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. As such, despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to prevent misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the U.S. In addition, we rely on confidentiality and license agreements with third parties in connection with their use of our products and technology. There is no guarantee that such parties will abide by the terms of such agreements or that we will be able to adequately enforce our rights, in part because we rely on “click-wrap” and “shrink-wrap” licenses in some instances.

Detecting and protecting against the unauthorized use of our products, technology proprietary rights and intellectual property rights is expensive, difficult, uncertain and, in some cases, impossible. Litigation is necessary from time to time to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property, which could result in a substantial loss of our market share.

Actual or perceived non-compliance with privacy and data protection laws, regulations and standards could adversely impact our business.

Our business is subject to laws and regulations by various federal, state and international legislative and governmental agencies responsible for legislating, monitoring and enforcing privacy and data protection laws (“Data Privacy Laws”). The regulatory framework regarding the collection, protection, use, transfer and disclosure of personal information is rapidly evolving, and Data Privacy Laws are subject to new and changing interpretations and amendments, creating uncertainty and additional legal obligations for ourselves, our partners, vendors and customers. We expect that there will continue to be newly proposed or changes to interpretations of existing Data Privacy Laws and industry standards, including self-regulatory standards advocated by industry groups, in various jurisdictions globally, and we may not be able to appropriately anticipate or timely respond to the impacts such and similar developments may have on our business or the businesses of our partners, vendors and customers.

We continue to regularly enhance our policies and controls across our business relating to how we and our business partners collect, protect and use customer and employee personal information. Ongoing changes to the regulatory landscape will likely increase the cost and complexity of our business relationships, internal operations and the delivery of our products and services. In addition, this may affect our ability to run promotions and effectively market our offerings and could subsequently impact the demand for our products and services.

Any actual or perceived failure by us or our business partners to comply with Data Privacy Laws, the privacy commitments contained in our contracts, or the privacy notices we have posted on our website could subject us to investigations, sanctions, enforcement actions, negative financial consequences, civil and criminal liability or injunctions. For example, failure to comply with the EU’s General Data Protection Regulation requirements may lead to fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater. Additionally, as a technology provider, our customers expect us to demonstrate compliance with current Data Privacy Laws and further make contractual commitments and implement processes to enable the customer to comply with their own obligations under Data Protection Laws, and our actual or perceived inability to do so may adversely impact sales of our products and services, particularly to customers in highly regulated industries. As a result, our reputation and brand may be harmed, we could incur significant costs, and our financial and operating results could be materially adversely affected.

Our use of “open source” software in our products could negatively affect our ability to sell our products and subject us to litigation.

Many of our products and services incorporate so-called “open source” software, and we may incorporate open source software into other products and services in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. Open source licensors generally do not provide warranties or assurance of title or controls on origin of the software, which exposes us to potential liability if the software fails to work or infringes the intellectual property of a third party.

We monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend and avoid exposing us to unacceptable financial risk. However, the processes we follow to monitor our use of open source

software could fail to achieve their intended result. In addition, although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use, there is little or no legal precedent governing the interpretation of terms in most of these licenses, which increases the risk that a court could interpret the licenses differently than we do.

From time to time, we receive inquiries or claims from authors or distributors of open source software included in our products regarding our compliance with the conditions of one or more open source licenses. An adverse outcome to a claim could require us to:

- pay significant damages;
- stop distributing our products that contain the open source software;
- revise or modify our product code to remove alleged infringing code;
- release the source code of our proprietary software; or
- take other steps to avoid or remedy an alleged infringement.

We have faced and successfully defended against allegations of copyright infringement and failing to comply with the terms of an open source license, but we can provide no assurances that we will not face similar lawsuits with respect to our use of open source software in the future, nor what the outcome of any such lawsuits may be.

If we fail to comply with government contracting regulations, our business could be adversely affected.

Our contracts with federal, state, local and non-U.S. governmental customers and our arrangements with distributors and resellers who may sell directly to governmental customers are subject to various procurement regulations, contract provisions and other requirements relating to their formation, administration and performance. Any failure by us to comply with government contracting regulations (such as cybersecurity- and COVID-19-related requirements) could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspension from future government contracting, any of which could adversely affect our business, operating results or financial condition. Further, any negative publicity related to our government contracts or any proceedings surrounding them, regardless of accuracy, may damage our business and affect our ability to compete for new contracts.

Some of our directors have potential conflicts of interest with Dell.

The Chairman of our Board of Directors, Michael Dell, is also Chairman and CEO of Dell and is a significant stockholder of Dell, and one of our directors, Egon Durban, serves on the Dell board of directors and as managing partner of Silver Lake Partners, a significant stockholder of Dell. Ownership of Dell common stock by our directors and the presence of executive officers or directors of Dell on our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and Dell that could have different implications for Dell than they do for us. Our Board has approved resolutions that address corporate opportunities that are presented to Messrs. Dell and Durban. These provisions may not adequately address potential conflicts of interest or ensure that potential conflicts of interest will be resolved in our favor. As a result, we may not be able to take advantage of corporate opportunities presented to individuals who are directors of both us and Dell and we may be precluded from pursuing certain growth initiatives.

Risks Related to Owning Our Class A Common Stock

The MSD Stockholders and the SLP Stockholders have significant influence over us, and their interests may conflict with our interests and the interests of our other stockholders.

As a result of the Spin-Off, the MSD Stockholders and SLP Stockholders became direct beneficial holders of VMware with interests representing 40.2% and 10.0%, respectively, of our outstanding stock, based on the number of shares outstanding as of March 15, 2022. As a result, the MSD Stockholders and the SLP Stockholders have significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets. The interests of the MSD Stockholders or the SLP Stockholders could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of voting power held by the MSD Stockholders and SLP Stockholders could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which we or others of our stockholders may view favorably. Effective upon the consummation of the Spin-Off, we entered into a stockholders agreement pursuant to which the MSD Stockholders have the right to nominate up to two members of our Board and the SLP Stockholders have the right to nominate one member of our Board, subject to maintaining certain ownership thresholds. Michael Dell, the Chairman of our Board, is the first MSD Stockholders nominee; the MSD Stockholders have the right to nominate a second member of the Board. Egon Durban is the SLP Stockholders' nominee. This concentrated control may negatively impact other stockholders' ability to influence corporate matters and may also adversely affect our stock price. The MSD Stockholders and SLP Stockholders collectively beneficially own 62.9% of

Dell's outstanding stock as of March 15, 2022. Accordingly, their interests may not be aligned with other VMware stockholders with respect to actions involving or impacting Dell.

The price of our Class A common stock has fluctuated significantly in recent years and may fluctuate significantly in the future.

The trading price of our Class A common stock has fluctuated significantly in the past and could fluctuate substantially in the future, and stockholders' investments in our stock could lose some or all of their value. The stock market in general and technology companies in particular have often experienced extreme price and volume fluctuations. Neither the MSD Stockholders nor the SLP Stockholders are restricted from selling their respective shares, and each is entitled to certain registration rights. If a significant number of these shares enters the public trading markets in a short period of time, the market price of our Class A common stock may decline. Broad market and industry factors may also decrease the market price of our Class A common stock, regardless of our actual operating performance. Additionally, fluctuations and declines in our stock price have been, and in the future may be, due to, among other reasons, the factors discussed in this Risk Factors section and elsewhere in this report, as well as:

- our ability to meet or exceed the forward-looking guidance we have given, to give forward-looking guidance consistent with past practice and any changes to or withdrawal of previous guidance or long-range targets;
- trading activity by directors, executive officers, significant stockholders or a limited number of stockholders who together beneficially own a significant portion of our outstanding common stock, or the market's perception that such holders intend to sell;
- the inclusion or exclusion of our stock from any trading indices, such as the S&P 500 Index;
- speculation in the press and on social media; and
- changes in recommendations regarding our stock or more favorable relative recommendations about our competitors by the industry or securities analysts who cover and publish about us, our business, our competitors, or the markets in which we compete.

In addition, to direct value lost, volatility or declines in our stock price may adversely affect our ability to retain key employees, most of whom are compensated, in part, based on the performance of our stock price. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted, including against us, and, if not resolved swiftly, can result in substantial costs and a diversion of management's attention and resources.

Anti-takeover provisions in Delaware law and our charter documents could discourage takeover attempts.

Certain provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the division of our board of directors into three classes, with each class serving for a staggered three-year term, which prevents stockholders from electing an entirely new board of directors at any annual meeting;
- that any director may only be removed for cause and only by the affirmative vote of holders of at least a majority of the votes entitled to be cast to elect any such director;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- the prohibition of cumulative voting in the election of directors or any other matters, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders' meeting;
- the ability of the board of directors to issue, without stockholder approval, up to 100,000,000 shares of preferred stock with terms set by the board of directors, which rights could be senior to those of common stock; and
- stockholders may not act by written consent and may not call special meetings of the stockholders.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company and could reduce the price that investors may be willing to pay for shares of our common stock. Section 203 imposes certain restrictions on merger, business combinations and other transactions between us and large stockholders, in particular those owning 15% or more of our outstanding voting stock.

Our bylaws provide for an exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws include a provision providing that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any of our directors, officers, employees or stockholders to us or to our stockholders;
- any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; or
- any action asserting a claim governed by the internal affairs doctrine.

This provision would not apply to suits brought to enforce any duty or liability created by the Securities Exchange Act of 1934 (the "Exchange Act"). Furthermore, Section 22 of the Securities Act of 1933 (the "Securities Act") creates concurrent jurisdiction for federal and state courts over all such Securities Act actions.

While the Delaware courts have determined that exclusive forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than the one we have designated. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provision of our bylaws, which may require significant expenditures of resources, and, ultimately, there can be no assurance that the provisions would be enforced by a court in those other jurisdictions. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees and may discourage these types of lawsuits. If a court were to find the exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs to resolve such action in other jurisdictions.

General Risks

We are exposed to foreign exchange risks.

We conduct a meaningful portion of our business in currencies other than the U.S. dollar, but report our operating results in U.S. dollars. Accordingly, our operating results are subject to fluctuations in currency exchange rates. The realized gain or loss on foreign currency transactions is dependent upon the types of foreign currency transactions into which we enter, the exchange rates associated with these transactions and changes in those rates, the net realized gain or loss on our foreign currency forward contracts, among other factors. Although we hedge a portion of our foreign currency exposure, significant fluctuations in exchange rates between the U.S. dollar and foreign currencies have adversely affected, and may adversely affect in the future, our operating results. For example, the economic uncertainty introduced by Brexit resulted in significant volatility in the value of the British pound and other currencies, and the COVID-19 pandemic may make it more difficult for us to accurately forecast future transactions in foreign currencies and cause us to have to modify hedging positions, thereby adversely impacting the efficacy of our foreign currency hedging strategy and our operating results. Any future weakening of foreign currency exchange rates against the U.S. dollar would likely result in additional adverse impacts on our revenue.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.

We may not realize all the economic benefit from our business acquisitions, which could result in an impairment of goodwill or intangibles. As of January 28, 2022, goodwill and amortizable intangible assets were \$9.6 billion and \$714 million, respectively. We review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may lead to impairment include a substantial decline in stock price and market capitalization or cash flows, reduced future cash flow estimates related to the assets and slower growth rates in our industry. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which would negatively impact our operating results.

Changes in accounting principles and guidance could result in unfavorable accounting charges or effects.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. These principles are subject to interpretation by the Securities and Exchange Commission and various bodies formed to create and interpret appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a material effect on our reported results, as well as our processes and related controls, and may retroactively affect previously reported results.

Natural disasters, catastrophic events or geo-political conditions could disrupt our business.

A significant natural disaster, such as an earthquake, fire, flood or other act of God, catastrophic event or pandemic, abrupt political change, terrorist activity and armed conflict, and any similar disruption, as well as any derivative disruption, such as those to services provided through localized physical infrastructure, including utility or telecommunication outages, or any to the continuity of our, our partners' and our customers' workforce, could have a material adverse impact on our business and operating results. Our worldwide operations are dependent on our network infrastructure, internal technology systems and website, as well as our intellectual property and personnel, significant portions of which, including our corporate headquarters, are located in California, a region known for seismic activity, fires and floods. Disruption to these dependencies may negatively impact our ability to respond to customer requests, process orders, provide services and maintain local and global business continuity. Delays or cancellations of customer orders or the deployment or availability of our products and services, for example, could materially impact our revenue. Furthermore, some of our newer product initiatives, offerings and business functions are hosted or carried out by third parties that may be vulnerable to these same types of disruptions, the response to or resolution of which may be beyond our control. Additionally, any such disruption could cause us to incur significant costs to repair damages to our facilities, equipment, infrastructure and business relationships.

Climate change may have a long-term negative impact on our business.

Risks related to rapid climate change, such as extreme weather conditions, sea-level rise, drought, flooding and wildfires, may have an increasingly adverse impact on our business and those of our customers, partners and vendors in the longer term. While we seek to mitigate the business risks associated with climate change for our operations, there are inherent climate-related risks wherever business is conducted. Access to clean water and reliable energy in the communities where we conduct our business, whether for our offices, data centers, vendors, customers or other stakeholders, is a priority. Any of our primary locations may be vulnerable to the adverse effects of climate change and the impacts of extreme weather events, which have caused regional short-term systemic failures in the U.S. and elsewhere. For example, our California headquarters are projected to be vulnerable to future water scarcity due to climate change, and unanticipated extreme cold weather has resulted in electrical grid outages in Texas where many of our U.S. employees are located. While this danger currently has a low-assessed risk of disrupting normal business operations in the near term, it has the potential to impact employees' abilities to commute to work or to work from home and stay connected effectively. Climate-related events, including the increasing frequency of extreme weather events, their impact on critical infrastructure in the U.S. and internationally and their potential to increase political instability in regions where we, our customers, partners and our vendors do business, have the potential to disrupt our business, our third-party suppliers, or the business of our customers and partners, and may cause us to experience higher attrition and additional costs to maintain or resume operations. Climate change and environmental regulations may result in changes in the supply, demand or available sources of energy or other resources that could adversely impact the availability or cost of goods and services, including natural resources necessary to run our business. Additionally, changes in climate in the locations where we operate may increase the costs of powering and cooling the computer hardware we use to develop software and deliver our subscription and SaaS-based offerings as well as the costs of carbon offsets that we may procure from time to time as we pursue our carbon-neutral objectives.

Social and ethical issues, including our ability to make progress on our ESG goals and commitments, may result in reputational harm and liability.

In December 2020, we announced our 2030 Agenda, which represents our ESG strategy focused on sustainability, equity and trust. Our public commitments include promoting environmental sustainability and decarbonization; human capital development and diversity, equity and inclusion; and cybersecurity, privacy, digital ethics and transparent business practices. Each of these are areas of increasing scrutiny from the investment community, customers, employees, partners, suppliers and communities who expect us to report transparently on our progress. In order to meet expectations from our stakeholders, we are working to align our reporting with emerging disclosure and accounting standards such as the Financial Stability Board's Task Force on Climate-Related Financial Disclosures ("TCFD"), the Sustainability Accounting Standards Board ("SASB") and the Global Reporting Initiative as well as potential new disclosure requirements from regulators such as the SEC while we also seek to report timely on progress toward our 2030 Agenda objectives. In order to do so, we are working to develop internal operational, information and data assurance systems that will enable us to accurately report on these matters on a timely basis. If we fail to report accurately or on a timely basis or fail to anticipate reporting requirements and expectations in this emerging area, our reputation may be adversely affected, and we could be exposed to increased risk of litigation. Additionally, if we are perceived as failing to make or accurately report on our progress on our ESG goals or to follow through on our commitments, our brand and our reputation may be harmed, we may be exposed to increased risk of litigation, our ability to attract and retain employees may be damaged and our financial performance and stock price may be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of January 28, 2022, we owned or leased the facilities described below:

Location		Approximate Sq. Ft.	Principal Use(s)
Palo Alto, CA	owned:	1,604,769 ⁽¹⁾	Executive and administrative offices, sales and marketing and R&D
North and Latin American region	leased:	1,851,268	Administrative offices, sales and marketing, R&D and data center
Asia Pacific region	leased:	2,370,984	Administrative offices, sales and marketing, R&D and data center
Europe, Middle East and Africa region	leased:	838,623	Administrative offices, sales and marketing, R&D and data center

⁽¹⁾ Represents all of the right, title and interest purchased in ground leases, which expire in fiscal 2047, covering the property and improvements located at VMware's Palo Alto, California campus.

We believe that our current facilities will support our employee headcount through fiscal 2023 while working in a distributed manner that empowers our people to work from any location, consistent with business requirements. We review our real estate on an ongoing basis to support our growing employee base and operational excellence.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note E to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a description of legal proceedings. See also the risk factor entitled "We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us" in Part I, Item 1A of this Annual Report on Form 10-K for a discussion of potential risks to our results of operations and financial condition that may arise from legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our Class A common stock, par value \$0.01 per share (“Class A Stock”), trades on the New York Stock Exchange under the symbol VMW.

Holders

On November 1, 2021, our spin-off from Dell Technologies Inc. (“Dell”) (the “Spin-Off”) was completed. Automatically as a result of the Spin-Off, each share of our Class B convertible common Stock (“Class B Stock”) converted into one fully paid and non-assessable share of Class A Stock. As of March 15, 2022, we had 3,809 holders of record of our Class A Stock.

Dividends

Subsequent to our initial public offering in August 2007, we have not declared or paid regular cash dividends on our common stock.

On November 1, 2021, in accordance with the Separation and Distribution Agreement entered into with Dell, effective as of April 14, 2021 (the “Separation Agreement”), upon the satisfaction of all conditions and immediately prior to the Spin-Off, we paid an \$11.5 billion cash dividend, pro rata, to each of the holders of Class A Stock and Class B Stock, including Dell (the “Special Dividend”) as of October 29, 2021 (the “Record Date”).

We currently do not anticipate declaring any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Issuer purchases of Class A common stock during the three months ended January 28, 2022 were as follows:

	Total Number of Shares Purchased	Average Price Paid Per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs ⁽²⁾
October 30 – November 26, 2021	—	\$ —	—	\$ 2,000,000,000
November 27 – December 24, 2021	690,097	114.63	690,097	1,920,892,141
December 25, 2021 – January 28, 2022	1,807,869	120.29	1,807,869	1,703,415,827
	<u>2,497,966</u>	<u>\$ 118.73</u>	<u>2,497,966</u>	<u>1,703,415,827</u>

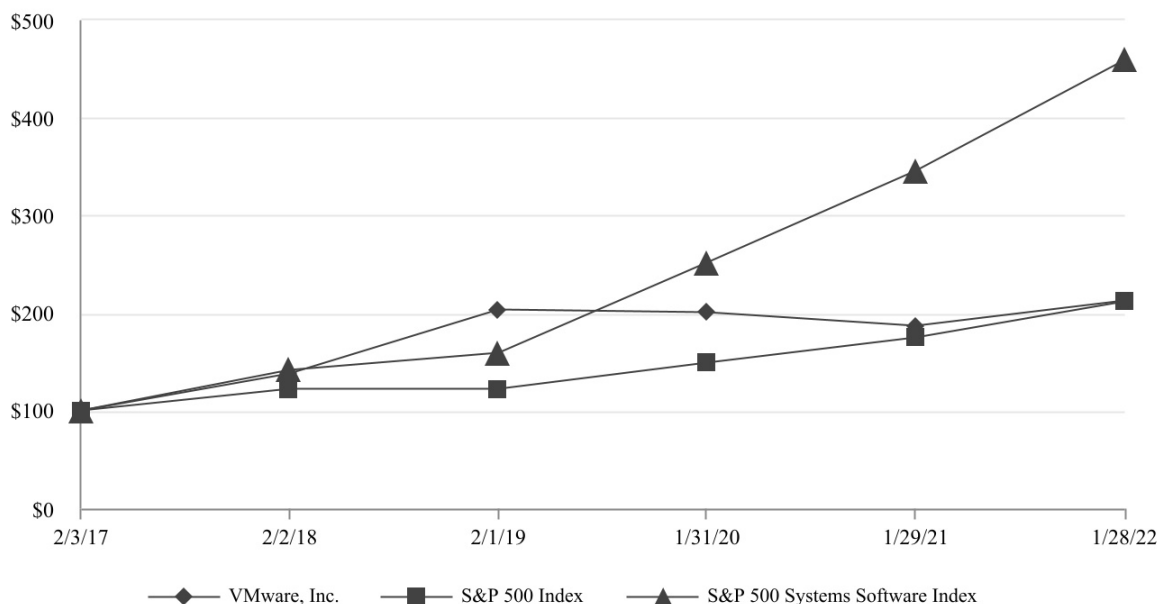
⁽¹⁾ The average price paid per share excludes commissions.

⁽²⁾ On October 7, 2021, VMware authorized the termination of the existing stock repurchase program authorized in July 2020 and authorized a new repurchase program of up to \$2.0 billion of Class A common stock through the end of fiscal 2024, effective upon the consummation of the Spin-Off from Dell on November 1, 2021. Amounts remaining exclude commissions. Refer to Note Q to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the S&P 500 Index and the S&P 500 Systems Software index for the period beginning on February 3, 2017 through January 28, 2022, assuming an initial investment of \$100. The stockholder return assumes reinvestment of dividends.

Comparison of Cumulative Five Year Total Return



	Base Period 2/3/2017	2/2/2018	2/1/2019	1/31/2020	1/29/2021	1/28/2022
VMware, Inc.	\$ 100.00	\$ 137.97	\$ 203.69	\$ 200.37	\$ 186.55	\$ 213.06
S&P 500 Index	100.00	122.64	122.57	148.99	174.69	211.38
S&P 500 Systems Software Index	100.00	141.76	158.98	251.76	345.14	459.29

Note: The stock price performance shown on the graph above is not necessarily indicative of future price performance. This graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, regardless of any general incorporation language in such filing.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management’s discussion and analysis is provided in addition to the accompanying consolidated financial statements and notes to assist in understanding our results of operations and financial condition.

Our fiscal year is the 52 or 53 weeks ending on the Friday nearest to January 31 of each year. We refer to our fiscal year ending February 3, 2023 and fiscal years ended January 28, 2022, January 29, 2021 and January 31, 2020 as “fiscal 2023,” “fiscal 2022,” “fiscal 2021,” and “fiscal 2020,” respectively. Fiscal 2023 is a 53-week fiscal year, while fiscal 2022, fiscal 2021 and fiscal 2020 were each 52-week fiscal years.

Period-over-period changes are calculated based upon the respective underlying non-rounded data. Unless the context requires otherwise, we are referring to VMware, Inc. and its consolidated subsidiaries when we use the terms “VMware,” the “Company,” “we,” “our” or “us.”

Discussion regarding our financial condition and results of operations for fiscal 2021 as compared to fiscal 2020 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2021, filed with the SEC on March 26, 2021.

Overview

We originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware, and then evolved to become the private cloud and mobility management leader. Building upon that leadership, we are focused on becoming the multi-cloud leader. Information technology (“IT”) driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. Organizations’ IT departments and corporate divisions are working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses and their product teams through a digital transformation. To take on these challenges, we are helping customers drive their multi-cloud strategy by providing the multi-cloud platform for all applications, enabling digital innovation and enterprise control.

Our portfolio supports and addresses our customers’ key priorities, including modernizing their applications, managing multi-cloud environments, accelerating their cloud journey, modernizing the network using commodity hardware, embracing zero-trust security and empowering anywhere workspaces. We enable digital transformation of customers’ applications, infrastructure and operations for their constantly evolving business and employee needs.

End users can purchase the full breadth of our subscription, SaaS, license and services portfolio through discrete purchases or through enterprise agreements (“EAs”). EAs are sold to our direct customers and through channel partners and can include our license, multi-year maintenance and support, subscription and SaaS offerings. We continue to experience strong renewals resulting in additional sales of both our existing and newer products and solutions.

During fiscal 2022, we continued to see an increase in the portion of our sales occurring through our subscription and SaaS offerings compared to the portion of our on-premises solutions sold as perpetual licenses. We expect this trend to continue and as a result, a greater portion of our revenue will be recognized over time as subscription and SaaS revenue rather than license revenue, which is typically recognized in the fiscal period in which sales occur. As this trend continues, the rate of growth in our license revenue, which has historically been viewed as a leading indicator of our business performance, may be less relevant on a standalone basis, and we believe that the overall growth rate of our combined license and subscription and SaaS revenue and annual recurring revenue for subscription and SaaS, as well as the growth in the current portion of our remaining performance obligations, will become better indicators of our future growth prospects. In addition, we expect our operating margin to be negatively impacted in fiscal 2023 as a result of our incremental investment in our subscription and SaaS portfolio.

Global Events

Suspension of Business Operations in Russia

In response to Russian military actions in Ukraine occurring subsequent to fiscal 2022, we suspended business operations in Russia and Belarus, including suspension of sales, support on existing contracts and professional services in both countries. Furthermore, the U.S. and other countries have imposed sanctions on Russia that could impact the fulfillment of our existing orders and our future revenue streams from impacted customers. The impact to our fiscal 2022 financial statements was not material, and we are unable to estimate the financial impact of these events on our operations in future periods. We will closely monitor the impact of these events on all aspects of our business.

COVID-19 Impact

The worldwide spread of COVID-19 resulted in a global slowdown of economic activity while also disrupting sales channels and marketing activities and the COVID-19 pandemic may cause economic disruption and market volatility in future periods. Although the pandemic has not had the level of financial impact on our business we initially expected, we did experience negative impacts on our sales and certain of our financial results and there continues to be uncertainty regarding the magnitude and duration of the economic effects of the COVID-19 pandemic and the extent to which it will have a negative impact on our sales and our financial results into fiscal 2023. We continue to closely monitor the impact of the pandemic on all aspects of our business.

Spin-Off and Special Dividend

On November 1, 2021, the Spin-Off from Dell was completed, and, in accordance with the Separation Agreement, upon the satisfaction of all conditions and immediately prior to the Spin-Off, we paid an \$11.5 billion cash dividend, pro rata, to each of the holders of Common Stock, including Dell (the “Special Dividend”), as of the close of business on October 29, 2021 (the “Record Date”). Based upon the number of shares of Common Stock held by Dell as of the Record Date, approximately \$9.3 billion in cash was paid to Dell. Automatically as a result of the Spin-Off, each share of Class B Stock converted into one

fully paid and non-assessable share of Class A Stock. Refer to Note A to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding the Spin-Off and Special Dividend.

As we were a majority-owned and controlled subsidiary of Dell through October 29, 2021, our results of operations and financial position through October 29, 2021 were consolidated with Dell's financial statements.

Results of Operations

Approximately 70% of our sales are denominated in the United States ("U.S.") dollar. In certain countries, however, we also invoice and collect in various foreign currencies, principally euro, British pound, Japanese yen, Australian dollar and Chinese renminbi. In addition, we incur and pay operating expenses in currencies other than the U.S. dollar. As a result, our financial statements, including our revenue, operating expenses, unearned revenue and the resulting cash flows derived from the U.S. dollar equivalent of foreign currency transactions, are affected by foreign exchange fluctuations.

Revenue

Our revenue during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year 2022 vs. 2021		Fiscal Year 2021 vs. 2020	
	January 28, 2022	January 29, 2021	January 31, 2020	\$ Change	% Change	\$ Change	% Change
Revenue:							
License	\$ 3,128	\$ 3,033	\$ 3,181	\$ 95	3 %	\$ (149)	(5)%
Subscription and SaaS	3,205	2,587	1,877	617	24	711	38
Total license and subscription and SaaS	6,333	5,620	5,058	713	13	562	11
Services:							
Software maintenance	5,356	5,105	4,754	252	5	351	7
Professional services	1,162	1,042	999	120	11	43	4
Total services	6,518	6,147	5,753	371	6	394	7
Total revenue	\$ 12,851	\$ 11,767	\$ 10,811	\$ 1,084	9	\$ 956	9

Revenue:							
United States	\$ 6,232	\$ 5,878	\$ 5,405	\$ 354	6 %	\$ 473	9 %
International	6,619	5,889	5,406	730	12	483	9
Total revenue	\$ 12,851	\$ 11,767	\$ 10,811	\$ 1,084	9	\$ 956	9

Revenue from our subscription offerings consisted primarily of our VCPP cloud-based offerings that are billed to customers on a consumption basis and revenue from VMware Tanzu and other offerings that are billed on a subscription basis. Revenue from our SaaS offerings consisted primarily of our Workspace ONE Unified Endpoint Management, VMware Carbon Black Cloud, VMware Cloud on AWS, VMware SD-WAN by VeloCloud and CloudHealth by VMware.

License revenue relating to the sale of on-premises licenses that are part of a multi-year contract is generally recognized upon delivery of the underlying license, whereas revenue derived from our subscription and SaaS offerings is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

As customers adopt our subscription and SaaS offerings, license and software maintenance revenue may be lower and subject to greater fluctuation in the future, driven by a higher proportion of our sales occurring through our subscription and SaaS offerings as well as the variability of large deals between fiscal quarters, which deals historically have had a large license revenue impact.

License Revenue

License revenue increased during fiscal 2022 compared to fiscal 2021, primarily driven by an increase in term license revenue, which was \$442 million during fiscal 2022 compared to \$119 million during fiscal 2021. The growth in term license was primarily due to certain customers moving from perpetual license to term license.

Subscription and SaaS Revenue

Subscription and SaaS revenue increased during fiscal 2022 compared to fiscal 2021, primarily due to increased sales of our VCPP, Workspace ONE, VMware Tanzu, VMware Carbon Black Cloud, vRealize Cloud Management and VMware Cloud on AWS offerings.

Annual recurring revenue (“ARR”) represents the annualized value of our committed customer subscription and SaaS contracts as of the end of the reporting period, assuming any contract that expires during the next 12 months is renewed on its existing terms, except that, for consumption-based subscription and SaaS offerings, ARR represents the annualized quarterly revenue based on revenue recognized for the current reporting period. ARR is an operating measure we use to assess the strength of our subscription and SaaS offerings. ARR is a performance metric and should be viewed independently of, and not as a substitute for or combined with, revenue and unearned revenue. ARR was \$3.6 billion as of January 28, 2022 and \$2.9 billion as of January 29, 2021.

Services Revenue

During fiscal 2022 and fiscal 2021, software maintenance revenue continued to benefit from maintenance contracts sold in previous periods. In each period presented, customers purchased, on a weighted-average basis, greater than three years of support and maintenance with each new license purchased.

Professional services revenue increased during fiscal 2022 compared to fiscal 2021. Services we provide through our consultants and technical account managers and our continued focus on solution deployments, including our networking, security, cloud management and digital workspace offerings, contributed to the increase in professional services revenue. We continue to also focus on enabling our partners to deliver professional services for our solutions, and as such, our professional services revenue may vary as we continue to leverage our partners. The timing of services rendered will also impact the amount of professional services revenue we recognize during a period.

Unearned Revenue

Unearned revenue as of the periods presented consisted of the following (table in millions):

	January 28, 2022	January 29, 2021
Unearned license revenue	\$ 19	\$ 15
Unearned subscription and SaaS revenue	2,669	1,998
Unearned software maintenance revenue	7,208	7,092
Unearned professional services revenue	1,326	1,209
Total unearned revenue	\$ 11,222	\$ 10,314

Unearned subscription and SaaS revenue is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

Unearned software maintenance revenue is attributable to our maintenance contracts and is generally recognized ratably over the contract duration. The weighted-average remaining contractual term as of January 28, 2022 was approximately two years. Unearned professional services revenue results primarily from prepaid professional services and is generally recognized as the services are performed.

Remaining Performance Obligations and Backlog

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted non-cancellable customer contracts at the end of any given period.

As of January 28, 2022, the aggregate transaction price allocated to remaining performance obligations was \$12.0 billion, of which approximately 57% is expected to be recognized as revenue over the next twelve months and the remainder thereafter. As of January 29, 2021, the aggregate transaction price allocated to remaining performance obligations was \$11.3 billion, of which approximately 55% was expected to be recognized as revenue during fiscal 2022 and the remainder thereafter.

Backlog

Backlog is comprised of unfulfilled purchase orders or unfulfilled executed agreements at the end of a given period and is net of related estimated rebates and marketing development funds. Backlog consists of licenses, subscription and SaaS and

services. As of January 28, 2022, our total backlog was \$88 million and our backlog related to licenses was \$14 million. For our backlog related to licenses, we generally expect to deliver and recognize revenue during the following quarter. Backlog totaling \$36 million as of January 28, 2022 was excluded from the remaining performance obligations because such contracts are subject to cancellation until the performance obligation is fulfilled.

As of January 29, 2021, our total backlog was \$93 million and our backlog related to licenses was \$23 million. Backlog totaling \$18 million as of January 29, 2021 was excluded from the remaining performance obligations because such contracts are subject to cancellation until the performance obligation is fulfilled.

The amount and composition of backlog will fluctuate period to period and backlog is managed based upon multiple considerations, including product and geography. We do not believe the amount of backlog is indicative of future sales or revenue or that the mix of backlog at the end of any given period correlates with actual sales performance of a particular geography or particular products and services.

Cost of License Revenue, Cost of Subscription and SaaS Revenue, Cost of Services Revenue and Operating Expenses

Collectively, our cost of license revenue, cost of subscription and SaaS revenue, cost of services revenue and operating expenses primarily reflected increasing cash-based employee-related expenses, driven by incremental growth in headcount and salaries across most of our income statement expense categories during fiscal 2022.

Cost of License Revenue

Cost of license revenue primarily consists of the cost of fulfillment of our SD-WAN offerings, royalty costs in connection with technology licensed from third-party providers and amortization of intangible assets. The cost of fulfillment of our software and hardware SD-WAN offerings includes personnel costs and related overhead associated with delivery of our products.

Cost of license revenue during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Cost of license revenue	\$ 151	\$ 162	\$ 165	\$ (11)	(7)%	\$ (3)	(2)%
Stock-based compensation	1	1	1	—	(14)	—	2
Total expenses	\$ 152	\$ 163	\$ 166	\$ (11)	(7)	\$ (3)	(2)
% of License revenue	5 %	5 %	5 %				

Cost of license revenue decreased slightly in fiscal 2022 compared to fiscal 2021.

Cost of Subscription and SaaS Revenue

Cost of subscription and SaaS revenue primarily includes personnel costs and related overhead associated with hosted services supporting our SaaS offerings. Additionally, cost of subscription and SaaS revenue also includes depreciation of equipment supporting our subscription and SaaS offerings.

Cost of subscription and SaaS revenue during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Cost of subscription and SaaS revenue	\$ 669	\$ 569	\$ 387	\$ 100	18 %	\$ 182	47 %
Stock-based compensation	21	19	13	2	9	6	45
Total expenses	\$ 690	\$ 588	\$ 400	\$ 102	17	\$ 188	47
% of Subscription and SaaS revenue	22 %	23 %	21 %				

Cost of subscription and SaaS revenue increased in fiscal 2022 compared to fiscal 2021. The increase was primarily driven by growth in costs associated with hosted services to support our SaaS offerings of \$53 million and growth in cash-based employee-related costs of \$43 million, which was primarily driven by incremental growth in headcount. These increases were partially offset by decreased amortization of intangible assets of \$15 million.

Cost of Services Revenue

Cost of services revenue primarily includes the costs of personnel and related overhead to deliver technical support for our products and costs to deliver professional services. Additionally, cost of services revenue includes depreciation of equipment supporting our service offerings.

Cost of services revenue during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Cost of services revenue	\$ 1,337	\$ 1,193	\$ 1,150	\$ 143	12 %	\$ 42	4 %
Stock-based compensation	92	99	83	(7)	(7)	16	20
Total expenses	\$ 1,429	\$ 1,292	\$ 1,233	\$ 137	11	\$ 59	5
% of Services revenue	22 %	21 %	21 %				

Cost of services revenue increased in fiscal 2022 compared to fiscal 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$110 million, primarily driven by incremental growth in headcount and salaries. The increase was also driven by increased third-party professional services costs of \$26 million.

Research and Development Expenses

Research and development expenses include the personnel and related overhead associated with the development of our products and services offerings. We continue to invest in and focus on expanding our subscription and SaaS offerings.

Research and development expenses during the periods presented were as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Research and development	\$ 2,529	\$ 2,292	\$ 2,063	\$ 237	10 %	\$ 228	11 %
Stock-based compensation	528	524	459	4	1	65	14
Total expenses	\$ 3,057	\$ 2,816	\$ 2,522	\$ 241	9	\$ 294	12
% of Total revenue	24 %	24 %	23 %				

Research and development expenses increased in fiscal 2022 compared to fiscal 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$229 million, primarily driven by incremental growth in headcount and salaries, as well as increased equipment and depreciation of \$42 million and increased third-party professional services cost of \$16 million. These increases were partially offset by increased capitalized internal-use software development costs of \$63 million.

Sales and Marketing Expenses

Sales and marketing expenses include personnel costs, sales commissions and related overhead associated with the sale and marketing of our license, subscription and SaaS and services offerings, as well as the cost of product launches and marketing initiatives. A significant portion of our sales commissions are deferred and recognized over the expected period of benefit.

Sales and marketing expenses during the periods presented were as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Sales and marketing	\$ 3,765	\$ 3,389	\$ 3,384	\$ 375	11 %	\$ 7	— %
Stock-based compensation	302	322	293	(20)	(6)	28	9
Total expenses	\$ 4,067	\$ 3,711	\$ 3,677	\$ 356	10	\$ 34	1
% of Total revenue	32 %	32 %	34 %				

Sales and marketing expenses increased in fiscal 2022 compared to fiscal 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$264 million, primarily driven by incremental growth in headcount and salaries, as well as higher commission costs of \$106 million resulting from increased sales volume. The increase was also driven by increased equipment and depreciation of \$17 million. These increases were partially offset by decreased stock-based compensation of \$20 million, primarily due to the vesting of awards associated with prior acquisitions, offset in part by an increase in restricted stock unit awards granted to our employees.

General and Administrative Expenses

General and administrative expenses include personnel and related overhead costs to support the business. These expenses include the costs associated with finance, human resources, IT infrastructure and legal, as well as expenses related to corporate costs and initiatives.

General and administrative expenses during the periods presented were as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
General and administrative	\$ 937	\$ 610	\$ 1,125	\$ 327	54 %	\$ (515)	(46)%
Stock-based compensation	131	157	168	(26)	(17)	(11)	(6)
Total expenses	\$ 1,068	\$ 767	\$ 1,293	\$ 301	39	\$ (526)	(41)
% of Total revenue	8 %	7 %	12 %				

General and administrative expenses increased in fiscal 2022 compared to fiscal 2021. The increase was primarily driven by the absence of the \$237 million accrued litigation loss derecognized in fiscal 2021 in connection with certain patent litigation. The increase was also driven by certain costs incurred during fiscal 2022 related to the Spin-Off, such as legal and advisory fees, of \$73 million. Additionally, cash-based employee-related expenses increased by \$51 million, primarily driven by incremental growth in headcount and salaries.

These increases were partially offset by a decrease in acquisition-related costs of \$63 million and decreased stock-based compensation of \$26 million, which was primarily due to the vesting of awards associated with prior acquisitions.

Refer to Note E to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a description of certain claims and litigation.

Realignment

Realignment expenses during the periods presented were as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Realignment	\$ 1	\$ 42	\$ 79	\$ (41)	(97)%	\$ (36)	(46)%
% of Total revenue	— %	— %	1 %				

During the third quarter of fiscal 2021, we approved a plan to streamline our operations and better align resources with our business priorities. As a result of this action, approximately 280 positions were eliminated in fiscal 2021. We recognized \$42 million of severance-related realignment expenses in fiscal 2021 on the consolidated statements of income. Actions associated with this plan were substantially complete by the end of fiscal 2021.

Interest Expense

Interest expense during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Interest expense	\$ 252	\$ 204	\$ 149	\$ 48	24 %	\$ 56	38 %
% of Total revenue	2 %	2 %	1 %				

Interest expense increased in fiscal 2022 compared to fiscal 2021. The increase was primarily driven by the five series of unsecured senior notes issued during the third quarter of fiscal 2022 in the aggregate principal amount of \$6.0 billion. We expect the annual interest expense associated with these senior notes to be approximately \$100 million.

Other Income (Expense), net

Other income (expense), net during the periods presented was as follows (dollars in millions):

	For the Year Ended			Fiscal Year		Fiscal Year	
	January 28,	January 29,	January 31,	2022 vs. 2021		2021 vs. 2020	
	2022	2021	2020	\$ Change	% Change	\$ Change	% Change
Other income (expense), net	\$ (52)	\$ 191	\$ 86	\$ (242)	(127)%	\$ 107	126 %
% of Total revenue	— %	2 %	1 %				

The change in other income (expense), net in fiscal 2022 compared to fiscal 2021 was primarily driven by gains and losses, whether realized or unrealized, on our investments in equity securities. During fiscal 2022, net losses of \$31 million were recognized on our investments in equity securities compared to net gains of \$157 million recognized during fiscal 2021. The change was primarily due to the absence of a gain of \$163 million recognized during fiscal 2021 on one of our investments in equity securities, which completed its initial public offering during the third quarter of fiscal 2021. The fair value of the publicly traded investment is determined primarily using the quoted market price of its common stock. As a result, any volatility in its publicly traded common stock introduces a degree of variability to our consolidated statements of income.

The change was also driven by the loss on extinguishment of debt of \$21 million associated with the redemption of \$1.5 billion unsecured senior note due August 21, 2022 recognized during fiscal 2022.

Pursuant to a tax matters agreement entered into with Dell effective April 14, 2021 (the “Tax Matters Agreement”), we have agreed to indemnify one another for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off and certain adjustments to these amounts that will be recognized in future periods will be recorded in other income (expense), net on the consolidated statements of income. We cannot reasonably predict the amount that we may receive or pay in future periods and it could introduce significant risk of variability to our consolidated statements of income.

Income Tax Provision (Benefit)

The following table summarizes our income tax provision (benefit) during the periods presented (dollars in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Income tax provision (benefit)	\$ 265	\$ 324	\$ (4,918)
Effective income tax rate	12.7 %	13.6 %	N/M

N/M - Effective tax rate is not considered meaningful.

The decrease in our effective income tax rate in fiscal 2022 compared to fiscal 2021 was primarily driven by the discrete tax impact related to our book and tax basis difference on our investment in equity securities, which provided a discrete tax benefit of \$31 million recognized in fiscal 2022 as compared to a discrete tax expense of \$52 million recognized in fiscal 2021. The decrease was partially offset by an increase in effective income tax rate due to a discrete tax benefit of \$59 million recognized as a deferred tax asset due to an intra-group transfer of Pivotal’s intellectual property rights to our Irish subsidiary during fiscal 2021.

Prior to the Spin-Off, our financial results were included in the Dell consolidated tax return for U.S. federal income tax purposes, but our income tax provision or benefit was calculated primarily as though we were a separate taxpayer, with certain

transactions between us and Dell being assessed using consolidated tax return rules. As a result of the Spin-Off, we are no longer a member of the Dell consolidated tax group and our U.S. federal income tax will be reported separately from that of the Dell consolidated tax group. We and Dell have agreed to indemnify one another, pursuant to the Tax Matters Agreement, for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off and certain adjustments to these amounts that will be recognized in future periods will be recorded in other income (expense), net on the consolidated statements of income. The actual amount that we may receive from or pay to Dell could vary depending on the outcome of tax matters arising from Dell's future tax audits, which may not be resolved for years. Refer to Note P to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information.

Our effective tax rate in the future will depend upon the proportion of our income before provision for income taxes earned in the U.S. and in jurisdictions with a tax rate lower than the U.S. statutory rate. Our non-U.S. earnings are primarily earned by our subsidiary organized in Ireland, where the rate of taxation is lower than our U.S. tax rate and, as such, our annual effective tax rate can be significantly affected by the composition of our earnings in U.S. and non-U.S. jurisdictions. Our future effective tax rate may be affected by such factors as: changes in our business changes in tax laws or statutory rates; changing interpretation of existing laws or regulations; the impact of accounting for stock-based compensation; the recognition of excess tax benefits or tax deficiencies within the income tax provision or benefit in the period in which they occur; the impact of accounting for business combinations; shifts in the amount of earnings in the U.S. compared with other regions in the world; overall levels of income before tax; changes in our international organization; as well as the expiration of statute of limitations and settlements of audits.

Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for domestic expenses and fifteen years for certain foreign expenses. If the existing statute is not deferred, modified or repealed or repealed retroactively as we expect, our effective income tax rate in fiscal 2023 could increase materially. The actual impact will depend on if and when this statute is deferred, modified, or repealed by Congress, including if such legislative action would be retroactively applied, and the amount of research and development expenses paid or incurred in fiscal 2023, among other factors.

Our Relationship with Dell

Following the Spin-Off, entities affiliated with Michael Dell (the "MSD Stockholders"), who serves as VMware's Chairman of the Board and chairman and chief executive officer of Dell, and entities affiliated with Silver Lake Partners (the "SLP Stockholders"), of which Egon Durban, a VMware director, is a managing partner, became owners of direct interests in VMware. Transactions with Dell continue to be considered related party transactions following the Spin-Off due to the MSD Stockholders' and SLP Stockholders' direct ownership in both VMware and Dell, as well as Mr. Dell's executive position with Dell.

On November 1, 2021, in connection with the Spin-Off, we and Dell entered into the Commercial Framework Agreement to provide a framework under which we and Dell will continue our strategic commercial relationship, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service or platform that may provide the parties with a strategic market opportunity. The Commercial Framework Agreement has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions.

The information provided below includes a summary of transactions with Dell.

Transactions with Dell

We engaged with Dell in the following ongoing related party transactions, which resulted in revenue and receipts and unearned revenue for us:

- Pursuant to OEM and reseller arrangements, Dell integrates or bundles our products and services with Dell's products and sells them to end users. Dell also acts as a distributor, purchasing our standalone products and services for resale to end-user customers through VMware-authorized resellers. Revenue under these arrangements is presented net of related marketing development funds and rebates paid to Dell. In addition, we provide professional services to end users based upon contractual agreements with Dell.
- Dell purchases products and services from us for its internal use.
- From time to time, we and Dell enter into agreements to collaborate on technology projects and Dell pays us for services or reimburses us for costs incurred by us, in connection with such projects.

During fiscal 2022, fiscal 2021 and fiscal 2020, revenue from Dell accounted for 38%, 35% and 31% of our consolidated revenue, respectively. During fiscal 2022, fiscal 2021 and fiscal 2020, revenue recognized on transactions where Dell acted as an OEM accounted for 13%, 12% and 12% of total revenue from Dell, respectively, or 5%, 4% and 4% of our consolidated revenue, respectively.

Dell purchases our products and services directly from us, as well as through our channel partners. Information about our revenue and receipts, and unearned revenue from such arrangements, for the periods presented consisted of the following (table in millions):

	Revenue and Receipts			Unearned Revenue	
	For the Year Ended			As of	
	January 28, 2022	January 29, 2021	January 31, 2020	January 28, 2022	January 29, 2021
Reseller revenue	\$ 4,764	\$ 4,053	\$ 3,288	\$ 5,550	\$ 4,952
Internal-use revenue	56	63	82	39	45

Sales through Dell as a distributor, which is included in reseller revenue, comprise the largest route-to-market for our sales.

Receipts from Dell for collaborative technology projects were not material, \$13 million and \$10 million during fiscal 2022, fiscal 2021 and fiscal 2020, respectively.

Customer deposits resulting from transactions with Dell were \$298 million and \$214 million as of January 28, 2022 and January 29, 2021, respectively.

We engaged with Dell in the following ongoing related party transactions, which resulted in costs to us:

- We purchase and lease products and purchase services from Dell.
- From time to time, we and Dell enter into agreements to collaborate on technology projects and we pay Dell for services provided to us by Dell related to such projects.
- In certain geographic regions where we do not have an established legal entity, we contract with Dell subsidiaries for support services and support from Dell personnel who are managed by us. The costs incurred by Dell on our behalf related to these employees are charged to us with a mark-up intended to approximate costs that would have been incurred had we contracted for such services with an unrelated third party. These costs are included as expenses on our consolidated statements of income and primarily include salaries, benefits, travel and occupancy expenses. Dell also incurs certain administrative costs on our behalf in the U.S. that are recorded as expenses on our consolidated statements of income.
- Prior to the Spin-Off, in certain geographic regions, Dell filed a consolidated indirect tax return, which included value added taxes and other indirect taxes collected by us from our customers. We remitted the indirect taxes to Dell and Dell remitted the tax payment to the foreign governments on our behalf.
- From time to time, we invoice end users on behalf of Dell for certain services rendered by Dell. Cash related to these services is collected from the end user by us and remitted to Dell.
- From time to time, we enter into agency arrangements with Dell that enable us to sell our subscriptions and services, leveraging the Dell enterprise relationships and end customer contracts.

Information about our payments for such arrangements during the periods presented consisted of the following (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Purchases and leases of products and purchases of services ⁽¹⁾	\$ 228	\$ 206	\$ 242
Dell subsidiary support and administrative costs	38	74	119

⁽¹⁾ Amount includes indirect taxes that were remitted to Dell during the periods presented.

We also purchase Dell products through Dell's channel partners. Purchases of Dell products through Dell's channel partners were not significant during the periods presented.

From time to time, we and Dell also enter into joint marketing, sales, branding and product development arrangements, for which both parties may incur costs.

During the fourth quarter of fiscal 2020, we entered into an arrangement with Dell to transfer approximately 250 professional services employees from Dell to us. These employees are experienced in providing professional services that deliver our technology and this transfer centralizes these resources within our Company in order to serve our customers more efficiently and effectively. The transfer was substantially completed during the fourth quarter of fiscal 2020 and did not have a material impact to the consolidated financial statements. We also expect that Dell will continue to resell our consulting solutions.

Dell Financial Services

DFS provides financing to certain of our end users at our end users' discretion. Upon acceptance of the financing arrangement by both our end users and DFS, amounts classified as trade accounts receivable are reclassified to the current portion of due from related parties on the consolidated balance sheets. Revenue recognized on transactions financed through DFS was recorded net of financing fees. Financing fees on arrangements accepted by both parties were \$29 million, \$60 million and \$66 million during fiscal 2022, fiscal 2021 and fiscal 2020, respectively.

Due To/From Related Parties

As of January 28, 2022, the current and non-current amounts due from and due to related parties were presented separately on the consolidated balance sheets, as a right of setoff no longer exists subsequent to the Spin-Off. As of January 29, 2021, the current portion of due from related parties was presented net of the current portion of due to related parties on the consolidated balance sheets.

The following table summarizes the current portion of due from and due to related parties as of January 29, 2021 (table in millions):

Due from related parties	\$	1,558
Due to related parties ⁽¹⁾		120
Current portion of due from related parties	\$	<u>1,438</u>

⁽¹⁾ Included an immaterial amount related to our current operating lease liabilities due to Dell.

Amounts in the current and non-current portions of due from related parties and due to related parties on the consolidated balance sheets as of January 28, 2022 included amounts due to Dell pursuant to the Tax Matters Agreement. Refer to Note P to the consolidated financial statement in Part II, Item 8 of this Annual Report on Form 10-K for more information.

Amounts included in the current portion of due from related parties, with the exception of DFS and tax obligations, are generally settled in cash within 60 days of each quarter-end.

Special Dividend

On November 1, 2021, we paid an \$11.5 billion Special Dividend, pro rata, to each of the holders of Class A Stock and Class B Stock, including Dell, as of the Record Date. Based upon the number of shares of common stock held by Dell as of the Record Date, approximately \$9.3 billion in cash was paid to Dell. Refer to Note A to the consolidated financial statement in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding the Spin-Off.

Notes Payable to Dell

As of January 29, 2021, we had an outstanding promissory note payable to Dell in the principal amount of \$270 million due December 1, 2022. We repaid the outstanding balance of \$270 million during the third quarter of fiscal 2022. During each of fiscal 2022, fiscal 2021 and fiscal 2020, interest expense on the note payable to Dell was not significant.

Liquidity and Capital Resources

As of the periods presented, we held cash, cash equivalents and short-term investments as follows (table in millions):

	January 28, 2022	January 29, 2021
Cash and cash equivalents	\$ 3,614	\$ 4,692
Short-term investments	19	23
Total cash, cash equivalents and short-term investments	<u>\$ 3,633</u>	<u>\$ 4,715</u>

Cash equivalents primarily consisted of amounts invested in money market funds. To diversify our credit risk, we limit the amount of our investments with any single issuer, monitor the diversity of the portfolio and limit the amount of investments held at any single financial institution. Short-term investments consisted of marketable equity securities in a company that completed its initial public offering during the third quarter of fiscal 2021.

We continue to expect that cash generated by operations will be our primary source of liquidity. We also continue to believe that existing cash, cash equivalents and our borrowing capacity, together with any cash generated from operations, will be sufficient to fund our operations for at least the next twelve months. While we believe these cash sources will be sufficient to fund our operations, our overall level of cash needs may be affected by capital allocation decisions that may include the number and size of acquisitions and stock repurchases, among other things. We expect to use free cash flow primarily to repay our outstanding indebtedness through the end of fiscal 2023. In addition, we plan to continue with our balanced capital allocation policy through investing in our product and solution offerings, acquisitions and returning capital to stockholders through share repurchases. Additionally, given the unpredictable nature of our outstanding legal proceedings, an unfavorable resolution of one or more legal proceedings, claims, or investigations could have a negative impact on our overall liquidity.

Beginning in fiscal 2023, the 2017 Tax Act eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for domestic expenses and fifteen years for certain foreign expenses. If the existing statute is not deferred, modified or repealed or repealed retroactively as we expect, our effective income tax rate in fiscal 2023 could increase materially and our cash taxes could increase by an amount in excess of \$500 million. The actual impact will depend on if and when this statute is deferred, modified, or repealed by Congress, including if such legislative action would be retroactively applied and the amount of research and development expenses paid or incurred in fiscal 2023, among other factors.

The 2017 Tax Act imposed a Transition Tax and eliminated U.S. Federal taxes on foreign subsidiary distributions. The Transition Tax was calculated on a separate tax return basis. Our liability related to the Transition Tax as of January 28, 2022 was \$504 million, which we expect to pay over the next four years pursuant to a letter agreement between Dell, EMC and us executed during the first quarter of fiscal 2020. Actual tax payments made to Dell pursuant to the tax sharing agreement may differ materially from our total estimated tax liability calculated on a separate tax return basis. Prior to the Spin-Off, the difference between our estimated liability and the amount paid to Dell was recognized as a component of additional paid-in capital, generally in the period in which the consolidated tax return was filed. Subsequent to the Spin-Off, pursuant to the Tax Matters Agreement with Dell, we have agreed to indemnify one another for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off and certain adjustments to these amounts that will be recognized in future periods will be recorded in other income (expense), net on the consolidated statements of income.

Our cash flows summarized for the periods presented were as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Net cash provided by (used in):			
Operating activities	\$ 4,357	\$ 4,409	\$ 3,872
Investing activities	(329)	(713)	(2,728)
Financing activities	(5,135)	(1,957)	(1,707)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (1,107)</u>	<u>\$ 1,739</u>	<u>\$ (565)</u>

Operating Activities

Cash provided by operating activities decreased by \$53 million during fiscal 2022 compared to fiscal 2021, primarily due to increased cash payments for employee-related expenses, including salaries, bonuses and commissions, resulting primarily from growth in headcount and salaries, as well as higher cash outflows related to operating expenses, our employee stock purchase plan and interest on outstanding debts. These activities were partially offset by increased cash collections due to increased sales and decreased tax payments compared to fiscal 2021.

Investing Activities

Cash used in investing activities decreased by \$383 million during fiscal 2022 compared to fiscal 2021, primarily driven by a decrease in cash used in business combinations, as well as an increase in proceeds from sales of our investments in equity securities. These activities were partially offset by an increase in additions to property and equipment compared to fiscal 2021.

Financing Activities

Cash used in financing activities increased by \$3.2 billion during fiscal 2022 compared to fiscal 2021, primarily driven by the payment of the \$11.5 billion Special Dividend in fiscal 2022, offset in part by an increase in indebtedness incurred, as well as a decrease in the aggregate amount of indebtedness repaid during fiscal 2022 compared to fiscal 2021. In addition, cash used for repurchases of shares of our common stock increased \$224 million compared to fiscal 2021.

Unsecured Senior Notes

The following table summarizes the principal on our series of unsecured senior notes issued August 21, 2017 (the “2017 Senior Notes”), three series of unsecured senior notes issued April 7, 2020 (the “2020 Senior Notes”) and five series of unsecured senior notes issued August 2, 2021 (the “2021 Senior Notes”, collectively with the 2017 Senior Notes and 2020 Senior Notes, the “Senior Notes”) as of January 28, 2022 (amounts in millions):

2017 Senior Notes:	
3.90% Senior Note Due August 21, 2027	\$ 1,250
2020 Senior Notes	
4.50% Senior Note Due May 15, 2025	750
4.65% Senior Note Due May 15, 2027	500
4.70% Senior Note Due May 15, 2030	750
2021 Senior Notes:	
0.60% Senior Note Due August 15, 2023	1,000
1.00% Senior Note Due August 15, 2024	1,250
1.40% Senior Note Due August 15, 2026	1,500
1.80% Senior Note Due August 15, 2028	750
2.20% Senior Note Due August 15, 2031	1,500
Total principal amount	\$ 9,250

Interest on the 2021 Senior Notes is payable semiannually in arrears, on February 15 and August 15 of each year, commencing on February 15, 2022. Interest on the 2020 Senior Notes is payable semiannually in arrears, on May 15 and November 15 of each year, commencing on November 15, 2020. The interest rate on the 2020 Senior Notes is subject to adjustment based on certain rating events. Interest on the 2017 Senior Notes is payable semiannually in arrears, on February 21 and August 21 of each year, commencing on February 21, 2018. During fiscal 2022, fiscal 2021 and fiscal 2020, \$185 million, \$170 million and \$122 million, respectively, was paid for interest related to the Senior Notes. The Senior Notes also contain restrictive covenants that, in certain circumstances, limit our ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

As of January 28, 2022, the aggregate future principal and interest payments on the outstanding Senior Notes were \$10.7 billion, with \$230 million payable within 12 months.

On January 18, 2022, we exercised a make-whole call and redeemed the \$1.5 billion unsecured senior note due August 21, 2022 at a premium. The loss on extinguishment of debt was \$21 million during fiscal 2022 and was recognized in other income (expense), net on the consolidated statements of income.

On May 11, 2020, we exercised a make-whole call and redeemed the \$1.3 billion unsecured senior note due August 21, 2020 at a premium. The loss on extinguishment of debt was not material during fiscal 2021 and was recognized in other income (expense), net on the consolidated statements of income.

Senior Unsecured Term Loan Facility

On September 2, 2021, we received commitments from financial institutions for a three-year senior unsecured term loan facility and a five-year senior unsecured term loan facility that provided us with a one-time aggregate borrowing capacity of up to \$4.0 billion (the “2021 Term Loan”). On November 1, 2021, we drew down an aggregate of \$4.0 billion with a weighted average interest rate of 0.90%. The drawdown was used to fund a portion of the Special Dividend. On January 25, 2022, we repaid an aggregate of \$500 million.

As of January 28, 2022, the outstanding principal balance on the 2021 Term Loan was \$3.5 billion, none of which is payable within 12 months. Given the variable nature of the interest on the term loan facilities, including when the repayment will take place, interest payments have not been included in the aggregate amount payable in future periods.

Revolving Credit Facility

On September 2, 2021, we entered into an unsecured credit agreement establishing a revolving credit facility with a syndicate of lenders that provides us with a borrowing capacity of up to \$1.5 billion for general corporate purposes (the “2021 Revolving Credit Facility”). The 2021 Revolving Credit Facility replaced our existing \$1.0 billion revolving credit facility that was entered into on September 12, 2017 and was undrawn. Commitments under the 2021 Revolving Credit Facility are available for a period of five years, which may be extended, subject to the satisfaction of certain conditions, by up to two one-year periods. The 2021 Revolving Credit Facility contains certain representations, warranties and covenants.

As of January 28, 2022, there was no outstanding borrowing under the 2021 Revolving Credit Facility.

Stock Repurchase Program

From time to time, we repurchase stock pursuant to authorized stock repurchase programs in open market transactions as permitted by securities laws and other legal requirements. We are not obligated to purchase any shares under our stock repurchase programs. The timing of any repurchases and the actual number of shares repurchased depends on a variety of factors, including our stock price, cash requirements for operations and business combinations, corporate and regulatory requirements and other market and economic conditions. Purchases may be discontinued at any time we believe additional purchases are not warranted. All shares repurchased under our stock repurchase programs are retired.

Refer to Note Q to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for stock repurchase authorizations approved by our board of directors during the periods presented.

Contractual Obligations

In addition to the Senior Notes and the 2021 Term Loan discussed earlier, we have other contractual obligations that impact our liquidity. The following represents our other contractual obligations as of January 28, 2022.

- *Future Lease Commitments*—We have operating and finance leases primarily related to office facilities and equipment. As of January 28, 2022, our future minimum lease payments under non-cancellable operating and finance leases were \$1.4 billion, with \$183 million payable within 12 months. The amounts exclude legally binding minimum lease payments for leases signed but not yet commenced of \$29 million, as well as expected sublease income.
- *Purchase Obligations*—Our purchase obligations consist of agreements to purchase goods and services entered into in the ordinary course of business. As of January 28, 2022, we had non-cancellable unconditional purchase obligations of \$615 million, with \$473 million payable within 12 months.
- *Tax Obligations and Uncertain Tax Positions*—As of January 28, 2022, future cash payments related to the Transition Tax were \$504 million, with \$59 million payable within 12 months. As of January 28, 2022, we had \$527 million of gross uncertain tax benefits, excluding interest and penalties. The timing of future payments relating to the uncertain tax benefits is highly uncertain. Based on the timing and outcome of examinations of our subsidiaries, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that within the next 12 months total unrecognized tax benefits could be potentially reduced by approximately \$20 million.
- *Asset Retirement Obligations*—Asset retirement obligations represent the estimated costs to bring certain office buildings that we lease back to their original condition after the termination of the lease. As of January 28, 2022, we had asset retirement obligations of \$22 million, with an immaterial amount payable within 12 months.

Refer to Note E to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for more information on our contractual commitments, guarantees and indemnification obligations.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), we are required to make estimates, assumptions and judgments that affect the amounts reported on our financial statements and the accompanying disclosures. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. We base our estimates, assumptions and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. These estimates may change in future periods and will be recognized in the consolidated financial statements as new events occur and additional information becomes known. Actual results could differ from those estimates and any such differences may be material to our financial statements. We believe that the critical accounting policies and estimates set forth below involve a higher degree of judgment and complexity in their application than our other significant accounting policies. Our senior management has reviewed our critical accounting policies and related disclosures with the Audit Committee of the Board of Directors. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed

materially from actual results. Refer to Note A to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for information on significant accounting policies and estimates used in the preparation of the consolidated financial statements.

As the impact of the COVID-19 pandemic continues to evolve, estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require increased judgment. These estimates and assumptions may change in future periods and will be recognized in the consolidated financial statements as new events occur and additional information becomes known. To the extent our actual results differ materially from those estimates and assumptions, our future financial statements could be affected.

Revenue Recognition

We derive revenue primarily from licensing software under perpetual and consumption-based contracts and related software maintenance and support, software subscriptions (“subscriptions”), hosted services, training and consulting services. We account for a contract with a customer if all criteria defined by the guidance are met, including collectability of the consideration is probable. At inception of a contract with a customer, we evaluate whether the promised products and services represent distinct performance obligations within the context of the contract. Performance obligations that are both capable of being distinct on their own and distinct within the context of the contract are recognized on their own as distinct performance obligations. Performance obligations under which both of these two criteria are not met are recognized as a combined, single performance obligation. Determining whether our licenses, subscriptions and services are considered distinct performance obligations that should be accounted for separately or together often involves assumptions and significant judgments that can have a significant impact on the timing and amount of revenue recognized.

Revenue is recognized upon transfer of control of licenses, subscriptions or services to our customer in an amount that reflects the consideration we expect to receive in exchange for those licenses, subscriptions or services. Control of a promised license, subscription or service may be transferred to a customer either at a point in time or over time, which affects the timing of revenue recognition. Licenses that represent distinct performance obligations are recognized at a point in time when the software license keys have been made available to the customer. Licenses sold as part of our subscriptions that do not represent distinct performance obligations are recognized over time along with the associated services that form a combined performance obligation with the software. Management assesses relevant contractual terms in contracts with customers and applies significant judgment in identifying and accounting for all terms and conditions in certain contracts.

In addition, revenue from software licenses sold to OEMs is recognized when the sale to the end user occurs. Revenue is recognized upon reporting by the OEMs of their sales, and for the period where information of the underlying sales has not been made available, revenue is recognized based upon estimated sales. Our VCPP partners license on-premises software from us on a monthly basis under a usage-based model. Revenue recognition is based on fees associated with reported license consumption by the VCPP partners and includes estimates for the period when consumption information has not been made available. Certain contracts include third-party offerings and revenue may be recognized net of the third-party costs, based upon an assessment as to whether we had control of the underlying third-party offering.

We enter into revenue contracts with multiple performance obligations in which a customer may purchase combinations of licenses, maintenance and support, subscriptions, hosted services, training, consulting services and rights to future products and services. For contracts with multiple performance obligations, we allocate total transaction value to the identified underlying performance obligations based on relative standalone selling price (“SSP”). We typically estimate SSP of performance obligations based on observable transactions when the obligations are sold on a standalone basis and those prices fall within a reasonable range. We utilize the residual approach to estimate SSP primarily for offerings when sold to customers at highly variable pricing. Changes in assumptions or judgments used in determining standalone selling price could have a significant impact on the timing and amount of revenue we report in a particular period.

Professional services include design, implementation, training and consulting services. Professional services performed by us represent distinct performance obligations as they do not modify or customize licenses sold. These services are not highly interdependent or highly interrelated to licenses sold such that a customer would not be able to use the licenses without the professional services. Revenue from professional services engagements performed for a fixed fee, for which we are able to make reasonably dependable estimates of progress toward completion, is recognized based on progress. We believe this method of measurement provides the closest depiction of our performance in transferring control of the professional services.

Rebate Reserves

We offer rebates to certain channel partners, which are recognized as a reduction to revenue or unearned revenue. Rebates based on actual partner sales are recognized as a reduction to revenue as the underlying revenue is recognized. Rebates earned based upon partner achievement of cumulative level of sales are recognized as a reduction of revenue proportionally for each sale that is required to achieve the target.

The estimated reserves for channel rebates and sales incentives are based on channel partners' actual performance against the terms and conditions of the programs, historical trends and the value of the rebates. The accuracy of these reserves for these rebates and sales incentives depends on our ability to estimate these items and could have a significant impact on the timing and amount of revenue we report.

Deferred Commissions

Sales commissions, including the employer portion of payroll taxes, earned by our sales force are considered incremental and recoverable costs of obtaining a contract and are deferred and generally amortized on a straight-line basis over the expected period of benefit. The expected period of benefit is generally determined using the contract term or underlying technology life, if renewals are expected and the renewal commissions are not commensurate with the initial commissions. The determination of the expected period of benefit requires us to make significant estimates and assumptions, including the life of the underlying technology and the estimated period of contract renewal. We believe the assumptions and estimates we have made are reasonable. Differences in the estimated period of benefit could have a significant impact on the timing and amount of amortization expense recognized.

Income Taxes

Prior to the Spin-Off, our financial results were included in the Dell consolidated tax return for U.S. federal income tax purposes. Our income tax provision or benefit was calculated primarily as though we were a separate taxpayer, with certain transactions between us and Dell being assessed using consolidated tax return rules. The difference between the income taxes payable that was calculated on a separate tax return basis and the amount paid to Dell pursuant to our tax sharing agreement with Dell was presented as a component of additional paid-in capital. As a result of the Spin-Off, we are no longer a member of the Dell consolidated tax group and our U.S. income tax will be reported separately from that of the Dell consolidated tax group.

We establish reserves for income taxes to address potential exposures involving tax positions that could be challenged by federal, state and foreign tax authorities, which may result in proposed assessments. In the ordinary course of our global business there are many intercompany transactions, including the transfer of intellectual property, where the ultimate tax determination could be challenged by the tax authorities. In the instance of transfers of intellectual property, the related deferred tax asset recognized is based on the intellectual property's current fair value. Management applies significant judgment when determining the fair value of the intellectual property, which serves as the tax basis of the deferred tax asset, and in evaluating the associated tax laws in the applicable jurisdictions. Our assumptions, estimates and judgments used to determine the reserve relating to these positions considers current tax laws, interpretation of current tax laws and possible outcomes of current and future examinations conducted by tax authorities. As a result of the Spin-Off, we are no longer a member of Dell's consolidated tax group, however, we are still subject to potential tax liabilities for the periods prior to the Spin-Off. We are also subject to the periodic examination of our income tax returns by the IRS and other domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our reserves and any potential adjustments that may result from the current and future examinations. We believe such estimates to be reasonable; however, the final determination from examinations and changes in tax laws could significantly impact the amounts provided for income taxes in the consolidated financial statements.

Our deferred tax assets reflect our estimates of the amount and category of future taxable income, such as income from operations and capital gains, and also take into account valuation allowances that consider other key factors that might restrict our ability to realize the deferred tax assets. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate.

Business Combinations

We allocate the purchase price of acquirees to the identifiable assets acquired, the liabilities assumed and any noncontrolling interests in an acquiree, which are measured based on the acquisition date fair value. Goodwill is measured as the excess of consideration transferred over the net amounts of the identifiable tangible and intangible assets acquired and the liabilities assumed at the acquisition date.

The allocation of the purchase price requires us to make significant estimates and assumptions to determine the fair value of assets acquired and liabilities assumed and the related useful lives of the acquired assets, when applicable, as of the acquisition date. Although we believe the assumptions and estimates we have made are reasonable, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates used in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from sales, maintenance agreements and acquired developed technologies;

- the acquired company's trade name and customer relationships as well as assumptions about the period of time the acquired trade name and customer relationships will continue to be used in the combined company's product portfolio; and
- discount rates used to determine the present value of estimated future cash flows.

These estimates are inherently uncertain and unpredictable and if different estimates were used the purchase price for the acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. Additionally, unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We operate in foreign countries, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which is the euro.

Although approximately 70% of our sales are denominated in the U.S. dollar, we also invoice and collect in various foreign currencies, principally euro, the British pound, the Japanese yen, the Australian dollar and the Chinese renminbi.

The U.S. dollar is the functional currency of VMware's foreign subsidiaries. At the time a non-U.S. dollar transaction is recorded, the value of the transaction is converted into U.S. dollars at the exchange rate in effect for the month in which each order is booked. As a result, the amount of revenue derived from these transactions will be impacted by foreign currency exchange fluctuations.

Additionally, a portion of our operating expenses, primarily the cost of personnel to deliver technical support on our products, SaaS offerings and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily those currencies in which we also invoice and collect. As exchange rates vary, operating results may differ materially from expectations.

To manage the risk associated with fluctuations in foreign currency exchange rates, we utilize derivative financial instruments, principally foreign currency forward contracts ("forward contracts"), as described below.

Cash Flow Hedging Activities. To mitigate our exposure to foreign currency fluctuations resulting from certain operating expenses denominated in certain foreign currencies, we enter into forward contracts which have maturities of fourteen months or less. As of January 28, 2022 and January 29, 2021, we had outstanding forward contracts with a total notional value of \$642 million and \$486 million, respectively. The fair value of these forward contracts was not significant as of January 28, 2022 and January 29, 2021.

Forward Contracts Not Designated as Hedges. We enter into forward contracts to offset the foreign currency risk associated with net outstanding monetary asset and liability positions that are traded on a monthly basis and generally have a contractual term of one month. As of January 28, 2022 and January 29, 2021, we had outstanding forward contracts with a total notional value of \$1.5 billion and \$1.2 billion, respectively. The fair value of these forward contracts was not significant as of January 28, 2022 and January 29, 2021.

Sensitivity Analysis. There can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. A hypothetical adverse foreign currency exchange rate movement of 10% would have resulted in a potential loss of \$219 million in the fair value of our forward contracts as of January 28, 2022. This sensitivity analysis is based on the notional value of our outstanding forward contracts as of January 28, 2022 and disregards any offsetting gain that may be associated with the underlying foreign-currency denominated assets and liabilities that we hedge.

This analysis also assumes a parallel adverse shift of all foreign currency exchange rates against the U.S. dollar; however, foreign currency exchange rates do not always move in such a manner and actual results may differ materially. We do not and do not intend to use derivative financial instruments for trading or speculative purposes. Refer to Note L to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Equity Price Risk

Strategic Investments

Our strategic investments include privately held companies that are considered to be in the start-up or development stages and are inherently risky. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our initial investment in these companies. We account for these investments at cost less impairment, if any, adjusted for observable price changes in orderly transactions for

the identical or a similar security of the same issuer. The evaluation is based on information provided by these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies and as such, the basis for these evaluations is subject to the timing and accuracy of the data provided. The carrying value of VMware's strategic investments was \$163 million and \$129 million as of January 28, 2022 and January 29, 2021, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

VMware, Inc.

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Note: All other financial statement schedules are omitted because they are not applicable or the required information is included on the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of VMware, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of VMware, Inc. and its subsidiaries (the “Company”) as of January 28, 2022 and January 29, 2021, and the related consolidated statements of income, of comprehensive income, of stockholders’ equity (deficit) and of cash flows for each of the three years in the period ended January 28, 2022, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of January 28, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 28, 2022 and January 29, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 28, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, the Company changed the manner in which it accounts for leases effective February 2, 2019.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures

that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition — Identifying and Evaluating Terms and Conditions in Certain Contracts

As described in Note A to the consolidated financial statements, the Company derives revenue primarily from licensing software under perpetual and consumption-based contracts and related software maintenance and support, subscriptions, hosted services, training and consulting services. Revenue is recognized upon transfer of control of licenses, subscriptions or services to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those licenses, services or subscriptions. Control of a promised license, subscription or service may be transferred to a customer either at a point in time or over time, which affects the timing of revenue recognition. The Company's contracts with customers may include a combination of licenses, subscriptions and services that are accounted for as distinct performance obligations. Management assesses relevant contractual terms in contracts with customers and applies significant judgment in identifying and accounting for all terms and conditions in certain contracts. For the year ended January 28, 2022, the Company's total revenue was \$12.9 billion.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically the identification and evaluation of terms and conditions in certain contracts, is a critical audit matter are the significant judgment by management in identifying terms and conditions in certain contracts that impact revenue recognition. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence to determine whether contract terms and conditions, which may impact revenue recognition, were appropriately identified and evaluated by management.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls relating to the identification and evaluation of terms and conditions in contracts that impact revenue recognition. These procedures also included, among others, evaluating the completeness and accuracy of management's identification and evaluation of the terms and conditions in contracts by examining contracts on a test basis and evaluating management's determination of the impact of those terms and conditions on revenue recognition.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 24, 2022

We have served as the Company's auditor since 2007.

VMware, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(amounts in millions, except per share amounts, and shares in thousands)

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Revenue ⁽¹⁾ :			
License	\$ 3,128	\$ 3,033	\$ 3,181
Subscription and SaaS	3,205	2,587	1,877
Services	6,518	6,147	5,753
Total revenue	12,851	11,767	10,811
Operating expenses ⁽²⁾ :			
Cost of license revenue	152	163	166
Cost of subscription and SaaS revenue	690	588	400
Cost of services revenue	1,429	1,292	1,233
Research and development	3,057	2,816	2,522
Sales and marketing	4,067	3,711	3,677
General and administrative	1,068	767	1,293
Realignment	1	42	79
Operating income	2,387	2,388	1,441
Investment income	2	7	60
Interest expense	(252)	(204)	(149)
Other income (expense), net	(52)	191	86
Income before income tax	2,085	2,382	1,438
Income tax provision (benefit)	265	324	(4,918)
Net income	1,820	2,058	6,356
Less: Net loss attributable to non-controlling interests	—	—	(56)
Net income attributable to VMware, Inc.	\$ 1,820	\$ 2,058	\$ 6,412
Net income per weighted-average share attributable to VMware, Inc. common stockholders, basic ⁽³⁾	\$ 4.34	\$ 4.90	\$ 15.37
Net income per weighted-average share attributable to VMware, Inc. common stockholders, diluted ⁽³⁾	\$ 4.31	\$ 4.86	\$ 15.08
Weighted-average shares of common stock, basic	419,504	419,841	417,058
Weighted-average shares of common stock, diluted	422,394	423,240	425,235

⁽¹⁾ Includes related party revenue as follows (refer to Note D):

License	\$ 1,530	\$ 1,598	\$ 1,569
Subscription and SaaS	820	524	342
Services	2,470	1,994	1,459

⁽²⁾ Includes stock-based compensation as follows:

Cost of license revenue	\$ 1	\$ 1	\$ 1
Cost of subscription and SaaS revenue	21	19	13
Cost of services revenue	92	99	83
Research and development	528	524	459
Sales and marketing	302	322	293
General and administrative	131	157	168

⁽³⁾ Automatically as a result of VMware's spin-off from Dell on November 1, 2021 (the "Spin-Off"), each share of Class B convertible common stock converted into one fully paid and non-assessable share of Class A common stock. Subsequent to the Spin-Off, net income per weighted-average share was attributable to VMware Inc. Class A common stockholders. Prior to the Spin-Off, net income per weighted-average share was attributable to VMware Inc. Class A and Class B common stockholders (Refer to Note H).

The accompanying notes are an integral part of the consolidated financial statements.

VMware, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Net income	\$ 1,820	\$ 2,058	\$ 6,356
Other comprehensive income (loss):			
Changes in fair value of effective foreign currency forward contracts:			
Unrealized gains (losses), net of tax provision (benefit) of \$— for all periods	(1)	(1)	—
Reclassification of (gains) losses realized during the period, net of tax (provision) benefit of \$— for all periods	1	—	(2)
Net change in fair value of effective foreign currency forward contracts	—	(1)	(2)
Total other comprehensive income (loss)	—	(1)	(2)
Comprehensive income, net of taxes	1,820	2,057	6,354
Less: Net loss attributable to the non-controlling interests	—	—	(56)
Comprehensive income attributable to VMware, Inc.	<u>\$ 1,820</u>	<u>\$ 2,057</u>	<u>\$ 6,410</u>

The accompanying notes are an integral part of the consolidated financial statements.

VMware, Inc.
CONSOLIDATED BALANCE SHEETS
(amounts in millions, except per share amounts, and shares in thousands)

	January 28, 2022	January 29, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,614	\$ 4,692
Short-term investments	19	23
Accounts receivable, net of allowance of \$10 and \$5	2,297	1,929
Due from related parties ⁽¹⁾	1,438	1,438
Other current assets	598	530
Total current assets	7,966	8,612
Property and equipment, net	1,461	1,334
Deferred tax assets	5,906	5,781
Intangible assets, net	714	993
Goodwill	9,598	9,599
Due from related parties	199	—
Other assets	2,832	2,697
Total assets	\$ 28,676	\$ 29,016
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 234	\$ 131
Accrued expenses and other	2,806	2,382
Unearned revenue	6,479	5,873
Due to related parties ⁽¹⁾	132	—
Total current liabilities	9,651	8,386
Note payable to Dell	—	270
Long-term debt	12,671	4,717
Unearned revenue	4,743	4,441
Income tax payable	242	805
Operating lease liabilities	927	891
Due to related parties	909	—
Other liabilities	409	455
Total liabilities	29,552	19,965
Contingencies (refer to Note E)		
Stockholders' equity (deficit):		
Class A common stock, par value \$0.01; authorized 2,500,000 shares; issued and outstanding 418,808 and 112,082 shares	4	1
Class B convertible common stock, par value \$0.01; authorized none and 1,000,000 shares; issued and outstanding none and 307,222 shares	—	3
Additional paid-in capital	—	1,985
Accumulated other comprehensive loss	(5)	(5)
Retained earnings (accumulated deficit)	(875)	7,067
Total stockholders' equity (deficit)	(876)	9,051
Total liabilities and stockholders' equity (deficit)	\$ 28,676	\$ 29,016

⁽¹⁾ As of January 28, 2022, due from related parties and due to related parties were presented separately, as a right of setoff no longer exists subsequent to the Spin-Off. As of January 29, 2021, due from related parties was presented net of due to related parties (refer to Note D).

The accompanying notes are an integral part of the consolidated financial statements.

VMware, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Operating activities:			
Net income	\$ 1,820	\$ 2,058	\$ 6,356
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,110	1,025	873
Stock-based compensation	1,075	1,122	1,017
Deferred income taxes, net	(80)	(152)	(5,284)
(Gain) loss on equity securities and disposition of assets, net	33	(148)	(35)
Loss on extinguishment of debt	21	8	—
Other	10	(1)	9
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(379)	(37)	(119)
Other current assets and other assets	(852)	(879)	(668)
Due from related parties ⁽¹⁾	95	19	(374)
Accounts payable	98	(69)	35
Accrued expenses and other liabilities	487	518	417
Income taxes payable	28	(68)	(23)
Unearned revenue	908	1,013	1,668
Due to related parties ⁽¹⁾	(17)	—	—
Net cash provided by operating activities	<u>4,357</u>	<u>4,409</u>	<u>3,872</u>
Investing activities:			
Additions to property and equipment	(386)	(329)	(279)
Sales of investments in equity securities	77	26	—
Purchases of strategic investments	(11)	(29)	(30)
Proceeds from disposition of assets	14	28	22
Business combinations, net of cash acquired, and purchases of intangible assets	(23)	(409)	(2,437)
Net cash paid on disposition of a business	—	—	(4)
Net cash used in investing activities	<u>(329)</u>	<u>(713)</u>	<u>(2,728)</u>
Financing activities:			
Proceeds from issuance of common stock	270	273	308
Proceeds from issuance of senior notes, net of issuance costs	5,944	1,979	—
Borrowings under term loan, net of issuance costs	3,998	—	3,393
Repayment of term loan	(500)	(1,500)	(1,900)
Repayment of current portion of senior notes	(1,519)	(1,257)	—
Repayment of note payable to Dell	(270)	—	—
Repurchase of common stock	(1,169)	(945)	(1,334)
Shares repurchased for tax withholdings on vesting of restricted stock	(385)	(412)	(534)
Payment for Special Dividend	(11,499)	—	—
Payment to acquire non-controlling interests	—	(91)	(1,666)
Contribution from Dell	—	—	27
Principal payments on finance lease obligations	(5)	(4)	(1)
Net cash used in financing activities	<u>(5,135)</u>	<u>(1,957)</u>	<u>(1,707)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(1,107)</u>	<u>1,739</u>	<u>(565)</u>
Cash, cash equivalents and restricted cash at beginning of the period	4,770	3,031	3,596
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 3,663</u>	<u>\$ 4,770</u>	<u>\$ 3,031</u>
Supplemental disclosures of cash flow information:			
Issuance of VMware Class B common stock for Pivotal Class B common stock held by Dell	\$ —	\$ —	\$ 1,101
Cash paid for interest	200	200	134
Cash paid for taxes, net	331	543	369
Non-cash items:			
Changes in capital additions, accrued but not paid	\$ 4	\$ (10)	\$ 18
Changes in tax withholdings on vesting of restricted stock, accrued but not paid	(7)	1	(13)

⁽¹⁾ Subsequent to the Spin-Off, due from related parties and due to related parties were presented separately, as a right of setoff no longer exists. Prior to the Spin-Off, due from related parties was presented net of due to related parties.

The accompanying notes are an integral part of the consolidated financial statements.

VMware, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in millions)

	Class A Common Stock		Class B Convertible Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Non-controlling Interests	Stockholders' Equity (Deficit)
	Shares	Par Value	Shares	Par Value					
Balance, February 1, 2019	111	\$ 1	300	\$ 3	\$ 2,959	\$ (1,096)	\$ (2)	\$ 1,026	\$ 2,891
Cumulative effect of adoption of new accounting pronouncements	—	—	—	—	—	3	—	—	3
Proceeds from issuance of common stock	2	—	—	—	203	—	—	—	203
Issuance of stock-based awards in acquisition	—	—	—	—	13	—	—	—	13
Repurchase and retirement of common stock	(8)	—	—	—	(1,024)	(310)	—	—	(1,334)
Issuance of restricted stock	8	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vesting of restricted stock	(3)	—	—	—	(521)	—	—	—	(521)
Stock-based compensation	—	—	—	—	921	—	—	96	1,017
Credit from tax sharing arrangement	—	—	—	—	85	—	—	—	85
Investment from Dell, net	—	—	—	—	13	—	—	9	22
Total other comprehensive income (loss)	—	—	—	—	—	—	(2)	—	(2)
Transactions with Pivotal's non-controlling stockholders	—	—	—	—	(649)	—	—	(1,075)	(1,724)
Issuance of VMware's Class B common stock issued to Dell	—	—	7	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	6,412	—	(56)	6,356
Balance, January 31, 2020	110	1	307	3	2,000	5,009	(4)	—	7,009
Proceeds from issuance of common stock	3	—	—	—	273	—	—	—	273
Repurchase and retirement of common stock	(7)	—	—	—	(945)	—	—	—	(945)
Issuance of restricted stock	9	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vesting of restricted stock	(3)	—	—	—	(413)	—	—	—	(413)
Stock-based compensation	—	—	—	—	1,116	—	—	—	1,116
Amount due from tax sharing arrangement	—	—	—	—	(46)	—	—	—	(46)
Total other comprehensive income (loss)	—	—	—	—	—	—	(1)	—	(1)
Net income	—	—	—	—	—	2,058	—	—	2,058
Balance, January 29, 2021	112	1	307	3	1,985	7,067	(5)	—	9,051
Proceeds from issuance of common stock	3	—	—	—	270	—	—	—	270
Repurchase and retirement of common stock	(8)	—	—	—	(983)	(186)	—	—	(1,169)
Issuance of restricted stock	8	—	—	—	—	—	—	—	—
Shares withheld for tax withholdings on vesting of restricted stock	(3)	—	—	—	(378)	—	—	—	(378)
Stock-based compensation	—	—	—	—	1,096	—	—	—	1,096
Amount due from tax sharing arrangement	—	—	—	—	(67)	—	—	—	(67)
Conversion of Class B convertible common stock to Class A common stock	307	3	(307)	(3)	—	—	—	—	—
Special Dividend	—	—	—	—	(1,923)	(9,576)	—	—	(11,499)
Net income	—	—	—	—	—	1,820	—	—	1,820
Balance, January 28, 2022	419	\$ 4	—	\$ —	\$ —	\$ (875)	\$ (5)	\$ —	\$ (876)

The accompanying notes are an integral part of the consolidated financial statements.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Overview and Basis of Presentation

Company and Background

VMware, Inc. (“VMware”) originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware, and then evolved to become the private cloud and mobility management leader. Building upon that leadership, VMware is focused on becoming the multi-cloud leader. Information technology (“IT”) driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. Organizations’ IT departments and corporate divisions are working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses and their product teams through a digital transformation. To take on these challenges, the Company is helping customers drive their multi-cloud strategy by providing the multi-cloud platform for all applications, enabling digital innovation and enterprise control.

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for annual financial reporting.

On November 1, 2021, VMware’s Spin-Off from Dell Technologies Inc. (“Dell”) was completed, and, in accordance with the Separation and Distribution Agreement, effective as of April 14, 2021 (the “Separation Agreement”), upon the satisfaction of all conditions and immediately prior to the Spin-Off, VMware paid an \$11.5 billion cash dividend, pro rata, to each of the holders of Class A common stock (“Class A Stock”) and Class B convertible common stock (“Class B Stock”), including Dell (the “Special Dividend”) as of October 29, 2021 (the “Record Date”). VMware funded the Special Dividend in part through the \$10.0 billion of indebtedness incurred during fiscal 2022, including \$6.0 billion in the senior notes that VMware issued in August 2021 and \$4.0 billion in aggregate drawdowns on its senior unsecured term loan facilities on November 1, 2021. Automatically as a result of the Spin-Off, each share of Class B Stock converted into one fully paid and non-assessable share of Class A Stock.

As a result of the Spin-Off, VMware became a standalone company and entities affiliated with Michael Dell (the “MSD Stockholders”), who serves as VMware’s Chairman of the Board and chairman and chief executive officer of Dell, and entities affiliated with Silver Lake Partners (the “SLP Stockholders”), of which Egon Durban, a VMware director, is a managing partner, became owners of direct interests in VMware representing 40.4% and 10.0%, respectively, of VMware’s outstanding stock, based on the shares outstanding as of January 28, 2022. Due to the MSD Stockholders’ and SLP Stockholders’ direct ownership in both VMware and Dell, as well as Mr. Dell’s executive position with Dell, transactions with Dell continue to be considered related party transactions following the Spin-Off.

The fiscal year for VMware is the 52 or 53 weeks ending on the Friday nearest to January 31 of each year. The Company refers to its fiscal years ended January 28, 2022, January 29, 2021 and January 31, 2020 as “fiscal 2022,” “fiscal 2021,” and “fiscal 2020,” respectively. Fiscal 2022, fiscal 2021 and fiscal 2020 were each 52-week fiscal years.

Management believes the assumptions underlying the consolidated financial statements are reasonable. However, the amounts recorded for VMware’s related party transactions with Dell and its consolidated subsidiaries may not be considered arm’s length with an unrelated third party. Therefore, the consolidated financial statements included herein may not necessarily reflect the results of operations, financial position and cash flows had VMware engaged in such transactions with an unrelated third party during all periods presented. Accordingly, VMware’s historical financial information is not necessarily indicative of what the Company’s results of operations, financial position and cash flows will be in the future, if and when VMware contracts at arm’s length with unrelated third parties for products and services the Company receives from and provides to Dell.

Retrospective Combination of Historical Financial Statements

In December 2019, VMware completed the acquisition of Pivotal Software, Inc. (“Pivotal”), which was, at the time, a subsidiary of VMware’s former parent company, Dell. The purchase of the controlling interest in Pivotal from Dell was accounted for as a transaction between entities under common control in accordance with Accounting Standards Codification (“ASC”) 805-50, Business Combination - Related Issues, which requires retrospective combination of entities for all periods presented, as if the combination had been in effect since the inception of common control. The consolidated financial statements of VMware, during the year ended January 31, 2020, and notes thereto were presented on a combined basis, as both

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

VMware and Pivotal were under common control during the year ended January 31, 2020. Refer to Note B for more information on VMware's acquisition of Pivotal.

Principles of Consolidation

The consolidated financial statements include the accounts of VMware and subsidiaries in which VMware has a controlling financial interest. The portion of results of operations attributable to the non-controlling interests for Pivotal prior to the acquisition was included in net loss attributable to non-controlling interests on the consolidated statements of income during the year ended January 31, 2020. As part of the acquisition of Pivotal, VMware acquired the non-controlling interests in Pivotal from the holders of Pivotal Class A stock and has held 100% of the controlling financial interest in Pivotal since December 2019.

All intercompany transactions and account balances between VMware and its subsidiaries have been eliminated in consolidation. Transactions with Dell and its consolidated subsidiaries are generally settled in cash and are classified on the consolidated statements of cash flows based upon the nature of the underlying transaction.

Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses during the reporting periods, and the disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, trade receivable valuation, marketing development funds, expected period of benefit for deferred commissions, useful lives assigned to fixed assets and intangible assets, valuation of goodwill and definite-lived intangibles, income taxes, stock-based compensation and contingencies. Actual results could differ from those estimates. To the extent the Company's actual results differ materially from those estimates and assumptions, VMware's future financial statements could be affected.

Revenue Recognition

VMware derives revenue primarily from licensing software under perpetual and consumption-based contracts and related software maintenance and support, subscriptions, hosted services, training and consulting services. VMware accounts for a contract with a customer if all criteria defined by ASC 606, Revenue from Contracts with Customers are met, including that collectability of the consideration is probable. At inception of a contract with a customer, the Company evaluates whether the promised products and services represent distinct performance obligations within the context of the contract. Performance obligations that are both capable of being distinct on their own and distinct within the context of the contract are recognized on their own as distinct performance obligations. Performance obligations under which both of these two criteria are not met are recognized as a combined, single performance obligation. Determining whether the Company's licenses, subscriptions and services are considered distinct performance obligations that should be accounted for separately or together often involves assumptions and significant judgments that can have a significant impact on the timing and amount of revenue recognized.

Revenue is recognized upon transfer of control of licenses, subscriptions or services to the customer in an amount that reflects the consideration VMware expects to receive in exchange for those licenses, services or subscriptions. Control of a promised license, subscription or service may be transferred to a customer either at a point in time or over time, which affects the timing of revenue recognition. VMware's contracts with customers may include a combination of licenses, subscriptions and services that are accounted for as distinct performance obligations. Licenses that represent distinct performance obligations are recognized at a point in time when the software license keys have been made available to the customer. Licenses sold as part of the Company's subscriptions that do not represent distinct performance obligations are recognized over time along with the associated services that form a combined performance obligation with the software. Management assesses relevant contractual terms in contracts with customers and applies significant judgment in identifying and accounting for all terms and conditions in certain contracts. Certain contracts include third-party offerings and revenue that may be recognized net of the third-party costs, based upon an assessment as to whether VMware had control of the underlying third-party offering. Revenue is recognized net of any taxes invoiced to customers, which are subsequently remitted to governmental authorities.

From time to time, VMware may enter into revenue and purchase contracts with the same customer within a short period of time. VMware evaluates the underlying economics and fair value of the consideration payable to the customer to determine if any portion of the consideration payable to the customer exceeds the fair value of the goods and services received and should be accounted for as a reduction of the transaction price of the revenue contract.

License Revenue

VMware generally sells its license software through distributors, resellers, system vendors, systems integrators and its direct sales force. Performance obligations related to license revenue, including the license portion of term licenses, represent functional intellectual property under which a customer has the legal right to the on-premises license. The license provides

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

significant standalone functionality and is a separate performance obligation from the maintenance and support and professional services sold by VMware. On-premises license revenue is recognized at a point in time, upon delivery and transfer of control of the underlying license to the customer.

License revenue from software licenses sold to original equipment manufacturers (“OEMs”) is recognized when the sale to the end user occurs. Revenue is recognized upon reporting by the OEMs of their sales, and for the period where information of the underlying sales has not been made available, revenue is recognized based upon estimated sales.

Subscription and SaaS Revenue

VMware’s subscription and software-as-a-service (“SaaS”) revenue consists of hosted services, consumption based licensing under VCPP offerings and certain license sales of its software platform with open source licenses or offerings under which licenses and services are accounted for as combined performance obligations.

VMware’s hosted services consist of certain software offerings sold as a service-based technology without the customer’s ability to take possession of the software over the subscription term. Hosted services are recognized as SaaS revenue over time as customers consume the services or ratably over the contract term, commencing upon provisioning of the service.

VCPP partners license on-premises software from VMware on a monthly basis under a usage-based model. Generally, contracts with VCPP partners include cancellation rights. Revenue recognition is based on fees associated with reported license consumption by the VCPP partners and includes estimates for the period when consumption information has not been made available.

Subscription sales of the Company’s software platform offering provides customers with a license to its platform over a period of time, which includes, among other items, open-source software, support, enhancements, upgrades and compatibility to certified systems, all of which are offered on an if-and-when available basis. Subscription revenue is recognized ratably over the contract term beginning on the date that the Company’s platform is made available to the customer.

Subscription sales also include offerings with licenses that provide customers with access to and the right to utilize the threat intelligence capabilities and ongoing support over a period of time. VMware considers the software license and access to critical threat intelligence capabilities to be a single performance obligation. Subscription revenue is recognized ratably over the contract term beginning on the date the software is delivered to the customer.

Subscription and SaaS offerings generally have a duration of one month, one-year, or three-years and are invoiced to the customers either upfront, annually, quarterly or monthly.

Services Revenue

VMware’s services revenue generally consists of software maintenance and support and professional services. Software maintenance and support offerings entitle customers to receive major and minor product upgrades, on a when-and-if-available basis, and technical support. Maintenance and support services are comprised of multiple performance obligations including updates, upgrades to licenses and technical support. While separate performance obligations are identified within maintenance and support services, the underlying performance obligations generally have a consistent continuous pattern of transfer to a customer during the term of a contract and therefore, maintenance and support services revenue is recognized ratably over the contract duration.

Professional services include design, implementation, training and consulting services. Professional services performed by VMware represent distinct performance obligations as they do not modify or customize licenses sold. These services are not highly interdependent or highly interrelated to licenses sold such that a customer would not be able to use the licenses without the professional services. Revenue from fixed fee professional services engagements is recognized based on progress made toward the total project effort, which can be reasonably estimated. As a practical expedient, VMware recognizes revenue from professional services engagements invoiced on a time and materials basis as the hours are incurred based on VMware’s right to invoice amounts for performance completed to date.

Contracts with Multiple Performance Obligations

VMware enters into revenue contracts with multiple performance obligations in which a customer may purchase combinations of licenses, maintenance and support, subscriptions, hosted services, training, consulting services and rights to future products and services. For contracts with multiple performance obligations, VMware allocates total transaction value to the identified underlying performance obligations based on relative standalone selling price (“SSP”). VMware typically estimates SSP of performance obligations based on observable transactions when the obligations are sold on a standalone basis and those prices fall within a reasonable range. VMware utilizes the residual approach to estimate SSP primarily for offerings when sold to customers at highly variable pricing.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Rebates and Marketing Development Funds

Rebates, which are offered to certain channel partners and represent a form of variable consideration, are accounted for as a reduction to the transaction price on eligible contracts.

Rebates are determined based on eligible sales during the quarter or based on actual achievement to quarterly target sales. The reduction of the aggregate transaction price against eligible contracts is allocated to the applicable performance obligations. The difference between the estimated rebates recognized and the actual amounts paid has not been material to date.

Certain channel partners are also reimbursed for direct costs related to marketing or other services that are defined under the terms of the marketing development programs. Estimated reimbursements for marketing development funds are accounted for as consideration payable to a customer, reducing the transaction price of the underlying contracts. The most likely amount method is used to estimate the marketing fund reimbursements at the end of the quarter and the reduction of transaction price is allocated to the applicable performance obligations. The difference between the estimated reimbursement and the actual amount paid to channel partners has not been material to date.

Returns Reserves

With limited exceptions, VMware's return policy does not allow product returns for a refund. VMware estimates and records reserves for product returns at the time of sale based on historical return rates. Amounts are recorded as a reduction of revenue or unearned revenue. Returns reserves were not material for all periods presented.

Deferred Commissions

Sales commissions, including the employer portion of payroll taxes, earned by VMware's sales force are considered incremental and recoverable costs of obtaining a contract and are deferred and generally amortized on a straight-line basis over the expected period of benefit. The expected period of benefit is generally determined using the contract term or underlying technology life, if renewals are expected and the renewal commissions are not commensurate with the initial commissions. Sales commissions related to software maintenance and support renewals are deferred and amortized on a straight-line basis over the contractual renewal period.

Foreign Currency Remeasurement and Translation

The United States ("U.S.") dollar is the functional currency of VMware's foreign subsidiaries during the year ended January 28, 2022. During the year ended January 31, 2020, the U.S. dollar was the functional currency for the majority of VMware's foreign subsidiaries, except for certain Pivotal foreign subsidiaries, many of which were wound down during fiscal 2021. Assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. VMware records net gains and losses resulting from foreign exchange transactions as a component of foreign currency exchange gains and losses in other income (expense), net on the consolidated statements of income. These gains and losses are net of those recognized on foreign currency forward contracts ("forward contracts") not designated as hedges that VMware enters into to partially mitigate its exposure to foreign currency fluctuations.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and time deposits with maturities of 90 days or less from date of purchase.

Cash balances that are restricted pursuant to the terms of various agreements are classified as restricted cash and included in other current assets and other assets in the accompanying consolidated balance sheets. Refer to Note 1 for more information.

Investments in Equity Securities

VMware holds equity securities in publicly and privately held companies. VMware elected to measure securities in privately held companies at cost less impairment, if any, adjusted for observable price changes in orderly transactions for the identical or a similar security of the same issuer. VMware's securities in publicly held companies are measured at fair value using quoted prices for identical assets in an active market. All gains and losses on these securities, whether realized or unrealized, are recognized in other income (expense), net on the consolidated statements of income.

Allowance for Credit Losses

VMware maintains an allowance for credit losses for estimated losses on uncollectible accounts receivable. VMware determines the allowance based on various factors such as historical experience, the age of the receivable and current economic conditions that may affect customers' ability to pay. The allowance for credit losses was not significant as of January 28, 2022 and January 29, 2021.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Property and Equipment, Net

Property and equipment, net is recorded at cost. Depreciation commences upon placing the asset in service and is recognized on a straight-line basis over the estimated useful life of the assets, as follows:

Buildings	Term of underlying land lease
Land improvements	15 years
Furniture and fixtures	7 years
Equipment	3 to 6 years
Software	3 to 8 years
Leasehold improvements	20 years, not to exceed the shorter of the estimated useful life or remaining lease term

Upon retirement or disposition, the asset cost and related accumulated depreciation are removed with any gain or loss recognized on the consolidated statements of income. Repair and maintenance costs that do not extend the economic life of the underlying assets are expensed as incurred.

Capitalized Software Development Costs

Costs associated with internal-use software, including those used to provide hosted services, during the application development stage are capitalized. Capitalization of costs begins when the preliminary project stage is completed, management has committed to funding the project, and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization ceases, and depreciation begins, at the point when the project is substantially complete and is ready for its intended purpose. The capitalized amounts are included in property and equipment, net on the consolidated balance sheets.

Development costs of software to be sold, leased, or otherwise marketed are subject to capitalization beginning when technological feasibility for the product has been established and ending when the product is available for general release. During the years presented, software development costs incurred for products during the time period between reaching technological feasibility and general release were not material and accordingly were expensed as incurred.

Business Combinations

For business combinations, with the exception of acquisitions of entities under common control, VMware recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interests in an acquiree, which are measured based on the acquisition date fair value. Goodwill is measured as the excess of consideration transferred over the net amounts of the identifiable tangible and intangible assets acquired and the liabilities assumed at the acquisition date.

VMware uses significant estimates and assumptions to determine the fair value of assets acquired and liabilities assumed and the related useful lives of the acquired assets, when applicable, as of the acquisition date.

When those estimates are provisional, VMware refines them as necessary during the measurement period. The measurement period is the period after the acquisition date, not to exceed one year, in which VMware may gather and analyze the necessary information about facts and circumstances that existed as of the acquisition date to adjust the provisional amounts recognized. Measurement period adjustments are recorded during the period in which the adjustment amount is determined. All other adjustments are recorded to the consolidated statements of income.

Acquisitions of entities under common control requires retrospective combination of entities for all periods presented, as if the combination had been in effect since the inception of common control. Assets and liabilities transferred are recorded at their historical carrying amounts on the date of the transfer. The difference between purchase consideration and historical value of the net assets on the date of the transfer are recognized in total stockholders' equity on the consolidated balance sheets.

Costs to effect an acquisition are recorded in general and administrative expenses on the consolidated statements of income as the expenses are incurred.

Purchased Intangible Assets and Goodwill

Goodwill is evaluated for impairment during the third quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. VMware elected to perform a quantitative assessment of goodwill with respect to its one reporting unit. In doing so, VMware compared the enterprise fair value to the carrying amount of the reporting unit, including goodwill. VMware concluded that, to date, there have been no impairments of goodwill.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Purchased intangible assets with finite lives are generally amortized over their estimated useful lives using the straight-line method. VMware reviews intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate.

Derivative Instruments and Hedging Activities

Derivative instruments are measured at fair value and reported as current assets and current liabilities on the consolidated balance sheets, as applicable.

To manage VMware's exposure to foreign currency fluctuations, VMware enters into forward contracts to hedge a portion of VMware's net outstanding monetary asset or liability positions. These forward contracts are generally entered into on a monthly basis, with a typical contractual term of one month. These forward contracts are not designated as hedging instruments under applicable accounting guidance and therefore are adjusted to fair value through other income (expense), net on the consolidated statements of income.

Additionally, VMware enters into forward contracts, which it designates as cash flow hedges to manage the volatility of cash flows that relate to operating expenses denominated in certain foreign currencies. These forward contracts have maturities of fourteen months or less, and are adjusted to fair value through accumulated other comprehensive loss, net of tax, on the consolidated balance sheets. When the underlying expense transaction occurs, the gains or losses on the forward contract are subsequently reclassified from accumulated other comprehensive loss to the related operating expense line item on the consolidated statements of income.

The Company does not, and does not intend to, use derivative financial instruments for trading or speculative purposes.

Employee Benefit Plans

The Company has a defined contribution program for U.S. employees that complies with Section 401(k) of the Internal Revenue Code. In addition, the Company offers defined contribution plans to employees in certain countries outside the U.S.

During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, the Company contributed \$227 million, \$176 million and \$169 million, respectively, to its defined contribution plans.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$35 million, \$33 million and \$25 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Income Taxes

Prior to the Spin-Off, although VMware's financial results were included in the Dell consolidated tax return for U.S. federal income tax purposes, VMware's income tax provision or benefit was calculated primarily as though the Company was a separate taxpayer, with certain transactions between the Company and Dell being assessed using consolidated tax return rules. As a result of the Spin-Off, VMware is no longer a member of the Dell consolidated tax group and the Company's U.S. income tax will be reported separately from that of the Dell consolidated tax group. Deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax credits are generally recognized as reductions of income tax provisions in the year in which the credits arise. The measurement of deferred tax assets is reduced by a valuation allowance if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

During the fourth quarter of fiscal 2020, VMware completed the acquisition of Pivotal. Pivotal filed and will continue to file, for the periods prior to the Spin-Off, its separate tax return for U.S. federal income tax purposes as it left the Dell consolidated tax group at the time of Pivotal's initial public offering ("IPO") in April 2018. Pivotal had continued to be included on Dell's unitary state tax returns until the Spin-Off. Subsequent to the Spin-Off, Pivotal will be included in VMware's consolidated tax group for U.S. income tax purposes.

The U.S. Tax Cuts and Jobs Act enacted on December 22, 2017 (the "2017 Tax Act") introduced significant changes to U.S. income tax law. The Global Intangible Low-Taxed Income ("GILTI") provisions of the 2017 Tax Act require VMware to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. GAAP allows the Company to choose between an accounting policy that treats the U.S. tax under GILTI provisions as either a current expense, as incurred, or as a component of the Company's measurement of deferred taxes. VMware has elected to record impacts of GILTI as period costs.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Net Income Per Share

Basic net income per share is calculated using the weighted-average number of shares of VMware's common stock outstanding during the period. Diluted net income per share is calculated using the weighted-average number of shares of common stock, including the dilutive effect of equity awards as determined under the treasury stock method. Prior to the Spin-Off, VMware used the two-class method to calculate net income per share. Since both classes shared the same rights in dividends, basic and diluted earnings per share were the same for both Class A Stock and Class B Stock. Automatically as a result of the Spin-Off, each share of Class B Stock converted into one share of Class A Stock and Class A Stock became, and remains, the sole outstanding class of VMware common stock, and, as a result, the two-class method is no longer applicable to the Company's calculation of net income per share.

Concentrations of Risks

Financial instruments, which potentially subject VMware to concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments and accounts receivable. Cash on deposit with banks may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand. VMware places cash and cash equivalents and short-term investments primarily in money market funds and limits the amount of investment with any single issuer and any single financial institution.

VMware manages counterparty risk through necessary diversification of the investment portfolio among various financial institutions and by entering into derivative contracts with financial institutions that are of high credit quality.

VMware provides credit to its customers, including distributors, OEMs, resellers and end-user customers, in the normal course of business. To reduce credit risk, VMware performs periodic credit evaluations, which consider the customer's payment history and financial stability.

One distributor accounted for 12% of VMware's accounts receivable balance as of January 28, 2022. A second distributor accounted for 11% and 12% of VMware's accounts receivable balance, respectively, as of January 28, 2022 and January 29, 2021. A third distributor accounted for 11% of VMware's accounts receivable balance as of January 28, 2022. Another distributor accounted for 13% of VMware's accounts receivable balance as of January 29, 2021.

Dell accounted for 38%, 35% and 31% of revenue during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively. In addition to Dell, one distributor accounted for 11% and 12% of revenue during the years ended January 29, 2021 and January 31, 2020, respectively. Another distributor accounted for 10% of revenue during the year ended January 31, 2020.

Accounting for Stock-Based Compensation

VMware restricted stock, including performance stock unit ("PSU") awards, are valued based on the Company's stock price on the date of grant. For those awards expected to vest, which only contain a service vesting feature, compensation cost is recognized on a straight-line basis over the awards' requisite service periods.

PSU awards will vest if certain VMware-designated performance targets, including in certain cases a time-based or market-based vesting component, are achieved. All PSU awards also include a time-based vesting component. If minimum performance thresholds are achieved, each PSU award will convert into VMware's Class A Stock at a defined ratio depending on the degree of achievement of the performance target designated by each individual award. If minimum performance thresholds are not achieved, then no shares will be issued. Based upon the expected levels of achievement, stock-based compensation is recognized on a straight-line basis over the PSU awards' requisite service periods. The expected levels of achievement are reassessed over the requisite service periods and, to the extent that the expected levels of achievement change, stock-based compensation is adjusted and recorded on the consolidated statements of income and the remaining unrecognized stock-based compensation is recognized over the remaining requisite service period.

With the exception of stock options assumed as a part of transactions under common control, the Black-Scholes option-pricing model is used to determine the fair value of VMware's stock options and Employee Stock Purchase Plan shares. The Black-Scholes model includes assumptions regarding dividend yields, expected volatility, expected term and risk-free interest rates. These assumptions reflect the Company's best estimates, but these items involve uncertainties based on market and other conditions outside of the Company's control.

For outstanding equity awards assumed as a part of a transaction between entities under common control, equity awards are converted to VMware's Class A Stock and valued at historical carrying amounts.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Leases

VMware adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases (“Topic 842”) during fiscal 2020 and applied it retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment to retained earnings. The Company elected to apply practical expedients upon transition to this standard, which allowed the Company to use the beginning of the period of adoption as the date of initial application, and to not reassess lease classification, treatment of initial direct costs, or whether an existing or expired contract contained a lease. Prior period amounts were not recast under this standard.

VMware determines if an arrangement contains a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all economic benefits from and has the ability to direct the use of the asset. Right-of-use (“ROU”) assets resulting from operating leases are included in other assets, and operating lease liabilities are included in accrued expenses and other and operating lease liabilities on the consolidated balance sheets. ROU assets resulting from finance leases are included in property and equipment, net, and finance lease liabilities are included in accrued expenses and other and other liabilities on the consolidated balance sheets.

Lease assets and liabilities are measured at the present value of the future minimum lease payments over the lease term at commencement date using the incremental borrowing rate. The incremental borrowing rate is generally determined using factors such as the Treasury yields, the Company’s credit rating and interest rates of similar debt instruments with comparable credit ratings, among others.

The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that VMware will exercise that option. Lease expense resulting from the minimum lease payments is amortized on a straight-line basis over the remaining lease term. VMware elected the practical expedient to exclude leasing arrangements with a duration of less than twelve months.

The Company’s lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. Certain lease agreements may contain lease and non-lease components, such as common-area maintenance costs. The Company elected to account for these components as a single lease component in determining the lease liability. Variable lease payments, which are primarily comprised of common-area maintenance, utilities and real estate taxes that are passed on from the lessor in proportion to the space leased by the Company, are recognized in operating expenses in the period in which the obligation for those payments are incurred.

Recently Adopted Accounting Standards

In October 2021, the Financial Accounting Standard Board issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This update requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by an acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The new standard is effective for interim and annual periods beginning after December 15, 2022, but may be early adopted. The adoption of the ASU will be applied prospectively to business combinations occurring on or after the effective date of the ASU. If the new standard is early adopted in an interim period, it should be applied retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and prospectively to all business combinations that occur on or after the date of initial application. VMware early adopted this standard during the fourth quarter of fiscal 2022. The standard did not have an impact on business combinations occurring during the year ended January 28, 2022.

Effective January 30, 2021, VMware adopted, on a modified retrospective basis, ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. This update simplifies the accounting for convertible instruments and contracts in an entity’s own equity and amends the diluted earnings per share guidance for greater consistency within the standard. The standard did not have an impact on the Company’s consolidated financial statements except for the calculation of the year-to-date weighted-average diluted share count, which did not have a material impact on the Company’s diluted net income per share during the year ended January 28, 2022.

Effective January 30, 2021, VMware adopted ASU No. 2019-12, Income Taxes (Topic 740), simplifying the accounting for income taxes. The standard did not have a material impact on the Company’s consolidated financial statements.

New Accounting Pronouncement

In November 2021, the Financial Accounting Standards Board issued ASU 2021-10, Government Assistance (Topic 832), requiring annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The new standard is effective for annual periods beginning after December 15, 2021, but may be

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

early adopted. The Company does not expect the adoption of the ASU to have a material impact on the Company's consolidated financial statements and plans to adopt the standard during fiscal 2023 on a prospective basis.

B. Pivotal Acquisition

In December 2019, VMware completed the acquisition of Pivotal, which was, at the time, a subsidiary of VMware's former parent company, Dell, at a blended price per share of \$11.71 and an aggregate purchase consideration of \$2.9 billion. The purchase consideration of \$2.9 billion was comprised of \$15.00 per share or \$1.7 billion of cash paid to the non-controlling interest holders of Pivotal's Class A stock, the exchange of \$1.1 billion of VMware's Class B Stock for Pivotal's Class B common stock held by Dell, at an exchange ratio of 0.055 VMware shares for each Pivotal share, and a \$155 million accrual for amounts potentially owed to dissenting shareholders in connection with the acquisition, which was recorded in accrued expenses and other on the consolidated balance sheets as of January 31, 2020. In recording the repurchase of the non-controlling interest, the Company recognized a reduction of additional paid in capital of \$649 million, which corresponds to the excess of the purchase consideration of \$1.8 billion that was paid and accrued, over the carrying value of the non-controlling interest of \$1.2 billion. In the aggregate, this transaction resulted in a cash payout, net of cash acquired, of \$838 million and the issuance of 7.2 million shares of VMware's Class B Stock to Dell. Pivotal's Class B common stock previously held by VMware was canceled. Following the completion of the acquisition, shares of Pivotal Class A stock ceased to be listed on the New York Stock Exchange and registration of the Pivotal Class A stock under the Exchange Act was terminated.

During the second quarter of fiscal 2021, VMware paid \$91 million to dissenting stockholders of Pivotal, representing a portion of the amount accrued as of January 31, 2020.

The purchase was accounted for as a transaction between entities under common control. Assets and liabilities transferred were recorded at historical carrying amounts of Pivotal on the date of the transfer, except for certain goodwill and intangible assets that were recorded in the amounts previously recognized by Dell for Pivotal in connection with Dell's acquisition of EMC Corporation ("EMC") during fiscal 2016. VMware's previous investment in Pivotal, including any unrealized gain or loss previously recognized in other income (expense), net on the consolidated statements of income, were derecognized. Transactions with Pivotal that were previously accounted for as transactions between related parties were eliminated in the consolidated financial statements for all periods presented. All intercompany transactions and account balances between VMware and Pivotal have been eliminated upon consolidation during the year ended January 31, 2020.

C. Revenue, Unearned Revenue and Remaining Performance Obligations**Revenue****Receivables**

VMware records a receivable when an unconditional right to consideration exists and transfer of control has occurred, such that only the passage of time is required before payment of consideration is due. Timing of revenue recognition may differ from the timing of invoicing to customers.

Payment terms vary based on license, subscription or service offerings and payment is generally required within 30 to 45 days from date of invoicing. Certain performance obligations may require payment before delivery of the license or service to the customer.

Contract Assets

A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. Contract assets include fixed fee professional services where transfer of services has occurred in advance of the Company's right to invoice. Contract assets are classified as accounts receivables upon invoicing. Contract assets are included in other current assets on the consolidated balance sheets. Contract assets were \$36 million and \$43 million as of January 28, 2022 and January 29, 2021, respectively. Contract asset balances will fluctuate based upon the timing of the transfer of services, billings and customers' acceptance of contractual milestones.

Contract Liabilities

Contract liabilities consist of unearned revenue, which is generally recorded when VMware has the right to invoice or payments have been received for undelivered products or services.

Customer Deposits

Customer deposits include prepayments from customers related to amounts received for contracts that include certain cancellation rights. Purchased credits eligible for redemption of VMware's hosted services ("cloud credits") are included in

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

customer deposits until the cloud credit is consumed or is contractually committed to a specific hosted service. Cloud credits are redeemable by the customer for the gross value of the hosted offering. Upon contractual commitment for a hosted service, the net value of the cloud credits that are expected to be recognized as revenue when the obligation is fulfilled will be classified as unearned revenue.

As of January 28, 2022, customer deposits related to customer prepayments and cloud credits of \$470 million were included in accrued expenses and other and \$166 million were included in other liabilities on the consolidated balance sheets. As of January 29, 2021, customer deposits related to customer prepayments and cloud credits of \$294 million were included in accrued expenses and other and \$163 million were included in other liabilities on the consolidated balance sheets.

Deferred Commissions

Deferred commissions are classified as current or non-current based on the duration of the expected period of benefit. Deferred commissions, including the employer portion of payroll taxes, included in other current assets as of January 28, 2022 and January 29, 2021 were \$17 million and \$31 million, respectively. Deferred commissions included in other assets were \$1.2 billion and \$1.1 billion as of January 28, 2022 and January 29, 2021, respectively.

Amortization expense for deferred commissions was included in sales and marketing on the consolidated statements of income and was \$517 million, \$437 million and \$354 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Unearned Revenue

Unearned revenue as of the periods presented consisted of the following (table in millions):

	January 28, 2022	January 29, 2021
Unearned license revenue	\$ 19	\$ 15
Unearned subscription and SaaS revenue	2,669	1,998
Unearned software maintenance revenue	7,208	7,092
Unearned professional services revenue	1,326	1,209
Total unearned revenue	\$ 11,222	\$ 10,314

Unearned subscription and SaaS revenue is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

Unearned software maintenance revenue is attributable to VMware's maintenance contracts and is generally recognized ratably over the contract duration. The weighted-average remaining contractual term as of January 28, 2022 was approximately two years. Unearned professional services revenue results primarily from prepaid professional services and is generally recognized as the services are performed.

Total billings and revenue recognized during the year ended January 28, 2022 were \$9.1 billion and \$8.2 billion, respectively, and did not include amounts for performance obligations that were fully satisfied upon delivery, such as on-premises licenses.

Total billings and revenue recognized during the year ended January 29, 2021 were \$8.4 billion and \$7.4 billion, respectively, and did not include amounts for performance obligations that were fully satisfied upon delivery, such as on-premises licenses. During the year ended January 29, 2021, VMware also assumed \$33 million in unearned revenue in connection with business combinations.

Revenue recognized during the year ended January 31, 2020 was \$6.4 billion, and did not include amounts for performance obligations that were fully satisfied upon delivery, such as on-premises licenses.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted non-cancellable customer contracts at the end of any given period.

As of January 28, 2022, the aggregate transaction price allocated to remaining performance obligations was \$12.0 billion, of which approximately 57% is expected to be recognized as revenue over the next twelve months and the remainder thereafter. As of January 29, 2021, the aggregate transaction price allocated to remaining performance obligations was \$11.3 billion, of which approximately 55% was expected to be recognized as revenue during fiscal 2022, and the remainder thereafter.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

D. Related Parties

Transactions with Dell continue to be considered related party transactions following the Spin-Off due to the MSD Stockholders' and SLP Stockholders' direct ownership in both VMware and Dell, as well as Mr. Dell's executive position with Dell.

On November 1, 2021, in connection with the Spin-Off, VMware and Dell entered into the Commercial Framework Agreement to provide a framework under which the Company and Dell will continue their strategic commercial relationship, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service, or platform that may provide the parties with a strategic market opportunity. The Commercial Framework Agreement has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions.

The information provided below includes a summary of transactions with Dell.

Transactions with Dell

VMware and Dell engaged in the following ongoing related party transactions, which resulted in revenue and receipts, and unearned revenue for VMware:

- Pursuant to original equipment manufacturer ("OEM") and reseller arrangements, Dell integrates or bundles VMware's products and services with Dell's products and sells them to end users. Dell also acts as a distributor, purchasing VMware's standalone products and services for resale to end-user customers through VMware-authorized resellers. Revenue under these arrangements is presented net of related marketing development funds and rebates paid to Dell. In addition, VMware provides professional services to end users based upon contractual agreements with Dell.
- Dell purchases products and services from VMware for its internal use.
- From time to time, VMware and Dell enter into agreements to collaborate on technology projects, and Dell pays VMware for services or reimburses VMware for costs incurred by VMware, in connection with such projects.

During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, revenue from Dell accounted for 38%, 35% and 31% of VMware's consolidated revenue, respectively. During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, revenue recognized on transactions where Dell acted as an OEM accounted for 13%, 12% and 12% of total revenue from Dell, respectively, or 5%, 4% and 4% of VMware's consolidated revenue, respectively.

Dell purchases VMware products and services directly from VMware, as well as through VMware's channel partners. Information about VMware's revenue and receipts, and unearned revenue from such arrangements, for the periods presented consisted of the following (table in millions):

	Revenue and Receipts			Unearned Revenue	
	For the Year Ended			As of	
	January 28, 2022	January 29, 2021	January 31, 2020	January 28, 2022	January 29, 2021
Reseller revenue	\$ 4,764	\$ 4,053	\$ 3,288	\$ 5,550	\$ 4,952
Internal-use revenue	56	63	82	39	45

Receipts from Dell for collaborative technology projects were not material, \$13 million and \$10 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Customer deposits resulting from transactions with Dell were \$298 million and \$214 million as of January 28, 2022 and January 29, 2021, respectively.

VMware and Dell engaged in the following ongoing related party transactions, which resulted in costs to VMware:

- VMware purchases and leases products and purchases services from Dell.
- From time to time, VMware and Dell enter into agreements to collaborate on technology projects, and VMware pays Dell for services provided to VMware by Dell related to such projects.
- In certain geographic regions where VMware does not have an established legal entity, VMware contracts with Dell subsidiaries for support services and support from Dell personnel who are managed by VMware. The costs incurred by Dell on VMware's behalf related to these employees are charged to VMware with a mark-up intended to approximate costs that would have been incurred had VMware contracted for such services with an unrelated third party. These

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

costs are included as expenses on VMware's consolidated statements of income and primarily include salaries, benefits, travel and occupancy expenses. Dell also incurs certain administrative costs on VMware's behalf in the U.S. that are recorded as expenses on VMware's consolidated statements of income.

- Prior to the Spin-Off, in certain geographic regions, Dell filed a consolidated indirect tax return, which included value added taxes and other indirect taxes collected by VMware from its customers. VMware remitted the indirect taxes to Dell, and Dell remitted the tax payment to the foreign governments on VMware's behalf.
- From time to time, VMware invoices end users on behalf of Dell for certain services rendered by Dell. Cash related to these services is collected from the end user by VMware and remitted to Dell.
- From time to time, VMware enters into agency arrangements with Dell that enable VMware to sell its subscriptions and services, leveraging the Dell enterprise relationships and end customer contracts.

Information about VMware's payments for such arrangements during the periods presented consisted of the following (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Purchases and leases of products and purchases of services ⁽¹⁾	\$ 228	\$ 206	\$ 242
Dell subsidiary support and administrative costs	38	74	119

⁽¹⁾ Amount includes indirect taxes that were remitted to Dell during the periods presented.

VMware also purchases Dell products through Dell's channel partners. Purchases of Dell products through Dell's channel partners were not significant during the periods presented.

From time to time, VMware and Dell also enter into joint marketing, sales, branding and product development arrangements, for which both parties may incur costs.

During the fourth quarter of fiscal 2020, VMware entered into an arrangement with Dell to transfer approximately 250 professional services employees from Dell to VMware. These employees are experienced in providing professional services that deliver VMware technology and this transfer centralizes these resources within the Company in order to serve its customers more efficiently and effectively. The transfer was substantially completed during the fourth quarter of fiscal 2020 and did not have a material impact to the consolidated financial statements. VMware also expects that Dell will continue to resell VMware consulting solutions.

Dell Financial Services ("DFS")

DFS provides financing to certain of VMware's end users at the end users' discretion. Upon acceptance of the financing arrangement by both VMware's end users and DFS, amounts classified as trade accounts receivable are reclassified to the current portion of due from related parties on the consolidated balance sheets. Revenue recognized on transactions financed through DFS was recorded net of financing fees. Financing fees on arrangements accepted by both parties were \$29 million, \$60 million and \$66 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Due To/From Related Parties

As of January 28, 2022, the current and non-current amounts due from and due to related parties were presented separately on the consolidated balance sheets, as a right of setoff no longer exists subsequent to the Spin-Off. As of January 29, 2021, the current portion of due from related parties was presented net of the current portion of due to related parties on the consolidated balance sheets.

The following table summarizes the current portion of due from and due to related parties as of January 29, 2021 (table in millions):

Due from related parties	\$ 1,558
Due to related parties ⁽¹⁾	120
Current portion of due from related parties	<u>\$ 1,438</u>

⁽¹⁾ Included an immaterial amount related to the Company's current operating lease liabilities due to Dell.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amounts in the current and non-current portions of due from related parties and due to related parties on the consolidated balance sheets as of January 28, 2022 included amounts due to Dell pursuant to the Tax Matters Agreement entered concurrently with the Separation Agreement, effective April 14, 2021 (the “Tax Matters Agreement”). Refer to Note P for more information.

Amounts included in the current portion of due from related parties, with the exception of DFS and tax obligations, are generally settled in cash within 60 days of each quarter-end.

Special Dividend

On November 1, 2021, VMware paid an \$11.5 billion Special Dividend, pro rata, to each of the holders of Class A Stock and Class B Stock, including Dell, as of the Record Date. Based upon the number of shares of common stock held by Dell as of the Record Date, approximately \$9.3 billion in cash was paid to Dell. Refer to Note A for more information regarding the Spin-Off.

Notes Payable to Dell

As of January 29, 2021, VMware had an outstanding promissory note payable to Dell in the principal amount of \$270 million due December 1, 2022. VMware repaid the outstanding balance of \$270 million during the third quarter of fiscal 2022. During each of the years ended January 28, 2022, January 29, 2021 and January 31, 2020, interest expense on the note payable to Dell was not significant.

E. Commitments and Contingencies

Litigation

On March 5, 2020, two purported Pivotal stockholders filed a petition for appraisal in the Delaware Court of Chancery (the “Court”) seeking a judicial determination of the fair value of an aggregate total of 10,000,100 Pivotal shares (the “Appraisal Action”). Separately, on June 4, 2020, purported Pivotal stockholder Kenia Lopez filed a lawsuit in the Court against Dell, VMware, Michael Dell, Robert Mee and Cynthia Gaylor (the “Lopez Action”), which alleges breach of fiduciary duty and aiding and abetting, all tied to VMware’s acquisition of Pivotal. On July 16, 2020, purported Pivotal stockholder Stephanie Howarth filed a similar lawsuit against the same defendants asserting similar claims (the “Howarth Action”). On August 14, 2020, the Court entered an order consolidating the Appraisal Action, the Lopez Action and the Howarth Action into a single action (the “Consolidated Action”) for all purposes including pretrial discovery and trial. On June 23, 2020, the Company made a payment of \$91 million to the petitioners in the Appraisal Action, which reduces the Company’s exposure to accumulating interest. The parties are now in the expert discovery and pretrial preparation stages of the lawsuit, with the trial currently scheduled to begin on July 6, 2022. The Company is unable at this time to assess whether or to what extent it may be found liable and, if found liable, what the damages may be and believes a loss is not probable and reasonably estimable. The Company intends to vigorously defend itself in connection with this matter.

On April 25, 2019, Cirba Inc. and Cirba IP, Inc. (collectively, “Cirba”) sued VMware in the United States District Court for the District of Delaware (the “Delaware Court”) for allegedly infringing two patents and three trademarks. On October 22, 2019, VMware filed a separate lawsuit against Cirba Inc. in the United States District Court for the Eastern District of Virginia for infringing four additional VMware patents, and Cirba filed a counterclaim alleging infringement of an additional Cirba patent. On January 24, 2020, a jury returned a verdict that VMware had willfully infringed Cirba’s two patents and awarded approximately \$237 million in damages. VMware accrued a total of \$237 million as of January 31, 2020, which reflected the estimated losses that were considered both probable and reasonably estimable at that time. The amount accrued for this matter was included in accrued expenses and other on the consolidated balance sheet as of January 31, 2020 and the charge was included in general and administrative expense on the consolidated statements of income during the year ended January 31, 2020. On December 21, 2020, the Delaware Court granted VMware’s request for a new trial and set aside the verdict and damages award (“Post-Trial Order”). Thereafter, all claims and counterclaims were consolidated into a single action for all purposes, including four patents and three trademark claims asserted by Cirba and eight patents asserted by VMware. The parties are currently in the discovery phase of the litigation, with trial currently set for April 2023. Separately, VMware has filed challenges with the U.S. Patent and Trademark Office against each of the four patents that are the subject of Cirba’s allegations. All of the challenges were granted and reviews are underway as follows: two patents are undergoing *ex parte* reexam review; one patent is undergoing an *inter partes* review; and one patent is undergoing a post-grant review. As of January 29, 2021, the Company reassessed its estimated loss accrual based on the Post-Trial Order and determined that a loss was no longer probable and reasonably estimable with respect to the consolidated action. Accordingly, the estimated loss accrual of \$237 million recorded on the consolidated balance sheets was derecognized, with the credit included in general and administrative expense on the consolidated statements of income during the year ended January 29, 2021. The Company is

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

unable at this time to assess whether, or to what extent, it may be found liable and, if found liable, what the damages may be. The Company intends to vigorously defend against this matter.

In December 2019, the staff of the Enforcement Division of the SEC requested documents and information related to VMware's backlog and associated accounting and disclosures. VMware is fully cooperating with the SEC and is engaged in discussions with the SEC about a potential resolution. VMware is unable to predict the outcome of this matter at this time.

While VMware believes that it has valid defenses against each of the above legal matters, given the unpredictable nature of legal proceedings, an unfavorable resolution of one or more legal proceedings, claims, or investigations could have a material adverse effect on VMware's consolidated financial statements.

VMware accrues for a liability when a determination has been made that a loss is both probable and the amount of the loss can be reasonably estimated. If only a range can be estimated and no amount within the range is a better estimate than any other amount, an accrual is recorded for the minimum amount in the range. Significant judgment is required in both the determination that the occurrence of a loss is probable and is reasonably estimable. In making such judgments, VMware considers the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. Legal costs are generally recognized as expense when incurred.

VMware is also subject to other legal, administrative and regulatory proceedings, claims, demands and investigations in the ordinary course of business or in connection with business mergers and acquisitions, including claims with respect to commercial, contracting and sales practices, product liability, intellectual property, employment, corporate and securities law, class action, whistleblower and other matters. From time to time, VMware also receives inquiries from and has discussions with government entities and stockholders on various matters. As of January 28, 2022, amounts accrued relating to these other matters arising as part of the ordinary course of business were considered not material. VMware does not believe that any liability from any reasonably possible disposition of such claims and litigation, individually or in the aggregate, would have a material adverse effect on its consolidated financial statements.

Contractual Commitments

VMware's minimum contractual commitments as of January 28, 2022 were as follows (table in millions):

	Purchase Obligations	Asset Retirement Obligations	Total
2023	\$ 473	\$ 1	\$ 474
2024	101	1	102
2025	39	3	42
2026	1	2	3
2027	1	9	10
Thereafter	—	6	6
Total	\$ 615	\$ 22	\$ 637

VMware's contractual commitments also include principal payments on the unsecured senior notes and senior unsecured term loan facilities, leased office facilities and equipment under various lease arrangements and tax obligations. Refer to Note J for more information on VMware's debt commitments, Note N for more information on VMware's lease commitments and Note P for more information on VMware's tax obligations.

Guarantees and Indemnification Obligations

VMware enters into agreements in the ordinary course of business with, among others, customers, distributors, resellers, system vendors and systems integrators. Most of these agreements require VMware to indemnify the other party against third-party claims alleging that a VMware product infringes or misappropriates a patent, copyright, trademark, trade secret or other intellectual property right. Certain of these agreements require VMware to indemnify the other party against certain claims relating to property damage, personal injury, or the acts or omissions of VMware, its employees, agents, or representatives.

Additionally, following the Spin-Off, VMware and Dell have agreed to indemnify one another pursuant to the Tax Matters Agreement for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off. Refer to Note P for more information.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

VMware has agreements with certain vendors, financial institutions, lessors and service providers pursuant to which VMware has agreed to indemnify the other party for specified matters, such as acts and omissions of VMware, its employees, agents, or representatives.

VMware has procurement or license agreements with respect to technology that it has obtained the right to use in VMware's products and agreements. Under some of these agreements, VMware has agreed to indemnify the supplier for certain claims that may be brought against such party with respect to VMware's acts or omissions relating to the supplied products or technologies.

VMware has agreed to indemnify the directors and executive officers of VMware, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or executive officer. VMware's by-laws and charter also provide for indemnification of directors and officers of VMware and VMware subsidiaries to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or executive officer. VMware also indemnifies certain employees who provide services with respect to employee benefits plans, including, for example, the members of the Administrative Committee of the VMware 401(k) Plan and employees who serve as directors or officers of VMware's subsidiaries.

In connection with certain acquisitions, VMware has agreed to indemnify the former directors and officers of the acquired company in accordance with the acquired company's by-laws and charter in effect immediately prior to the acquisition or in accordance with indemnification or similar agreements entered into by the acquired company and such persons. VMware typically purchases a "tail" directors and officers insurance policy, which should enable VMware to recover a portion of any future indemnification obligations related to the former officers and directors of an acquired company.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the relatively small number of prior indemnification claims and the unique facts and circumstances involved in each particular situation. Historically, payments made by the Company under these agreements have not had a material effect on the Company's consolidated results of operations, financial position, or cash flows.

F. Business Combinations, Definite-Lived Intangible Assets, Net and Goodwill

Business Combinations

Fiscal 2021

Acquisition of SaltStack, Inc.

During the third quarter of fiscal 2021, VMware completed the acquisition of SaltStack, Inc., a developer of intelligent, event-driven automation software, to broaden VMware's Cloud Management capabilities from infrastructure to applications. The total purchase price, net of cash acquired, was \$51 million. The purchase price primarily included \$29 million of identifiable intangible assets and \$24 million of goodwill that was not deductible for tax purposes. The identifiable intangible assets, which primarily consisted of completed technology, had estimated useful lives of three years.

Acquisition of Datrium, Inc.

During the second quarter of fiscal 2021, VMware completed the acquisition of Datrium, Inc., a provider of cloud-native disaster recovery solutions, to broaden the VMware Site Recovery Disaster Recovery as a Service offerings. The total purchase price, net of cash acquired, was \$137 million. The purchase price primarily included \$25 million of identifiable intangible assets and \$91 million of goodwill. The identifiable intangible assets, which primarily consisted of completed technology, had estimated useful lives of three years to five years. During the fourth quarter of fiscal 2021, the Company evaluated facts and circumstances that existed as of the acquisition date and adjusted the provisional amount recorded to deferred tax asset, resulting in an increase of \$40 million to goodwill, and determined that intangible assets and the majority of goodwill were deductible for tax purposes.

Acquisition of Lastline, Inc.

During the second quarter of fiscal 2021, VMware completed the acquisition of Lastline, Inc., a provider of network-based security breach detection products and services, to enhance capabilities for network detection and threat analysis on VMware NSX and SD-WAN offerings. The total purchase price, net of cash acquired, was \$114 million. The purchase price primarily included \$29 million of identifiable intangible assets and \$86 million of goodwill that was not deductible for tax purposes. The identifiable intangible assets, which primarily consisted of completed technology, had estimated useful lives of one year to four years.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Acquisition of Nyansa, Inc.

During the first quarter of fiscal 2021, VMware completed the acquisition of Nyansa, Inc., a developer of artificial intelligence-based network analytics, to accelerate the delivery of end-to-end monitoring and troubleshooting capacities within VMware SD-WAN by VeloCloud. The total purchase price, net of cash acquired, was \$38 million. The purchase price primarily included \$14 million of identifiable intangible assets and \$24 million of goodwill that was not deductible for tax purposes. The identifiable intangible assets, which primarily consisted of completed technology, had estimated useful lives of one year to four years.

Other Fiscal 2021 Acquisitions

During the year ended January 29, 2021, VMware completed five other acquisitions, which were not material, individually or in aggregate, to the consolidated financial statements. VMware expected these acquisitions to primarily enhance its product features and capabilities for its VMware Carbon Black Cloud and vRealize Operations offerings. The aggregate purchase price for these five acquisitions, net of cash acquired, was \$62 million and primarily included \$52 million of identifiable intangible assets and \$16 million of goodwill, the majority of which was deductible for tax purposes. The identifiable intangible assets, which primarily consisted of completed technology, had estimated useful lives of one year to five years.

For each of the acquisitions completed during fiscal 2021, the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill, which management believed represented synergies expected from combining the technologies of VMware with those of the acquired businesses. The estimated fair value assigned to the tangible assets, identifiable intangible assets, and assumed liabilities were based on management's estimates and assumptions.

The pro forma financial information assuming these fiscal 2021 acquisitions had occurred as of the beginning of the fiscal year prior to the fiscal year of acquisition, as well as the revenue and earnings generated during the current fiscal year, were not material for disclosure purposes.

Fiscal 2020

Acquisition of Pivotal

During the fourth quarter of fiscal 2020, VMware completed the acquisition of Pivotal, a leading cloud-native platform provider, to enhance VMware's cloud native Kubernetes portfolio. Refer to Note B for more information.

Acquisition of Carbon Black

During the third quarter of fiscal 2020, VMware completed the acquisition of Carbon Black, a developer of cloud-native endpoint protection, in a cash tender offer for all of the outstanding shares of Carbon Black's common stock, at a price of \$26.00 per share. VMware acquired Carbon Black to create a comprehensive intrinsic security portfolio to protect workloads, clients and infrastructure from cloud to edge. Management believed the acquisition would result in synergies with the Carbon Black platform and its VMware NSX and VMware Workspace ONE offerings, among others, and enable VMware to offer a highly differentiated intrinsic security platform addressing multiple concerns of the security industry. The total purchase price was \$2.0 billion, net of cash acquired of \$111 million.

Merger consideration totaling \$18 million was held with a third-party paying agent and was payable to certain employees of Carbon Black subject to specified future employment conditions, and was being recognized as expense over the requisite service period of approximately two years on a straight-line basis.

VMware assumed all of Carbon Black's unvested stock options and restricted stock outstanding at the completion of the acquisition with an estimated fair value of \$181 million. Of the total consideration, \$171 million was allocated to future services and would be expensed over the remaining requisite service periods of approximately three years on a straight-line basis. The estimated fair value of the stock options assumed by the Company was determined using the Black-Scholes option pricing model. The share conversion ratio of 0.2 was applied to convert Carbon Black's outstanding equity awards into shares of VMware's common stock.

Acquisition of Avi Networks, Inc.

During the second quarter of fiscal 2020, VMware completed the acquisition of Avi Networks, Inc. ("Avi Networks"), a provider of multi-cloud application delivery services. VMware acquired Avi Networks to provide customers with application delivery controller capabilities that include server load balancing for various applications and analytics. Together, VMware and Avi Networks expected to deliver a software defined networking stack built for the multi-cloud environment. The total purchase price was \$326 million, net of cash acquired of \$9 million.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Merger consideration totaling \$27 million was held in escrow and was payable to certain employees of Avi Networks subject to specified future employment conditions and was being recognized as expense over the requisite service period of approximately three years on a straight-line basis.

The fair value of assumed unvested equity awards attributed to post-combination services was \$32 million and was being expensed over the remaining requisite service periods of approximately three years on a straight-line basis. The estimated fair value of the stock options assumed by the Company was determined using the Black-Scholes option pricing model.

Acquisition of AetherPal, Inc.

During the first quarter of fiscal 2020, VMware completed the acquisition of AetherPal Inc., a provider of remote support solutions, to enhance VMware's Workspace ONE offerings for a total purchase price of \$45 million,

Other Fiscal 2020 Business Combinations

During the third quarter of fiscal 2020, VMware completed four other acquisitions, which were not material individually or in aggregate to the consolidated financial statements. VMware expected these acquisitions to enhance its product features and capabilities for its Software-Defined Data Center solutions and SaaS offerings. The aggregate purchase price, net of cash acquired for these four acquisitions was \$68 million.

The pro forma financial information assuming fiscal 2020 acquisitions had occurred as of the beginning of the fiscal year prior to the fiscal year of acquisitions, as well as the revenue and earnings generated during the current fiscal year, were not material for disclosure purposes, both individually or in the aggregate.

Definite-Lived Intangible Assets, Net

The following table summarizes the changes in the carrying amount of definite-lived intangible assets during the periods presented (table in millions):

	January 28, 2022	January 29, 2021
Balance, beginning of the year	\$ 993	\$ 1,172
Additions related to business combinations and purchases of intangible assets	24	149
Amortization expense	(303)	(328)
Balance, end of the year	<u>\$ 714</u>	<u>\$ 993</u>

As of the periods presented, definite-lived intangible assets consisted of the following (amounts in tables in millions):

	January 28, 2022			
	Weighted-Average Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	5.3	\$ 836	\$ (501)	\$ 335
Customer relationships and customer lists	11.5	721	(376)	345
Trademarks and tradenames	7.7	131	(97)	34
Total definite-lived intangible assets		<u>\$ 1,688</u>	<u>\$ (974)</u>	<u>\$ 714</u>

	January 29, 2021			
	Weighted-Average Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	5.3	\$ 948	\$ (462)	\$ 486
Customer relationships and customer lists	11.4	727	(281)	446
Trademarks and tradenames	7.6	132	(78)	54
Other	2.0	21	(14)	7
Total definite-lived intangible assets		<u>\$ 1,828</u>	<u>\$ (835)</u>	<u>\$ 993</u>

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amortization expense on definite-lived intangible assets was \$303 million, \$328 million and \$300 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Based on intangible assets recorded as of January 28, 2022 and assuming no subsequent additions, dispositions or impairment of underlying assets, the remaining estimated annual amortization expense over the next five fiscal years and thereafter is expected to be as follows (table in millions):

2023	\$	253
2024		201
2025		109
2026		69
2027		38
Thereafter		44
Total	\$	<u>714</u>

Goodwill

The following table summarizes the changes in the carrying amount of goodwill during the periods presented (table in millions):

	January 28, 2022	January 29, 2021
Balance, beginning of the year	\$ 9,599	\$ 9,329
Change in goodwill due to business combinations and related adjustments	(1)	270
Balance, end of the year	<u>\$ 9,598</u>	<u>\$ 9,599</u>

G. Realignment

During the third quarter of fiscal 2021, VMware approved a plan to streamline its operations and better align resources with its business priorities. As a result of this action, approximately 280 positions were eliminated during the year ended January 29, 2021. VMware recognized \$42 million of severance-related realignment expenses during the year ended January 29, 2021 on the consolidated statements of income. Actions associated with this plan were substantially complete by the end of fiscal 2021.

During the fourth quarter of fiscal 2020, VMware approved a plan to streamline its operations, with plans to better align business priorities and shift positions to lower cost locations. As a result of these actions, approximately 1,100 positions were eliminated during the year ended January 31, 2020. VMware recognized \$79 million of severance-related realignment expenses during the year ended January 31, 2020 on the consolidated statements of income. Actions associated with this plan were completed during fiscal 2021.

The following tables summarize the activity for the accrued realignment expenses during the year ended January 29, 2021 (table in millions):

	For the Year Ended January 29, 2021			
	Balance as of January 31, 2020	Realignment Expense	Utilization	Balance as of January 29, 2021
Severance-related costs	\$ 74	\$ 42	\$ (113)	\$ 3

H. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding and potentially dilutive securities outstanding during the period, as calculated using the treasury stock method. Potentially dilutive securities primarily include unvested restricted stock, which includes restricted stock unit (“RSU”) and PSU awards, and stock options, including purchase options under VMware’s employee stock purchase plan, which included Pivotal’s employee stock purchase plan through the date of acquisition. Securities are excluded from the computation of diluted net income per share if their effect would be anti-dilutive. Prior to the Spin-Off, VMware used

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the two-class method to calculate net income per share. Since both classes shared the same rights in dividends, basic and diluted earnings per share were the same for both Class A Stock and Class B Stock. Automatically as a result of the Spin-Off, each share of Class B Stock converted into one share of Class A Stock and Class A Stock became, and remains, the sole outstanding class of VMware common stock, and, as a result, the two-class method is no longer applicable to the Company's calculation of net income per share.

The following table sets forth the computations of basic and diluted net income per share during the periods presented (table in millions, except per share amounts and shares in thousands):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Net income attributable to VMware, Inc.	\$ 1,820	\$ 2,058	\$ 6,412
Weighted-average shares of common stock, basic	419,504	419,841	417,058
Effect of other dilutive securities	2,890	3,399	8,177
Weighted-average shares of common stock, diluted	422,394	423,240	425,235
Net income per weighted-average share of common stock attributable to VMware, Inc. common stockholders, basic	\$ 4.34	\$ 4.90	\$ 15.37
Net income per weighted-average share of common stock attributable to VMware, Inc. common stockholders, diluted	\$ 4.31	\$ 4.86	\$ 15.08

The following table sets forth the weighted-average common share equivalents of Class A Stock that were excluded from the diluted net income per share calculations during the periods presented because their effect would have been anti-dilutive (shares in thousands):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Anti-dilutive securities:			
Employee stock options	57	150	34
Restricted stock units	463	5,038	315
Total	520	5,188	349

I. Cash, Cash Equivalents, Restricted Cash and Short-Term Investments

Cash and Cash Equivalents

Cash and cash equivalents totaled \$3.6 billion and \$4.7 billion as of January 28, 2022 and January 29, 2021, respectively. Cash equivalents were \$3.0 billion as of January 28, 2022 and consisted of money-market funds of \$3.0 billion and time deposits of \$34 million. Cash equivalents were \$3.8 billion as of January 29, 2021 and consisted of money-market funds of \$3.7 billion and time deposits of \$102 million.

Restricted Cash

The following table provides a reconciliation of the Company's cash and cash equivalents, and current and non-current portion of restricted cash reported on the consolidated balance sheets that sum to the total cash, cash equivalents and restricted cash as of the periods presented (table in millions):

	January 28, 2022	January 29, 2021
Cash and cash equivalents	\$ 3,614	\$ 4,692
Restricted cash within other current assets	43	56
Restricted cash within other assets	6	22
Total cash, cash equivalents and restricted cash	\$ 3,663	\$ 4,770

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amounts included in restricted cash primarily relate to certain employee-related benefits, as well as amounts related to installment payments to certain employees as part of acquisitions, subject to the achievement of specified future employment conditions.

Short-Term Investments

Short-term investments totaled \$19 million and \$23 million as of January 28, 2022 and January 29, 2021, respectively, and consisted of marketable equity securities. Refer to Note K for more information regarding the Company's marketable equity securities.

J. Debt

Unsecured Senior Notes

On August 2, 2021, VMware issued five series of unsecured senior notes pursuant to a public debt offering (the "2021 Senior Notes"). The proceeds from the 2021 Senior Notes were \$5.9 billion, net of debt discount of \$11 million and debt issuance costs of \$47 million. The proceeds from the 2021 Senior Notes were used to fund a portion of the Special Dividend in connection with the Spin-Off.

VMware also has unsecured senior notes issued on April 7, 2020 (the "2020 Senior Notes") and on August 21, 2017 (the "2017 Senior Notes", collectively with the 2020 Senior Notes and 2021 Senior Notes, the "Senior Notes").

The carrying value of the Senior Notes as of the periods presented was as follows (amounts in millions):

	January 28, 2022	January 29, 2021	Effective Interest Rate
2017 Senior Notes:			
2.95% Senior Note Due August 21, 2022	\$ —	\$ 1,500	3.17%
3.90% Senior Note Due August 21, 2027	1,250	1,250	4.05%
2020 Senior Notes:			
4.50% Senior Note Due May 15, 2025	750	750	4.70%
4.65% Senior Note Due May 15, 2027	500	500	4.80%
4.70% Senior Note Due May 15, 2030	750	750	4.86%
2021 Senior Notes:			
0.60% Senior Note Due August 15, 2023	1,000	—	0.95%
1.00% Senior Note Due August 15, 2024	1,250	—	1.23%
1.40% Senior Note Due August 15, 2026	1,500	—	1.61%
1.80% Senior Note Due August 15, 2028	750	—	2.01%
2.20% Senior Note Due August 15, 2031	1,500	—	2.32%
Total principal amount	9,250	4,750	
Less: unamortized discount	(15)	(7)	
Less: unamortized debt issuance costs	(61)	(26)	
Long-term debt	<u>\$ 9,174</u>	<u>\$ 4,717</u>	

On January 18, 2022, VMware exercised a make-whole call and redeemed the \$1.5 billion unsecured senior note due August 21, 2022 at a premium. The loss on extinguishment of debt was \$21 million during the year ended January 28, 2022 and was recognized in other income (expense), net on the consolidated statements of income.

On May 11, 2020, VMware exercised a make-whole call and redeemed the \$1.3 billion unsecured senior note due August 21, 2020 at a premium. The loss on extinguishment of debt was not material during the year ended January 29, 2021 and was recognized in other income (expense), net on the consolidated statements of income.

Interest on the 2021 Senior Notes is payable semiannually in arrears, on February 15 and August 15 of each year, commencing on February 15, 2022. Interest on the 2020 Senior Notes is payable semiannually in arrears, on May 15 and November 15 of each year, commencing on November 15, 2020. The interest rate on the 2020 Senior Notes is subject to adjustment based on certain rating events. Interest on the 2017 Senior Notes is payable semiannually in arrears, on February 21 and August 21 of each year, commencing on February 21, 2018. Interest expense was \$240 million, \$183 million and \$129 million for the years ended January 28, 2022, January 29, 2021, and January 30, 2020, respectively.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively. Interest expense, which included amortization of discount and issuance costs, was recognized on the consolidated statements of income. The discount and issuance costs are amortized over the term of the Senior Notes on a straight-line basis, which approximates the effective interest method.

The Senior Notes are redeemable in whole at any time or in part from time to time at VMware's option and may be subject to a make-whole premium. In addition, upon the occurrence of certain change-of-control triggering events and certain downgrades of the ratings on the Senior Notes, VMware may be required to repurchase the notes at a repurchase price equal to 101% of the aggregate principal plus any accrued and unpaid interest on the date of repurchase. The Senior Notes rank equally in right of payment with VMware's other unsecured and unsubordinated indebtedness and contain restrictive covenants that, in certain circumstances, limit VMware's ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate, merge, sell or otherwise dispose of all or substantially all of VMware's assets.

The future principal payments for the Senior Notes as of January 28, 2022 were as follows (amounts in millions):

2023	\$	—
2024		1,000
2025		1,250
2026		750
2027		1,500
Thereafter		4,750
Total	\$	<u>9,250</u>

Refer to Note D for disclosure regarding the note payable to Dell.

Senior Unsecured Term Loan Facility

On September 2, 2021, VMware received commitments from financial institutions for a three-year senior unsecured term loan facility and a five-year senior unsecured term loan facility that provided the Company with a one-time aggregate borrowing capacity of up to \$4.0 billion (the "2021 Term Loan"). On November 1, 2021, the Company drew down an aggregate of \$4.0 billion with a weighted average interest rate of 0.90%. The drawdown was used to fund a portion of the Special Dividend in connection with the Spin-Off. On January 25, 2022, the Company repaid an aggregate of \$500 million. As of January 28, 2022, the outstanding balance on the 2021 Term Loan of \$3.5 billion, net of unamortized debt issuance cost, was included in long-term debt on the consolidated balance sheets.

On September 26, 2019, VMware entered into a senior unsecured term loan facility (the "2019 Term Loan") with a syndicate of lenders that provided the Company with a borrowing capacity of up to \$2.0 billion through February 7, 2020 for general corporate purposes. During the year ended January 31, 2020, the Company drew down an aggregate of \$3.4 billion and repaid an aggregate of \$1.9 billion. During the third quarter of fiscal 2021, VMware repaid the outstanding balance of \$1.5 billion on the 2019 Term Loan.

The 2021 Term Loan, together with the 2019 Term Loan (the "Term Loan") contain certain representations, warranties and covenants. Commitment fees incurred on the Term Loan were not significant for the periods presented. Interest expense for the Term Loan, including amortization of issuance costs, was not significant during the year ended January 28, 2022, and was \$17 million and \$15 million during the years ended January 29, 2021 and January 31, 2020, respectively.

Revolving Credit Facility

On September 2, 2021, VMware entered into an unsecured credit agreement establishing a revolving credit facility with a syndicate of lenders that provides the Company with a borrowing capacity of up to \$1.5 billion for general corporate purposes (the "2021 Revolving Credit Facility"). The 2021 Revolving Credit Facility replaced the Company's existing \$1.0 billion revolving credit facility that was entered into on September 12, 2017 and was undrawn. Commitments under the 2021 Revolving Credit Facility are available for a period of five years, which may be extended, subject to the satisfaction of certain conditions, by up to two one-year periods. As of January 28, 2022, there was no outstanding borrowing under the 2021 Revolving Credit Facility. The credit agreement contains certain representations, warranties and covenants. Commitment fees, interest rates and other terms of borrowing under the 2021 Revolving Credit Facility may vary based on VMware's external credit ratings. The amount incurred in connection with the ongoing commitment fee, which is payable quarterly in arrears, was not significant during the year ended January 28, 2022.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

K. Fair Value Measurements
Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

Certain financial assets and liabilities are measured at fair value on a recurring basis. VMware determines fair value using the following hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

VMware did not have any significant assets or liabilities that were classified as Level 3 of the fair value hierarchy for the periods presented, and there have been no transfers between fair value measurement levels during the periods presented.

The following tables set forth the fair value hierarchy of VMware's cash equivalents and short-term investments that were required to be measured at fair value as of the periods presented (tables in millions):

	January 28, 2022		
	Level 1	Level 2	Total
Cash equivalents:			
Money-market funds	\$ 2,998	\$ —	\$ 2,998
Time deposits ⁽¹⁾	—	34	34
Total cash equivalents	\$ 2,998	\$ 34	\$ 3,032
Short-term investments:			
Marketable equity securities	\$ 19	\$ —	\$ 19
Total short-term investments	\$ 19	\$ —	\$ 19

	January 29, 2021		
	Level 1	Level 2	Total
Cash equivalents:			
Money-market funds	\$ 3,738	\$ —	\$ 3,738
Time deposits ⁽¹⁾	—	102	102
Total cash equivalents	\$ 3,738	\$ 102	\$ 3,840
Short-term investments:			
Marketable equity securities	\$ 23	\$ —	\$ 23
Total short-term investments	\$ 23	\$ —	\$ 23

⁽¹⁾ Time deposits were valued at amortized cost, which approximated fair value.

The Senior Notes, 2021 Term Loan and note payable to Dell were not recorded at fair value. The fair value of the Senior Notes was approximately \$9.3 billion and \$5.3 billion as of January 28, 2022 and January 29, 2021, respectively. The fair value of the 2021 Term Loan approximated its carrying value as of January 28, 2022. The fair value of the note payable to Dell was \$276 million as of January 29, 2021. VMware repaid the outstanding balance of \$270 million on the note payable to Dell during the third quarter of fiscal 2022. Fair value for the Senior Notes and note payable to Dell was estimated primarily based on observable market interest rates (Level 2 inputs).

VMware offers a deferred compensation plan for eligible employees, which allows participants to defer payment for part or all of their compensation. There is no net impact to the consolidated statements of income since changes in the fair value of the assets offset changes in the fair value of the liabilities. As such, assets and liabilities associated with this plan have not been included in the above tables. Assets associated with this plan were the same as the liabilities at \$162 million and \$140 million as of January 28, 2022 and January 29, 2021, respectively, and were included in other assets on the consolidated balance sheets. Liabilities associated with this plan were included in accrued expenses and other of \$16 million and in other liabilities of

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

\$146 million on the consolidated balance sheets as of January 28, 2022. Liabilities associated with this plan of \$140 million were included in other liabilities on the consolidated balance sheets as of January 29, 2021.

Equity Securities With a Readily Determinable Fair Value

VMware's equity securities include an investment in a company that completed its initial public offering during the third quarter of fiscal 2021. The fair value of the investment is based on quoted prices for identical assets in an active market (Level 1). As of January 29, 2021, this investment had a fair value of \$162 million, of which \$139 million was included in other assets on the consolidated balance sheets due to a certain sale restriction and \$23 million was included in short-term investments as they were unrestricted and available for sale. The sale restriction lapsed for the remaining shares during the first quarter of fiscal 2022. As of January 28, 2022, the fair value of the investment was \$19 million and was included in short-term investments on the consolidated balance sheets.

The carrying value at the time of sale for the investments sold during the years ended January 28, 2022 and January 29, 2021 was \$83 million and \$26 million, respectively. A loss of \$37 million and a gain of \$23 million were recognized on the investments sold during the years ended January 28, 2022 and January 29, 2021, respectively. An unrealized loss of \$29 million was recognized during the year ended January 28, 2022 on the investment still held as of January 28, 2022. Unrealized gains of \$140 million and \$21 million were recognized during the years ended January 29, 2021 and January 31, 2020, respectively on the investments still held as of January 29, 2021 and January 31, 2020, respectively. All gains and losses on these securities, whether realized or unrealized, are recognized in other income (expense), net on the consolidated statements of income.

Equity Securities Without a Readily Determinable Fair Value

VMware's equity securities also include investments in privately held companies, which do not have a readily determinable fair value. As of January 28, 2022 and January 29, 2021, investments in privately held companies, which consisted primarily of equity securities, had a carrying value of \$163 million and \$129 million, respectively, and were included in other assets on the consolidated balance sheets.

During the years ended January 28, 2022 and January 31, 2020, gross upward adjustments of \$29 million and \$16 million, respectively, were recognized on securities still held as of January 28, 2022 and January 31, 2020, respectively. During the year ended January 29, 2021, gross downward adjustments of \$14 million were recognized on securities still held as of January 29, 2021.

Unrealized gains, net recognized on securities still held as of January 28, 2022 and January 31, 2020 were \$25 million and \$14 million, respectively, during the years ended January 28, 2022 and January 31, 2020, respectively. Unrealized losses, net recognized on securities still held as of January 29, 2021 were \$12 million during the year ended January 29, 2021. All gains and losses on these securities, whether realized or unrealized, are recognized in other income (expense), net on the consolidated statements of income.

L. Derivatives and Hedging Activities

VMware conducts business on a global basis in multiple foreign currencies, subjecting the Company to foreign currency risk. To mitigate a portion of this risk, VMware utilizes hedging contracts as described below, which potentially expose the Company to credit risk to the extent that the counterparties may be unable to meet the terms of the agreements. VMware manages counterparty risk by seeking counterparties of high credit quality and by monitoring credit ratings, credit spreads and other relevant public information about its counterparties. VMware does not, and does not intend to, use derivative instruments for trading or speculative purposes.

Cash Flow Hedges

To mitigate its exposure to foreign currency fluctuations resulting from certain operating expenses denominated in certain foreign currencies, VMware enters into forward contracts that are designated as cash flow hedging instruments as the accounting criteria for such designation are met. Therefore, the effective portion of gains or losses resulting from changes in the fair value of these instruments is initially reported in accumulated other comprehensive loss on the consolidated balance sheets and is subsequently reclassified to the related operating expense line item on the consolidated statements of income in the same period that the underlying expenses are incurred. During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, the effective portion of gains or losses reclassified to the consolidated statements of income was not significant. Interest charges or forward points on VMware's forward contracts were excluded from the assessment of hedge effectiveness and were recorded to the related operating expense line item on the consolidated statements of income in the same period that the interest charges are incurred.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

These forward contracts have maturities of fourteen months or less, and as of January 28, 2022 and January 29, 2021, outstanding forward contracts had a total notional value of \$642 million and \$486 million, respectively. The notional value represents the gross amount of foreign currency that will be bought or sold upon maturity of the forward contract. The fair value of these forward contracts was not significant as of January 28, 2022 and January 29, 2021.

During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, all cash flow hedges were considered effective.

Forward Contracts Not Designated as Hedges

VMware has established a program that utilizes forward contracts to offset the foreign currency risk associated with net outstanding monetary asset and liability positions. These forward contracts are not designated as hedging instruments under applicable accounting guidance, and therefore all changes in the fair value of the forward contracts are reported in other income (expense), net on the consolidated statements of income.

These forward contracts generally have a maturity of one month, and as of January 28, 2022 and January 29, 2021, outstanding forward contracts had a total notional value of \$1.5 billion and \$1.2 billion, respectively. The notional value represents the gross amount of foreign currency that will be bought or sold upon maturity of the forward contract. The fair value of these forward contracts was not significant as of January 28, 2022 and January 29, 2021.

Gains related to the settlement of forward contracts were \$57 million and \$54 million during the years ended January 28, 2022 and January 31, 2020, respectively. The loss related to the settlement of forward contracts was \$63 million during the year ended January 29, 2021. Gains and losses are recorded in other income (expense), net on the consolidated statements of income.

The combined gains and losses related to the settlement of forward contracts and the underlying foreign currency denominated assets and liabilities were not significant during the year ended January 28, 2022. The combined gains and losses related to the settlement of forward contracts and the underlying foreign currency denominated assets and liabilities resulted in net gains of \$31 million during each of the years ended January 29, 2021 and January 31, 2020. Net gains and losses are recorded in other income (expense), net on the consolidated statements of income.

M. Property and Equipment, Net

Property and equipment, net, as of the periods presented consisted of the following (table in millions):

	January 28, 2022	January 29, 2021
Equipment and software	\$ 1,729	\$ 1,620
Buildings and improvements	1,170	1,137
Furniture and fixtures	134	132
Capital in progress	179	82
Total property and equipment	<u>3,212</u>	<u>2,971</u>
Accumulated depreciation	<u>(1,751)</u>	<u>(1,637)</u>
Total property and equipment, net	<u>\$ 1,461</u>	<u>\$ 1,334</u>

Capital in progress primarily consisted of capitalized costs associated with the development of internal-use software and various building and site improvements that had not yet been placed into service.

Depreciation expense was \$276 million, \$253 million and \$234 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

N. Leases

VMware has operating and finance leases primarily related to office facilities and equipment, which have remaining lease terms of one month to 24 years.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The components of lease expense during the periods presented were as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Operating lease expense	\$ 192	\$ 190	\$ 167
Finance lease expense:			
Amortization of ROU assets	6	6	4
Interest on lease liabilities	1	2	1
Total finance lease expense	7	8	5
Short-term lease expense	1	3	3
Variable lease expense	31	29	31
Total lease expense	<u>\$ 231</u>	<u>\$ 230</u>	<u>\$ 206</u>

From time to time, VMware enters into lease arrangements with Dell. Lease expense incurred for arrangements with Dell was not significant during the periods presented.

The Company subleases certain leased office space to third parties when it determines there is excess leased capacity. Sublease income was \$20 million, \$20 million and \$22 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Supplemental cash flow information related to operating and finance leases during the periods presented was as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 173	\$ 174	\$ 167
Operating cash flows from finance leases	1	1	2
Financing cash flows from finance leases	5	4	1
ROU assets obtained in exchange for lease liabilities:			
Operating leases	\$ 225	\$ 275	\$ 226
Finance leases	—	1	63

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Supplemental balance sheet information related to operating and finance leases as of the periods presented was as follows (table in millions):

	January 28, 2022	
	Operating Leases	Finance Leases
ROU assets, non-current ⁽¹⁾	\$ 1,062	\$ 46
Lease liabilities, current ⁽²⁾	\$ 145	\$ 5
Lease liabilities, non-current ⁽³⁾	927	43
Total lease liabilities	<u>\$ 1,072</u>	<u>\$ 48</u>

	January 29, 2021	
	Operating Leases	Finance Leases
ROU assets, non-current ⁽¹⁾	\$ 997	\$ 53
Lease liabilities, current ⁽²⁾	\$ 109	\$ 5
Lease liabilities, non-current ⁽³⁾	891	50
Total lease liabilities	<u>\$ 1,000</u>	<u>\$ 55</u>

⁽¹⁾ ROU assets for operating leases are included in other assets and ROU assets for finance leases are included in property and equipment, net on the consolidated balance sheets.

⁽²⁾ Current lease liabilities are included primarily in accrued expenses and other on the consolidated balance sheets.

⁽³⁾ Non-current operating lease liabilities are presented as operating lease liabilities on the consolidated balance sheets. Non-current finance lease liabilities are included in other liabilities on the consolidated balance sheets.

Lease term and discount rate related to operating and finance leases as of the periods presented were as follows:

	January 28, 2022	January 29, 2021
Weighted-average remaining lease term (in years)		
Operating leases	11.9	12.6
Finance leases	7.3	8.3
Weighted-average discount rate		
Operating leases	3.2 %	3.5 %
Finance leases	2.9 %	2.9 %

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following represents VMware's future minimum lease payments under non-cancellable operating and finance leases as of January 28, 2022 (table in millions):

	Operating Leases	Finance Leases
2023	\$ 176	\$ 7
2024	165	7
2025	121	6
2026	116	7
2027	99	8
Thereafter	666	19
Total future minimum lease payments	1,343	54
Less: Imputed interest	(271)	(6)
Total lease liabilities ⁽¹⁾	<u>\$ 1,072</u>	<u>\$ 48</u>

⁽¹⁾ Total lease liabilities as of January 28, 2022 excluded legally binding lease payments for leases signed but not yet commenced of \$29 million.

The amount of the future operating lease commitments after fiscal 2027 is primarily for the ground leases on VMware's Palo Alto, California headquarter facilities, which expire in fiscal 2047. As several of VMware's operating leases are payable in foreign currencies, the operating lease payments may fluctuate in response to changes in the exchange rate between the U.S. dollar and the foreign currencies in which the commitments are payable.

O. Accrued Expenses and Other

Accrued expenses and other as of the periods presented consisted of the following (table in millions):

	January 28, 2022	January 29, 2021
Accrued employee related expenses	\$ 1,412	\$ 1,266
Accrued partner liabilities	212	218
Customer deposits	470	294
Lease liabilities	150	114
Other ⁽¹⁾	562	490
Total	<u>\$ 2,806</u>	<u>\$ 2,382</u>

⁽¹⁾ Other primarily consists of interest accrual on outstanding debt, indirect tax accrual, and litigation accrual.

Accrued partner liabilities primarily relate to rebates and marketing development fund accruals for channel partners, system vendors and systems integrators. Accrued partner liabilities also include accruals for professional service arrangements for which VMware intends to leverage channel partners to directly fulfill the obligation to its customers.

P. Income Taxes

The domestic and foreign components of income before income tax for the periods presented were as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Domestic	\$ 633	\$ 932	\$ 895
Foreign	1,452	1,450	543
Total income before income tax	<u>\$ 2,085</u>	<u>\$ 2,382</u>	<u>\$ 1,438</u>

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

VMware's income tax provision (benefit) for the periods presented consisted of the following (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Federal:			
Current	\$ 16	\$ 157	\$ 78
Deferred	64	(19)	(219)
	<u>80</u>	<u>138</u>	<u>(141)</u>
State:			
Current	50	73	45
Deferred	(13)	(14)	(44)
	<u>37</u>	<u>59</u>	<u>1</u>
Foreign:			
Current	279	246	240
Deferred	(131)	(119)	(5,018)
	<u>148</u>	<u>127</u>	<u>(4,778)</u>
Total income tax provision (benefit)	<u><u>\$ 265</u></u>	<u><u>\$ 324</u></u>	<u><u>\$ (4,918)</u></u>

Provision for income taxes decreased during the year ended January 28, 2022 compared to January 29, 2021, primarily driven by \$31 million discrete tax benefit related to the book and tax basis difference on the Company's investment in equity securities recognized during the year ended January 28, 2022 as compared to a discrete tax expense of \$52 million during the year ended January 29, 2021. The decrease was partially offset by a discrete tax benefit of \$59 million due to an intra-group transfer of Pivotal's intellectual property rights to the Company's Irish subsidiary during the year ended January 29, 2021.

Provision for income taxes increased during the year ended January 29, 2021 compared to January 31, 2020, primarily driven by a decrease in discrete tax benefits related to intra-group transfers of certain of the Company's intellectual property rights. The increase was also driven by a decrease in excess tax benefits recognized, which were \$41 million during the year ended January 29, 2021 compared to \$182 million during the year ended January 31, 2020.

During the second quarter of fiscal 2020, the Company completed an intra-group transfer of certain of its intellectual property rights (the "IP") to its Irish subsidiary, where its international business is headquartered (the "IP Transfer"). The transaction changed the Company's mix of international income from a lower non-U.S. tax jurisdiction to Ireland, which is subject to a statutory tax rate of 12.5%. A discrete tax benefit of \$4.9 billion was recognized with a deferred tax asset during the second quarter of fiscal 2020. This deferred tax asset was recognized as a result of the book and tax basis difference on the IP transferred to an Irish subsidiary and was based on the intellectual property's current fair value.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A reconciliation of VMware's effective tax rate to the statutory federal tax rate for the periods presented was as follows:

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Statutory federal tax rate	21 %	21 %	21 %
State taxes, net of federal benefit	1 %	2 %	— %
Tax rate differential for non-U.S. jurisdictions	(10)%	(8)%	(3)%
Research and development tax credit	(4)%	(3)%	(8)%
Excess tax benefits from stock-based compensation	(1)%	(1)%	(11)%
Discrete tax benefit due to IP Transfer ⁽¹⁾	— %	(2)%	(343)%
U.S. tax on foreign earnings	1 %	2 %	— %
Permanent items	5 %	3 %	— %
Effective tax rate	<u>13 %</u>	<u>14 %</u>	<u>(344)%</u>

⁽¹⁾ A discrete tax benefit of \$59 million was recognized with a deferred tax asset during the year ended January 29, 2021. This deferred tax asset was recognized as a result of intra-group transfer of Pivotal's IP rights to an Irish subsidiary. A discrete tax benefit of \$4.9 billion was recognized with a deferred tax asset during the year ended January 31, 2020. This deferred tax asset was recognized as a result of the book and tax basis difference on the IP transferred to an Irish subsidiary.

Deferred tax assets and liabilities are recognized for future tax consequences resulting from differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to be reversed. Significant deferred tax assets and liabilities as of the periods presented consisted of the following (table in millions):

	January 28, 2022	January 29, 2021
Deferred tax assets:		
Accruals and other	\$ 280	\$ 238
Lease liabilities	179	167
Unearned revenue	538	501
Stock-based compensation	76	86
Tax credit and net operating loss carryforwards	710	553
Other assets, net	135	54
Intangible and other non-current assets	<u>4,916</u>	<u>4,900</u>
Gross deferred tax assets	6,834	6,499
Valuation allowance	<u>(471)</u>	<u>(366)</u>
Total deferred tax assets	6,363	6,133
Deferred tax liabilities:		
Deferred commissions	(177)	(158)
ROU Assets	(151)	(145)
Property, plant and equipment, net	<u>(134)</u>	<u>(109)</u>
Total deferred tax liabilities	(462)	(412)
Net deferred tax assets	<u>\$ 5,901</u>	<u>\$ 5,721</u>

The increase in net deferred tax assets from January 29, 2021 to January 28, 2022 was primarily driven by the increase in certain tax attributes, which were allocated from Dell, as a result of the Spin-Off of \$165 million as of January 28, 2022.

VMware had federal, state and foreign net operating loss carryforwards of \$269 million, \$521 million and \$9 million, as of January 28, 2022, respectively. VMware had federal, state and foreign net operating loss carryforwards of \$655 million, \$714 million and \$191 million as of January 29, 2021, respectively. The federal and state net operating loss carryforwards will start to expire in fiscal 2023, if not utilized. These net operating losses have various carryforward periods, including certain

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

portions that can be carried forward indefinitely. The majority of the Company's foreign net operating loss carryforwards can be carried forward indefinitely.

VMware had federal research and development ("R&D") tax credit carryforwards of \$164 million and \$46 million as of January 28, 2022 and January 29, 2021, respectively. The federal R&D tax credit will start to expire in fiscal 2025, if not utilized. VMware also had California and other state R&D credit carryforwards for income tax purposes of \$397 million and \$323 million as of January 28, 2022 and January 29, 2021, respectively. The California R&D tax credit carryforwards can be carried forward indefinitely and the other state R&D tax credit carryforwards will start to expire in fiscal 2023, if not utilized. In addition, VMware had federal foreign tax credit carryforwards of \$49 million as of January 28, 2022 and the amount was not significant as of January 29, 2021. The federal foreign tax credit will start to expire in fiscal 2027, if not utilized. VMware also had non-U.S. capital loss carryforwards of \$23 million and \$22 million as of January 28, 2022 and January 29, 2021, respectively, which can be carried forward indefinitely.

VMware determined that the realization of deferred tax assets relating to portions of the state R&D tax credits and foreign capital loss carryforwards did not meet the more-likely-than-not threshold. Accordingly, a valuation allowance of \$471 million and \$366 million was recorded as of January 28, 2022 and January 29, 2021, respectively. If, in the future, new evidence supports the realization of the deferred tax assets related to these items, the valuation allowance will be reversed and a tax benefit will be recorded accordingly.

VMware believes it is more-likely-than-not that the net deferred tax assets as of January 28, 2022 and January 29, 2021, will be realized in the foreseeable future as VMware believes that it will generate sufficient taxable income in future years. VMware's ability to generate sufficient taxable income in future years in appropriate tax jurisdictions will determine the amount of net deferred tax asset balances to be realized in future periods. During the year ended January 28, 2022, the total change in the valuation allowance was \$105 million, which was primarily due to certain tax attributes allocated by Dell as a result of the Spin-Off and California R&D credits generated in the current year, partially offset by the California R&D credits usage.

For the periods presented, VMware's rate of taxation in non-U.S. jurisdictions was lower than the U.S. tax rate. VMware's non-U.S. earnings are primarily earned by its subsidiary organized in Ireland, where the statutory rate is 12.5%. Prior to the year ended February 2, 2018, the Company did not recognize a deferred tax liability related to undistributed foreign earnings of its subsidiaries because such earnings were considered to be indefinitely reinvested in its foreign operations, or were remitted substantially free of U.S. tax. Under the 2017 Tax Act, all foreign earnings are subject to U.S. taxation. As a result, the Company repatriated, and expects to continue to repatriate, a substantial portion of its foreign earnings over time, to the extent that the foreign earnings are not restricted by local laws or result in significant incremental costs associated with repatriating the foreign earnings. As of January 28, 2022, the amount of deferred tax liability related to the potential repatriation of foreign earnings was not material. Further developments in non-U.S. tax jurisdictions and unfavorable changes in non-U.S. tax laws and regulations, such as foreign tax laws enacted in response to the 2017 Tax Act, could result in adverse changes to global taxation and materially affect VMware's financial position, results of operations, or annual effective tax rate.

Tax Agreements with Dell

Pursuant to the Tax Matters Agreement, VMware and Dell agreed to terminate the former tax sharing agreement as amended on December 30, 2019 (the "Tax Sharing Agreement", together with the Tax Matters Agreement and the Letter Agreement (as defined below), the "Tax Agreements"). The Tax Matters Agreement governs the Company's and Dell's respective rights and obligations, both for pre-Spin-Off periods and post-Spin-Off periods, regarding income and other taxes, and related matters, including tax liabilities and benefits, attributes and returns.

Prior to the Spin-Off, although VMware's financial results were included in the Dell consolidated tax return for U.S. federal income tax purposes, VMware's income tax provision or benefit was calculated primarily as though VMware was a separate taxpayer, with certain transactions between VMware and Dell being assessed using consolidated tax return rules. VMware was jointly and severally liable for tax obligation on Dell's consolidated tax returns, and, as such, net amount due to Dell under the Tax Sharing Agreement of \$451 million was included in income tax payable on the consolidated balance sheets as of January 29, 2021. This amount was primarily related to VMware's estimated tax obligation resulting from the mandatory one-time transition tax on accumulated earnings of foreign subsidiaries (the "Transition Tax").

As a result of the Spin-Off, VMware is no longer a member of the Dell consolidated tax group and the Company's U.S. federal income tax will be reported separately from that of the Dell consolidated tax group. VMware and Dell have agreed to indemnify one another, pursuant to the Tax Matters Agreement, for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off. Amounts due to and due from Dell under the Tax Matters Agreement were reclassified to current and non-current portions of due to related parties and due from related parties, respectively, on the consolidated balance sheets as of January 28, 2022. Certain adjustments to these amounts that will be recognized in future periods will be recorded with an offset

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

to other income (expense), net on the consolidated statements of income. The actual amount that VMware may receive from or pay to Dell could vary depending on the outcome of tax matters arising from Dell's future tax audits, which may not be resolved for several years.

Amounts due to and due from Dell pursuant to the Tax Matters Agreement consisted of the following as of January 28, 2022 (table in millions):

	January 28, 2022
Due from related parties:	
Current	\$ 6
Non-current	199
Due to related parties:	
Current	\$ 61
Non-current	909

As of January 28, 2022, amounts due to Dell pursuant to the Tax Matters Agreement primarily related to the Transition Tax of \$504 million and uncertain tax positions of \$276 million. The U.S. Tax Cuts and Jobs Act enacted on December 22, 2017 (the "2017 Tax Act") included a deferral election for an eight-year installment payment method on the Transition Tax. The Company expects to pay the remainder of its Transition Tax as of January 28, 2022 over a period of four years.

VMware has made payments to Dell pursuant to the Tax Agreements. The following table summarizes the payments made during the periods presented (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Payments from VMware to Dell, net ⁽¹⁾	\$ 36	\$ 307	\$ 159

⁽¹⁾ Included refunds received from Dell of \$60 million during the year ended January 28, 2022.

Payments from VMware to Dell under the Tax Agreements relate to VMware's portion of federal income taxes on Dell's consolidated tax return, state tax payments for combined states and estimated tax obligation resulting from the Transition Tax. The timing of the tax payments due to and from Dell is governed by the Tax Agreements. VMware's portion of the Transition Tax is governed by a letter agreement between Dell, EMC and VMware executed on April 1, 2019 (the "Letter Agreement"). Prior to the Spin-Off, VMware's portion of federal income taxes on Dell's consolidated tax return differed from the amounts VMware owed on a separate tax return basis and VMware's payments to Dell generally were capped at the amount that VMware would have paid on a separate tax return basis. The difference between the amount of tax calculated on a separate tax return basis and the amount of tax calculated pursuant to the Tax Agreements was recorded as a decrease in additional paid-in capital of \$67 million and \$46 million, respectively, during the years ended January 28, 2022 and January 29, 2021. The difference between the amount of tax calculated on a separate tax return basis and the amount of tax calculated pursuant to the Tax Agreements was recorded as an increase in additional paid-in capital of \$85 million during the year ended January 31, 2020, primarily due to a reduction in Transition Tax liability based on the terms of the Letter Agreement and certain tax attribute determination made by Dell.

Pivotal Tax Sharing Agreement with Dell

Pursuant to a tax sharing agreement, Pivotal historically received payments from Dell for tax benefits that Dell realized due to Pivotal's inclusion on such returns. Payments received from Dell were recognized as a component of additional paid-in capital. During the year ended January 31, 2020, \$25 million was recognized in additional paid-in capital related to Pivotal's tax sharing agreement with Dell. There were no payments received from Dell during each of the years ended January 28, 2022 and January 29, 2021.

In April 2019, Pivotal and Dell amended their tax sharing agreement with regard to the treatment of certain 2017 Tax Act implications not explicitly covered by the original terms of the tax sharing agreement. The amendment resulted in a one-time payment of \$27 million by Dell to Pivotal in August 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, excluding interest and penalties associated with unrecognized tax benefits, for the periods presented is as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Balance, beginning of the year	\$ 508	\$ 479	\$ 385
Tax positions related to current year:			
Additions	68	65	116
Tax positions related to prior years:			
Additions	2	12	98
Reductions	(10)	(25)	(7)
Settlements	(25)	(14)	(28)
Reductions resulting from a lapse of the statute of limitations	(10)	(14)	(83)
Foreign currency effects	(6)	5	(2)
Balance, end of the year	<u>\$ 527</u>	<u>\$ 508</u>	<u>\$ 479</u>

Of the net unrecognized tax benefits, including interest and penalties, \$242 million and \$352 million were included in income tax payable on the consolidated balance sheets as of January 28, 2022 and January 29, 2021, respectively. Approximately \$397 million and \$341 million, respectively, would, if recognized, benefit VMware's annual effective income tax rate. VMware includes interest expense and penalties related to income tax matters in the income tax provision. VMware had accrued \$60 million and \$48 million of interest and penalties associated with unrecognized tax benefits as of January 28, 2022 and January 29, 2021, respectively. Interest and penalties associated with uncertain tax positions included in income tax expense (benefit) were not significant during the years ended January 28, 2022, January 29, 2021 and January 31, 2020. Unrecognized tax benefits that VMware and Dell have agreed to indemnify one another for, pursuant to the Tax Matters Agreement as a result of the Spin-Off, are recorded in the non-current portion of due to related parties on the consolidated balance sheets and were \$276 million as of January 28, 2022.

The Dell consolidated group is routinely under audit by the IRS, including for years during which VMware was a part of the Dell-owned EMC consolidated group. All U.S. federal income tax matters have been concluded for years through fiscal 2016 while VMware was part of the Dell-owned EMC consolidated group. The IRS has started its examination of fiscal years 2015 through 2019 for the Dell consolidated group, of which VMware was part beginning with fiscal 2017. In addition, VMware is under corporate income tax audits in various states and non-U.S. jurisdictions. Pursuant to the Tax Agreements, when VMware becomes subject to federal tax audits for periods during which it was a member of Dell's consolidated group, Dell has the authority to control the audit and represent Dell's and VMware's interests to the IRS.

Open tax years subject to examinations for larger non-U.S. jurisdictions vary beginning in 2008. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. When considering the outcomes and the timing of tax examinations, the expiration of statutes of limitations for specific jurisdictions, or the timing and result of ruling requests from taxing authorities, it is reasonably possible that total unrecognized tax benefits could be potentially reduced by approximately \$20 million within the next 12 months.

Q. Stockholders' Equity**Special Dividend**

On November 1, 2021, VMware paid an \$11.5 billion Special Dividend, pro rata, to each of the holders of Class A Stock and Class B Stock as of the Record Date. The Special Dividend was recorded as a reduction to retained earnings and then to additional paid-in capital until each of the respective balances were reduced to zero. The remaining amount was recorded to accumulated deficit. Automatically as a result of the Spin-Off, each share of Class B Stock converted into one fully paid and non-assessable share of Class A Stock and Class A Stock became, and remains, the sole outstanding class of VMware's common stock. Refer to Note A for more information regarding the Spin-Off.

Equity awards that were outstanding at the time of the Special Dividend were adjusted pursuant to existing anti-dilution provisions in the Company's stock plan documents that provide for equitable adjustments to be determined by VMware's

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Compensation Committee in the event of an extraordinary cash dividend. A conversion ratio based on the per share dividend amount and VMware's closing stock price on November 1, 2021 was used to adjust the equity awards outstanding at the time of the Special Dividend. The anti-dilution adjustments to awards proportionately increased the number of outstanding restricted stock units and stock options and reduced the exercise prices of outstanding stock options by a conversion ratio of 1.2191, resulting in an increase of 4.2 million restricted stock units and stock options. The adjustments did not result in incremental stock-based compensation expense as the anti-dilutive adjustments were required by the Company's equity incentive plan.

VMware Equity Plan

In June 2007, VMware adopted its 2007 Equity and Incentive Plan (the "2007 Plan"). On June 25, 2019 and July 23, 2021, VMware amended its 2007 Plan to increase the number of shares available for issuance by 13.0 million shares and 15.0 million shares of Class A Stock, respectively. As of January 28, 2022, 183.7 million shares have been authorized for issuance or substituted in the course of business combinations pursuant to the terms of the 2007 Plan since its inception, including 16.6 million shares that were automatically added pursuant to the anti-dilution provisions of the 2007 Plan triggered by payments of the special dividend during fiscal 2019 and fiscal 2022 (the "Anti-Dilution Adjustment").

Awards under the 2007 Plan may be in the form of stock-based awards, such as restricted stock units, or stock options. VMware's Compensation Committee determines the vesting schedule for all equity awards. Generally, restricted stock grants made under the 2007 Plan have a three-year to four-year period over which they vest and vest 25% the first year and semi-annually thereafter. The per share exercise price for a stock option awarded under the 2007 Plan shall not be less than 100% of the per share fair market value of VMware Class A Stock on the date of grant. Options granted under the 2007 Plan vest 25% after the first year and monthly thereafter over the following three years and expire between six and seven years from the date of grant. VMware utilizes both authorized and unissued shares to satisfy all shares issued under the 2007 Plan. As of January 28, 2022, there was an aggregate of 36.5 million shares of common stock available for issuance pursuant to future grants under the 2007 Plan, including 9.5 million shares included in the Anti-Dilution Adjustment.

Pivotal Equity Plan

Prior to the acquisition of Pivotal, Pivotal granted stock-based awards, such as restricted stock units or stock options to its employees. Pivotal's restricted stock grants generally vested over four years and options granted generally vested over 48 months. Upon completion of the acquisition by VMware, no further awards will be granted under the plan. Pivotal's outstanding unvested RSUs and options on the date of the acquisition were converted to VMware RSUs and options and valued at their historical carrying amounts.

VMware Stock Repurchases

VMware purchases stock from time to time in open market transactions, subject to market conditions. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including VMware's stock price, cash requirements for operations and business combinations, corporate, legal and regulatory requirements and other market and economic conditions. VMware is not obligated to purchase any shares under its stock repurchase programs. Purchases may be discontinued at any time VMware believes additional purchases are not warranted. All shares repurchased under VMware's stock repurchase programs are retired.

The following table summarizes stock repurchase authorizations approved by VMware's board of directors, which were open or completed during the years ended January 28, 2022, January 29, 2021 and January 31, 2020 (amounts in table in millions):

Announcement Date	Amount Authorized	Expiration Date	Status
October 7, 2021 ⁽¹⁾	\$ 2,000	February 2, 2024	Open
July 15, 2020	1,000	January 28, 2022	Terminated ⁽²⁾
May 29, 2019	1,500	January 28, 2022 ⁽³⁾	Completed in fiscal 2022
August 14, 2017	1,000	August 31, 2019	Completed in fiscal 2020

⁽¹⁾ The October 2021 authorization was effective as of November 1, 2021.

⁽²⁾ The July 2020 authorization, under which \$183 million remained unpurchased, was terminated on November 1, 2021.

⁽³⁾ In July 2020, VMware's Board of Directors extended its authorization of the existing stock repurchase program through January 28, 2022.

In the aggregate, \$1.7 billion remained available for repurchase as of January 28, 2022.

The following table summarizes stock repurchase activity during the periods presented (aggregate purchase price in millions, shares in thousands):

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Aggregate purchase price ⁽¹⁾	\$ 1,169	\$ 945	\$ 1,334
Class A Stock repurchased	8,197	6,944	7,664
Weighted-average price per share	\$ 142.61	\$ 136.13	\$ 174.02

⁽¹⁾ The aggregate purchase price of repurchased shares is classified as a reduction to additional paid-in capital until the balance is reduced to zero and the excess is recorded as a reduction to retained earnings (accumulated deficit).

VMware and Pivotal Restricted Stock

VMware's restricted stock primarily consists of RSU awards granted to employees. The value of an RSU grant is based on VMware's stock price on the date of the grant. The shares underlying the RSU awards are not issued until the RSUs vest. Upon vesting, each RSU converts into one share of VMware's Class A Stock.

VMware's restricted stock also includes PSU awards granted to certain VMware executives and employees. PSU awards have performance conditions and, in certain cases, a time-based or market-based vesting component. Upon vesting, PSU awards convert into VMware's Class A Stock at various ratios ranging from 0.4 to 2.0 shares per PSU, depending upon the degree of achievement of the performance or market-based target designated by each award. If minimum performance thresholds are not achieved, then no shares are issued.

Pivotal's restricted stock consisted of RSU awards. The value of the grant was based on Pivotal's stock price on the date of the grant. Upon the completion of the acquisition by VMware, all outstanding Pivotal RSUs were converted to VMware RSUs using a conversion ratio of 0.1.

The following table summarizes restricted stock activity since February 1, 2019 (units in thousands):

	VMware		Pivotal	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Outstanding, February 1, 2019 ⁽¹⁾	18,215	\$ 90.06	9,501	\$ 15.77
Granted ⁽²⁾	9,074	157.07	20,504	16.02
Vested	(8,179)	80.28	(4,009)	15.56
Forfeited ⁽³⁾	(1,636)	101.29	(25,996)	16.01
Outstanding, January 31, 2020	17,474	128.38	—	—
Granted	11,201	149.63	n/a	n/a
Vested	(8,296)	114.59	n/a	n/a
Forfeited	(2,589)	137.55	n/a	n/a
Outstanding, January 29, 2021	17,790	147.46	n/a	n/a
Granted	12,400	141.46	n/a	n/a
Special Dividend adjustment	4,068	n/a	n/a	n/a
Vested	(7,593)	134.00	n/a	n/a
Forfeited	(3,663)	146.13	n/a	n/a
Outstanding, January 28, 2022	23,002	123.06	n/a	n/a

⁽¹⁾ The weighted-average grant date fair value of outstanding restricted stock as of February 1, 2019 reflected the adjustments to the awards as a result of the special dividend in July 2018.

⁽²⁾ Restricted stock granted under the 2007 Plan included 2.2 million RSU awards issued for outstanding unvested RSUs as part of the Pivotal acquisition.

⁽³⁾ Restricted stock forfeited under the Pivotal equity plan included 21.7 million RSU awards that were converted to VMware RSU awards as part of the Pivotal acquisition, using a conversion ratio of 0.1.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As of January 28, 2022, the 23.0 million units outstanding included 22.0 million of RSUs and 1.0 million of PSUs. The above table includes RSUs issued for outstanding unvested RSUs in connection with business combinations.

Restricted stock that is expected to vest as of January 28, 2022 was as follows (units in thousands, aggregate intrinsic value in millions):

	<u>Number of Units</u>	<u>Weighted-Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value⁽¹⁾</u>
Expected to vest	19,885	1.30	\$ 2,568

⁽¹⁾ The aggregate intrinsic value represents the total pre-tax intrinsic values based on VMware's closing stock price of \$129.14 as of January 28, 2022, which would have been received by the restricted stock holders had the restricted stock been issued as of January 28, 2022.

The aggregate vesting date fair value of VMware's restricted stock that vested during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, was \$1.1 billion, \$1.1 billion and \$1.4 billion, respectively. As of January 28, 2022, restricted stock representing 23.0 million shares of VMware's Class A Stock were outstanding, with an aggregate intrinsic value of \$3.0 billion based on VMware's closing stock price as of January 28, 2022.

The aggregate vesting date fair value of Pivotal's restricted stock that vested during the year ended January 31, 2020, prior to the acquisition, was \$68 million. No restricted stock vested during the year ended February 1, 2019.

VMware and Pivotal Employee Stock Purchase Plans

In June 2007, VMware adopted its 2007 Employee Stock Purchase Plan (the "ESPP"), which is intended to be qualified under Section 423 of the Internal Revenue Code. On June 25, 2019 and July 23, 2021, VMware amended its ESPP to increase the number of shares authorized for issuance by 9.0 million shares and 5.0 million shares of Class A Stock, respectively. As of January 28, 2022, the number of authorized shares under the ESPP was 37.3 million shares. Under the ESPP, eligible VMware employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. The option period is generally twelve months and includes two embedded six-month option periods. Options are exercised at the end of each embedded option period. If the fair market value of the stock is lower on the first day of the second embedded option period than it was at the time of grant, then the twelve-month option period expires and each participant is granted a new twelve-month option. As of January 28, 2022, 15.2 million shares of VMware Class A Stock were available for issuance under the ESPP.

The following table summarizes ESPP activity for VMware during the periods presented (cash proceeds in millions, shares in thousands):

	For the Year Ended		
	<u>January 28, 2022</u>	<u>January 29, 2021</u>	<u>January 31, 2020</u>
Cash proceeds	\$ 236	\$ 207	\$ 172
Class A Stock purchased	2,116	2,025	1,489
Weighted-average price per share	\$ 111.31	\$ 102.44	\$ 115.51

As of January 28, 2022, \$112 million of ESPP withholdings were recorded as a liability in accrued expenses and other on the consolidated balance sheets for the purchase that occurred on February 28, 2022.

Prior to the acquisition of Pivotal, Pivotal granted options to eligible Pivotal employees to purchase shares of its Class A stock at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value of the Pivotal stock at the time of exercise. Pivotal's ESPP activity was not material during the year ended January 31, 2020.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

VMware and Pivotal Stock Options

The following table summarizes stock option activity for VMware and Pivotal since February 1, 2019 (shares in thousands):

	VMware		Pivotal	
	Number of Shares	Weighted-Average Exercise Price (per share)	Number of Shares	Weighted-Average Exercise Price (per share)
Outstanding, February 1, 2019 ⁽¹⁾	1,969	\$ 36.50	45,901	\$ 8.31
Granted ⁽²⁾	1,571	73.19	—	—
Forfeited ⁽³⁾	(149)	52.83	(10,822)	10.65
Expired	—	—	(128)	10.10
Exercised ⁽⁴⁾	(776)	39.94	(34,951)	7.59
Outstanding, January 31, 2020	2,615	56.58	—	—
Granted	31	43.20	n/a	n/a
Forfeited	(156)	70.75	n/a	n/a
Exercised	(1,247)	52.34	n/a	n/a
Outstanding, January 29, 2021	1,243	58.68	n/a	n/a
Granted	4	97.91	n/a	n/a
Special Dividend adjustment	147	n/a	n/a	n/a
Forfeited	(104)	63.73	n/a	n/a
Exercised	(604)	57.19	n/a	n/a
Outstanding, January 28, 2022	686	46.95	n/a	n/a

⁽¹⁾ The weighted-average exercise price of options outstanding as of February 1, 2019 reflected the adjustments to the options as a result of the special dividend in July 2018.

⁽²⁾ Stock options granted under the 2007 Plan included 0.6 million options issued for unvested options as part of the Pivotal acquisition.

⁽³⁾ Stock options forfeited under the Pivotal equity plan included 6.2 million options converted to VMware options as part of the Pivotal acquisition, using a conversion ratio of 0.1.

⁽⁴⁾ Stock options exercised under the Pivotal equity plan included \$22.4 million of vested options that were settled in cash as part of the Pivotal acquisition.

Options granted during the periods presented relate to unvested stock options assumed in business combinations, and as a result, the weighted-average exercise price per share may vary from the VMware stock price at time of grant.

The stock options outstanding as of January 28, 2022 had an aggregate intrinsic value of \$56 million based on VMware's closing stock price as of January 28, 2022.

Options outstanding that are exercisable and that have vested and are expected to vest as of January 28, 2022 were as follows (outstanding options in thousands, aggregate intrinsic value in millions):

	VMware Stock Options			
	Outstanding Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ⁽¹⁾
Exercisable	623	\$ 46.96	5.35	\$ 51
Vested and expected to vest	685	46.91	5.49	56

⁽¹⁾ The aggregate intrinsic values represent the total pre-tax intrinsic values based on VMware's closing stock price of \$129.14 as of January 28, 2022, which would have been received by the option holders had all in-the-money options been exercised as of that date.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The total fair value of VMware stock options that vested during the years ended January 28, 2022, January 29, 2021 and January 31, 2020 was \$26 million, \$92 million and \$64 million, respectively. Total fair value of Pivotal stock options that vested during the year ended January 31, 2020 was \$27 million.

The VMware stock options exercised during the years ended January 28, 2022, January 29, 2021 and January 31, 2020 had a pre-tax intrinsic value of \$55 million, \$111 million and \$103 million, respectively. The Pivotal options exercised during the year ended January 31, 2020 had a pre-tax intrinsic value of \$278 million. The pre-tax intrinsic value of Pivotal options exercised during the year ended January 31, 2020 includes vested options that were settled in cash as part of the Pivotal acquisition.

VMware Shares Repurchased for Tax Withholdings

During the years ended January 28, 2022, January 29, 2021 and January 31, 2020, VMware repurchased 2.6 million, 3.0 million and 3.0 million, respectively, of Class A Stock, for \$378 million, \$413 million and \$521 million, respectively, to cover tax withholding obligations in connection with such equity awards. These amounts may differ from the amounts of cash remitted for tax withholding obligations on the consolidated statements of cash flows due to the timing of payments. Pursuant to the respective award agreements, these shares were withheld in conjunction with the net share settlement upon the vesting of RSUs and PSUs during the period. The value of the withheld shares was classified as a reduction to additional paid-in capital.

Net Excess Tax Benefits

Net excess tax benefits recognized in connection with stock-based awards are included in income tax provision on the consolidated statements of income. Net excess tax benefits recognized were \$17 million, \$41 million and \$182 million during the years ended January 28, 2022, January 29, 2021 and January 31, 2020, respectively.

Stock-Based Compensation

The following table summarizes the components of total stock-based compensation included in VMware's consolidated statements of income during the periods presented (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Cost of license revenue	\$ 1	\$ 1	\$ 1
Cost of subscription and SaaS revenue	21	19	13
Cost of services revenue	92	99	83
Research and development	528	524	459
Sales and marketing	302	322	293
General and administrative	131	157	168
Stock-based compensation	1,075	1,122	1,017
Income tax benefit	(202)	(231)	(347)
Total stock-based compensation, net of tax	<u>\$ 873</u>	<u>\$ 891</u>	<u>\$ 670</u>

As of January 28, 2022, the total unrecognized compensation cost for stock options and restricted stock was \$2.1 billion and will be recognized through fiscal 2027 with a weighted-average remaining period of 1.5 years. Stock-based compensation related to VMware equity awards held by VMware employees is recognized on VMware's consolidated statements of income over the awards' requisite service periods.

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value of VMware Stock Options

The fair value of each option to acquire VMware Class A Stock granted during the periods presented was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
<u>VMware Stock Options</u>			
Dividend yield	None	None	None
Expected volatility	35.0 %	38.8 %	34.0 %
Risk-free interest rate	0.3 %	0.4 %	1.5 %
Expected term (in years)	2.9	2.6	2.7
Weighted-average fair value at grant date	\$ 62.99	\$ 102.55	\$ 98.00
<u>VMware Employee Stock Purchase Plan</u>			
Dividend yield	None	None	None
Expected volatility	36.5 %	36.1 %	27.4 %
Risk-free interest rate	0.1 %	1.0 %	1.7 %
Expected term (in years)	0.7	0.7	0.6
Weighted-average fair value at grant date	\$ 37.95	\$ 33.60	\$ 35.66

The weighted-average grant date fair value of VMware stock options can fluctuate from period to period primarily due to higher valued options through business combinations with exercise prices lower than the fair market value of VMware's stock on the date of grant.

For equity awards granted under the VMware equity plan, volatility was based on an analysis of historical stock prices and implied volatility of VMware's Class A Stock. The expected term was based on historical exercise patterns and post-vesting termination behavior, the term of the option period for grants made under the ESPP, or the weighted-average remaining term for options assumed in acquisitions. VMware's expected dividend yield input was zero as the Company has not historically paid, nor expects in the future to pay, regular dividends on its common stock. The risk-free interest rate was based on a U.S. Treasury instrument whose term is consistent with the expected term of the stock options.

Accumulated Other Comprehensive Loss

The changes in components of accumulated other comprehensive loss during the periods presented were as follows (tables in millions):

	Forward Contracts	Foreign Currency Translation Adjustments	Total
Balance, January 31, 2020	\$ —	\$ (4)	\$ (4)
Unrealized gains (losses), net of tax provision (benefit) of \$—, \$— and \$—	(1)	—	(1)
Other comprehensive income (loss), net	(1)	—	(1)
Balance, January 29, 2021	(1)	(4)	(5)
Unrealized gains (losses), net of tax provision (benefit) of \$—, \$— and \$—	(1)	—	(1)
Amounts reclassified from accumulated other comprehensive loss to the consolidated statements of income, net of tax (provision) benefit of \$—, \$— and \$—	1	—	1
Other comprehensive income (loss), net	—	—	—
Balance, January 28, 2022	\$ (1)	\$ (4)	\$ (5)

The effective portion of gains or losses resulting from changes in the fair value of forward contracts designated as cash flow hedging instruments is reclassified to its related operating expense line item on the consolidated statements of income in the same period that the underlying expenses are incurred. The amounts recorded to the related operating expense functional

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

line items on the consolidated statements of income were not significant to the individual functional line items during the periods presented.

R. Segment Information

VMware operates in one reportable operating segment; thus, all required financial segment information is included in the consolidated financial statements. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in order to allocate resources and assess performance. VMware's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by type during the periods presented was as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
Revenue:			
License	\$ 3,128	\$ 3,033	\$ 3,181
Subscription and SaaS	3,205	2,587	1,877
Total license and subscription and SaaS	6,333	5,620	5,058
Services:			
Software maintenance	5,356	5,105	4,754
Professional services	1,162	1,042	999
Total services	6,518	6,147	5,753
Total revenue	\$ 12,851	\$ 11,767	\$ 10,811

Revenue by geographic area during the periods presented was as follows (table in millions):

	For the Year Ended		
	January 28, 2022	January 29, 2021	January 31, 2020
United States	\$ 6,232	\$ 5,878	\$ 5,405
International	6,619	5,889	5,406
Total	\$ 12,851	\$ 11,767	\$ 10,811

Revenue by geographic area is based on the ship-to addresses of VMware's customers. No individual country other than the U.S. accounted for 10% or more of revenue during each of the years ended January 28, 2022, January 29, 2021 and January 31, 2020.

Long-lived assets by geographic area, which primarily include property and equipment, net, as of the periods presented were as follows (table in millions):

	January 28, 2022	January 29, 2021
United States	\$ 882	\$ 864
International	241	241
Total	\$ 1,123	\$ 1,105

No individual country other than the U.S. accounted for 10% or more of these assets as of January 28, 2022. As of January 29, 2021, the U.S. and India accounted for approximately 80% and 10% of these assets, respectively.

VMware's product and service solutions are helping customers in the following areas:

- Application Modernization

VMware, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Cloud Management
- Cloud Infrastructure
- Networking
- Security
- Anywhere Workspace

VMware develops and markets product and service offerings within each of these areas. Additionally, synergies are leveraged across these areas. VMware's products and services from each area may also be bundled as part of an enterprise agreement arrangement or packaged together and sold as a solution. Accordingly, it is not practicable to determine revenue by each of the areas described above.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Securities Exchange Act of 1934, amended (the “Exchange Act”), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Management has assessed the effectiveness of our internal control over financial reporting as of January 28, 2022 based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of January 28, 2022, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The effectiveness of our internal control over financial reporting as of January 28, 2022 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter ended January 28, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

ITEM 9B. OTHER INFORMATION

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

VMware’s affiliate, Dell Technologies Inc. and its subsidiaries, included the following disclosure in their annual report for the period ended January 28, 2022:

“Set forth below is a description of matters reported by us pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with the filing of this annual report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that such matters have been disclosed in this annual report.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury’s Office of Foreign Assets

Control issued General License No. 1B (the “OFAC General License”), which generally authorizes U.S. companies to engage in certain licensing, permitting, certification, notification and related transactions with the FSB to the extent such activities are required for the importation, distribution or use of information technology products in the Russian Federation.

As permitted under the OFAC General License, our subsidiary Dell LLC and other subsidiaries periodically file notifications with the FSB in connection with the importation and distribution of our products in the Russian Federation. During our fiscal quarter ended January 28, 2022, Dell LLC filed notifications with the FSB. No payments were issued or received, and no gross revenue or net profits were generated, in connection with these filing activities. Dell Technologies and its subsidiaries do not sell products or provide services to the FSB. To the extent permitted by applicable law, including by the OFAC General License, we expect to continue to file notifications with the FSB to qualify our products for importation and distribution in the Russian Federation.”

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We will furnish to the Securities and Exchange Commission a definitive Proxy Statement no later than 120 days after the close of the fiscal year ended January 28, 2022. The information required by this item is incorporated herein by reference to the Proxy Statement. Also see “Information About Our Executive Officers” in Part I of this Annual Report on Form 10-K.

We have a code of ethics that applies to all of our employees, including our executive officers. Our Business Conduct Guidelines (available on our website) satisfy the requirements set forth in Item 406 of Regulation S-K and apply to all relevant persons set forth therein. We intend to disclose on our website at www.vmware.com amendments to, and, if applicable, waivers of, our code of ethics.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the section of our Proxy Statement entitled “Compensation of Executive Officers.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the section of our Proxy Statement entitled “Security Ownership of Certain Beneficial Owners and Management.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the section of our Proxy Statement entitled “Our Board of Directors and Nominees” and “Transactions with Related Persons.”

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section of our Proxy Statement entitled “Ratification of Selection of Independent Auditor.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Annual Report on Form 10-K:

1. *Financial Statements*: The information relating to our financial statements, and Report of Independent Registered Public Accounting Firm required by this Item is filed as part of this Annual Report on Form 10-K in Item 8, entitled “Financial Statements and Supplementary Data.”
2. *Financial Statement Schedule*: Schedule II Valuation and Qualifying Accounts is filed as part of this Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and Notes thereto.
3. *Exhibits*: The exhibits listed below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation	8-K	001-33622	3.1	11/1/21
3.2	Amended and Restated Bylaws	8-K	001-33622	3.2	11/1/21
4.1	Form of Specimen Common Stock Certificate	S-1/A-4	333-142368	4.1	7/27/07
4.2	Indenture by and between VMware and The Bank of New York Mellon Trust company, N.A., as trustee, dated August 21, 2017	8-K	001-33622	4.1	8/21/17
4.3	Third Supplemental Indenture by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 21, 2017	8-K	001-33622	4.4	8/21/17
4.4	Fourth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated April 7, 2020	8-K	001-33622	4.2	4/7/20
4.5	Fifth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated April 7, 2020	8-K	001-33622	4.3	4/7/20
4.6	Sixth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated April 7, 2020	8-K	001-33622	4.4	4/7/20
4.7	Seventh Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 2, 2021	8-K	001-33622	4.2	8/2/21
4.8	Eighth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 2, 2021	8-K	001-33622	4.3	8/2/21
4.9	Ninth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 2, 2021	8-K	001-33622	4.4	8/2/21
4.10	Tenth Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 2, 2021	8-K	001-33622	4.5	8/2/21
4.11	Eleventh Supplemental Indenture, by and between VMware and The Bank of New York Mellon Trust Company, N.A., as trustee, dated August 2, 2021	8-K	001-33622	4.6	8/2/21
4.12*	Description of VMware, Inc.’s securities				
10.1*+	Amended and Restated 2007 Equity and Incentive Plan, as amended November 1, 2021				
10.2*+	Amended and Restated 2007 Employee Stock Purchase Plan, as amended November 1, 2021				
10.3+	Non-Qualified Deferred Compensation Plan, effective as of January 1, 2014	10-K	001-33622	10.26	2/25/14
10.4+	Non-Qualified Deferred Compensation Plan Adoption Agreement, amended and restated as of January 1, 2020	10-K	001-33622	10.18	3/26/20

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.5+	Executive Bonus Program, as amended and restated April 16, 2018	10-Q	001-33622	10.12	6/11/18
10.6*+	Executive Severance Plan, amended November 1, 2021				
10.7*+	Change in Control Retention Plan, as amended and restated November 1, 2021				
10.8+	Form of Indemnification Agreement for VMware, Inc. Directors and Executive Officers, as approved April 5, 2017	10-Q	001-33622	10.7	6/9/17
10.9*+	Form of Restricted Stock Unit Agreement, as amended November 1, 2021				
10.10*+	Form of Performance Stock Unit Agreement, as amended November 1, 2021				
10.11+	Form of TSR Performance Stock Unit Agreement dated October 2021	10-Q	001-33622	10.3	12/3/21
10.12+	Letter Agreement between VMware, Inc. and Rangarajan (Raghu) Raghuram dated May 11, 2021	8-K	001-33622	10.1	5/12/21
10.13+	Letter Agreement between VMware, Inc. and Sumit Dhawan dated May 11, 2021	8-K	001-33622	10.2	5/12/21
10.14	Amended and Restated Ground Lease between VMware, Inc. and the Board of Trustees of the Leland Stanford Junior University dated June 13, 2011 (3431 Hillview Campus)	10-Q	001-33622	10.25	8/3/11
10.15	Ground Lease between 3401 Hillview LLC and the Board of Trustees of the Leland Stanford Junior University dated as of February 2, 2006	10-Q	001-33622	10.26	8/3/11
10.16	Third Amendment to Ground Lease by and between the Board of Trustees of the Leland Stanford Junior University and 3401 Hillview LLC dated as of January 1, 2014	10-Q	001-33622	10.30	5/1/14
10.17	Governance Letter Agreement, dated as of July 1, 2018, by and between VMware, Inc. and Dell Technologies Inc.	8-K	001-33622	10.1	7/2/18
10.18	Governance Letter Agreement Amendment, dated as of November 1, 2021, by and between VMware, Inc. and Dell Technologies Inc.	8-K	001-33622	10.5	11/1/21
10.19	Letter Agreement between VMware, Inc., Dell Technologies Inc. and EMC Corporation dated April 1, 2019, in connection with the parties' Amended and Restated Tax Sharing Agreement dated September 6, 2016	10-Q	001-33622	10.32	6/10/19
10.20	Tax Matters Agreement, dated as April 14, 2021, by and between Dell Technologies Inc. and VMware, Inc.	8-K	001-33622	10.1	4/14/21
10.21	Separation and Distribution Agreement, dated as April 14, 2021, by and between Dell Technologies Inc. and VMware, Inc.	8-K	001-33622	2.1	4/14/21
10.22	Letter Agreement, dated as of November 1, 2021, by and between VMware, Inc. and Dell Technologies Inc.	8-K	001-33622	10.6	11/1/21
10.23	Commercial Framework Agreement, dated as of November 1, 2021, by and between VMware, Inc. and Dell Technologies Inc.	8-K	001-33622	10.1	11/1/21
10.24	Stockholders Agreement, dated as of November 1, 2021, by and among VMware, Inc., Michael S. Dell, Susan Lieberman Dell Separate Property Trust, SL SPV-2, L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., Silver Lake Partners V DE (AIV), L.P., Silver Lake Group, L.L.C. and Silver Lake Technology Investors V, L.P.	8-K	001-33622	10.2	11/1/21
10.25	Registration Rights Agreement, dated as of November 1, 2021, by and among VMware, Inc., Michael S. Dell, Susan Lieberman Dell Separate Property Trust, SL SPV-2, L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., Silver Lake Partners V DE (AIV), L.P., Silver Lake Group, L.L.C. and Silver Lake Technology Investors V, L.P.	8-K	001-33622	10.3	11/1/21

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.26	Covenant Not to Sue and Release Agreement, dated as of November 1, 2021, by and between VMware, Inc. and Dell Technologies Inc.	8-K	001-33622	10.4	11/1/21
10.27	Term Loan Credit Agreement, dated as of September 2, 2021, among VMware, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, J.P. Morgan Securities LLC, BofA Securities, Inc., Barclays Bank PLC and Citibank, N.A., as Joint Lead Arrangers and Joint Bookrunners, Bank of America, N.A., as Syndication Agent and Barclays Bank PLC and Citibank, N.A., as Co-Documentation Agents	10-Q	001-33622	10.3	9/3/21
21*	List of subsidiaries				
23*	Consent of PricewaterhouseCoopers LLP				
24	Power of Attorney (included on the signature page hereto)				
31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1‡	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2‡	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase				
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)				

+ Indicates management contract or compensatory plan or arrangement

* Filed herewith

‡ Furnished herewith

ITEM 16. FORM 10-K SUMMARY

Not applicable.

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Rangarajan (Raghu) Raghuram, Amy Olli and Zane Rowe, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities indicated and on the dates indicated.

<u>Date</u>	<u>Signature</u>	<u>Title</u>
March 24, 2022	<u>/s/ Rangarajan (Raghu) Raghuram</u> Rangarajan (Raghu) Raghuram	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>
March 24, 2022	<u>/s/ Zane Rowe</u> Zane Rowe	Chief Financial Officer and Executive Vice President <i>(Principal Financial Officer)</i>
March 24, 2022	<u>/s/ Michael Dell</u> Michael Dell	Chairman
March 24, 2022	<u>/s/ Anthony Bates</u> Anthony Bates	Director
March 24, 2022	<u>/s/ Marianne Brown</u> Marianne Brown	Director
March 24, 2022	<u>/s/ Michael Brown</u> Michael Brown	Director
March 24, 2022	<u>/s/ Donald Carty</u> Donald Carty	Director
March 24, 2022	<u>/s/ Kenneth Denman</u> Kenneth Denman	Director
March 24, 2022	<u>/s/ Egon Durban</u> Egon Durban	Director
March 24, 2022	<u>/s/ Karen Dykstra</u> Karen Dykstra	Director
March 24, 2022	<u>/s/ Paul Sagan</u> Paul Sagan	Director

VMWARE, INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(in millions)

Tax Valuation Allowance	Balance at Beginning of Period	Tax Valuation Allowance Charged to Income Tax Provision	Tax Valuation Allowance Credited to Other Accounts	Tax Valuation Allowance Credited to Income Tax Provision	Balance at End of Period
Year ended January 28, 2022 income tax valuation allowance	\$ 366	\$ 70	\$ 57	\$ (22)	\$ 471
Year ended January 29, 2021 income tax valuation allowance	332	58	(1)	(23)	366
Year ended January 31, 2020 income tax valuation allowance	283	89	—	(40)	332

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO
SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

The following is a brief description of Class A common stock, par value \$0.01 per share (the "Common Stock") of VMware, Inc. (the "Company"), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934.

Description of Common Stock

General

The following description does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and the Delaware General Corporation Law (the "DGCL"). Copies of our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and our Amended and Restated Bylaws (the "Bylaws") have been filed with the Securities and Exchange Commission (the "SEC") as exhibits to our Annual Report on Form 10-K.

Authorized Capital Stock

As of January 28, 2022, the authorized capital stock of the Company consists of 2,500,000,000 shares of Common Stock and 100,000,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock").

Common Stock

Fully Paid and Nonassessable

All of our outstanding shares of Common Stock are validly issued, fully paid and nonassessable.

Voting rights

The holders of Common Stock are entitled to one vote per share. The Company's Bylaws provide that, except as otherwise provided by law, the Certificate of Incorporation, any Certificate of Designations or the Bylaws, when a quorum is present, the affirmative vote of the holders of shares representing at least a majority of votes actually present in person or represented by proxy at the meeting and entitled to vote on a matter constitutes the act of the stockholders. No stockholder is entitled to any right to cumulative voting.

Dividend rights

The Company's Board of Directors (the "Board") may from time to time declare, and the Company may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation. Any future determination to declare cash dividends will be made at the discretion of the Board. Holders of shares of Common Stock share equally on a per share basis in any dividend declared on the Common Stock by the Board.

Rights Upon Dissolution, Liquidation or Winding Up

In the event of any dissolution, liquidation or winding up of the affairs of the Company, whether voluntary or involuntary, after payment in full of the amounts required to be paid to the holders of Preferred Stock pursuant to the provisions of a Certificate of Designations, the remaining assets and funds of the Company shall be distributed pro rata to the holders of Common Stock. For these purposes, the voluntary sale, conveyance, lease, license, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of

the assets of the Company or a consolidation or merger of the Company with one or more other entities (whether or not the Company is the entity surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

No Preemptive or Similar Rights

The holders of shares of Common Stock have no preemptive or similar rights.

Conversion

The shares of Common Stock are not convertible into any other series or class of securities.

Listing

The Common Stock is listed on the New York Stock Exchange under the symbol “VMW.”

Limitation on Rights of Holdings of Common Stock - Preferred Stock

The Board has the authority, without further action by the Company’s stockholders, to issue up to 100,000,000 shares of Preferred Stock in one or more series. The Board may designate the rights, preferences, privileges and restrictions of the Preferred Stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms, and number of shares constituting any series or the designation of any series. The issuance of Preferred Stock could have the effect of restricting dividends on the Common Stock, diluting the voting power of the Common Stock, impairing the liquidation rights of the Common Stock, or delaying or preventing a change in control. The ability of the Board to issue Preferred Stock without stockholder approval could have the effect of delaying, deferring or preventing a change in control of the Company or the removal of the Company’s existing management. No shares of Preferred Stock are outstanding as of January 28, 2022.

Anti-Takeover Effects of Provisions of the Certificate of Incorporation, Bylaws and Delaware Law

Provisions in the Certificate of Incorporation and the Bylaws may also have the effect of delaying or preventing a change in control or changes in the Company’s management. These provisions include the following:

- the division of the Board into three classes, with each class serving for a staggered three-year term, which prevents stockholders from electing an entirely new Board at any annual meeting;
 - that any director may be removed from office only for cause and only by the affirmative vote of holders of at least a majority of the votes entitled to be cast to elect any such director;
 - the right of the Board to elect a director to fill a vacancy created by the expansion of the Board;
 - the prohibition of cumulative voting in the election of directors or any other matters, which would otherwise allow less than a majority of stockholders to elect director candidates;
 - the requirement for advance notice for nominations for election to the Board or for proposing matters that can be acted upon at a stockholders’ meeting;
 - the ability of the Board to issue, without stockholder approval, up to 100,000,000 shares of preferred stock with terms set by the Board, which rights could be senior to those of Common Stock, as described above; and
 - stockholders may not act by written consent and may not call special meetings of the stockholders.
-

The Company is a Delaware corporation and has elected to be subject to the provisions of Section 203 of the DGCL. Under Section 203, the Company would generally be prohibited from engaging in any business combination with any interested stockholder for a period of three years following the time that this stockholder became an interested stockholder unless:

- prior to this time, the Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the Company outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers, and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66- $\frac{2}{3}$ % of the outstanding voting stock that is not owned by the interested stockholder.

Under Section 203, a “business combination” includes:

- any merger or consolidation involving the Company and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the Company involving the interested stockholder;
- any transaction that results in the issuance or transfer by the Company of any stock of the Company to the interested stockholder, subject to limited exceptions;
- any transaction involving the Company that has the effect of increasing the proportionate share of the stock of any class or series of the Company beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the Company.

In general, Section 203 defines an interested stockholder as a person who, together with affiliates and associates, owns (or within three years, did own) beneficially 5% or more of the outstanding voting stock of the Company. Section 203 could prohibit or delay mergers or other takeover or change in control attempts with respect to the Company and, accordingly, may discourage attempts to acquire the Company.

VMWARE, INC.
AMENDED AND RESTATED 2007 EQUITY AND INCENTIVE PLAN

1. PURPOSE; TYPES OF AWARDS; CONSTRUCTION.

The purpose of the VMware, Inc. Amended and Restated 2007 Equity and Incentive Plan is to attract, motivate and retain employees and independent contractors of the Company and any Subsidiary and Affiliate and non-employee directors of the Company, any Subsidiary or any Affiliate. The Plan is also designed to encourage stock ownership by such persons, thereby aligning their interest with those of the Company's stockholders. Pursuant to the provisions hereof, there may be granted Options (including incentive stock options and non-qualified stock options), and Other Stock-Based Awards, including but not limited to Restricted Stock, Restricted Stock Units, Stock Appreciation Rights (payable in shares) and Other Cash-Based Awards.

2. DEFINITIONS. For purposes of the Plan, the following terms are defined as set forth below:

- (a) **"Adoption Date"** means June 5, 2017, the date approved by the Board as the adoption date of the Plan, including the extension of its term as set forth in Section 7(f) below.
- (b) **"Affiliate"** means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- (c) **"Award"** means individually or collectively, a grant under the Plan of Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights or Other Stock-Based Awards or Other Cash-Based Awards.
- (d) **"Award Terms"** means any written agreement, contract, notice or other instrument or document evidencing an Award.
- (e) **"Beneficial Owner"** has the meaning ascribed to such term in Rule 13d-3 of the Exchange Act.
- (f) **"Board"** means the Board of Directors of the Company.
- (g) **"Cause,"** unless otherwise defined in the Award Terms for a particular Award or in any employment or other agreement between the Grantee and the Company, any Subsidiary or any Affiliate, means:
 - (i) willful neglect, failure or refusal by the Grantee to perform the Grantee's employment duties (except resulting from the Grantee's incapacity due to illness) as reasonably directed by the Grantee's employer;
 - (ii) willful misconduct by the Grantee in the performance of the Grantee's employment duties;
 - (iii) the Grantee's indictment for a felony (other than traffic related offense) or a misdemeanor involving moral turpitude; or
 - (iv) the Grantee's commission of an act involving personal dishonesty that results in financial, reputational, or other harm to the Company, any Affiliate or any Subsidiary, including, but not limited to, an act constituting misappropriation or embezzlement of property.
- (h) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time.
- (i) **"Committee"** means the Compensation Committee of the Board or such other Board committee delegated authority by the Board to administer and oversee this Plan. Unless otherwise determined by the Board, the Committee will be comprised solely of directors who (a) are "non-employee directors" under Rule 16b-3 of the Exchange Act, and (b) otherwise meet the definition of "independent directors" pursuant to the applicable requirements of any national stock exchange upon which the Stock is listed. Any director appointed to the Committee who does not meet the foregoing requirements should recuse himself from all determinations pertaining to Rule 16b-3 of the Exchange Act.

(j) “**Company**” means VMware, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(k) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(l) “**Fair Market Value**” means the closing sales price per share of Stock on the principal securities exchange on which the Stock is traded (i) on the date of grant or (ii) on such other date on which the fair market value of Stock is required to be calculated pursuant to the terms of an Award, provided that if there is no such sale on the relevant date, then on the last previous day on which a sale was reported; if the Stock is not listed for trading on a national securities exchange, the fair market value of Stock will be determined in good faith by the Committee.

(m) “**Grantee**” means a person who, as an employee, independent contractor or non-employee director of the Company, a Subsidiary or an Affiliate, has been granted an Award under the Plan.

(n) “**ISO**” means any Option designated as and intended to be and which qualifies as an incentive stock option within the meaning of Section 422 of the Code.

(o) “**NQSO**” means any Option that is designated as a nonqualified stock option or which does not qualify as an ISO.

(p) “**Option**” means a right, granted to a Grantee under Section 6(b)(i), to purchase shares of Stock. An Option may be either an ISO or an NQSO.

(q) “**Other Cash-Based Award**” means a cash-based Award granted to a Grantee under Section 6(b)(iv) hereof, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

(r) “**Other Stock-Based Award**” means an Award granted to a Grantee pursuant to Section 6(b)(iv) hereof, that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, each of which may be subject to the attainment of Performance Goals or a period of continued employment or other terms and conditions as permitted under the Plan.

(s) “**Performance Goals**” means an objective formula or standard determined by the Committee with respect to each performance period which may utilize one or more of the following factors and any objectively verifiable adjustment(s) thereto: (i) (A) earnings including operating income, (B) earnings before or after (1) taxes, (2) interest, (3) depreciation, (4) amortization, or (5) special items or book value per share (which may exclude nonrecurring items), or (C) growth in earnings before interest, tax, depreciation or amortization; (ii) pre-tax income or after-tax income; (iii) earnings per common share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment, return on capital, return on invested capital or return on equity; (vii) returns on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow, free cash flow, cash flow from operations, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) common stock price or total stockholder return; (xvi) cost targets, reductions, savings, productivity or efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology, goals relating to acquisitions, divestitures, joint ventures or similar transactions, research or development collaborations or budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance goals, the implementation of policies and plans, the negotiation of transactions and the development of long term business goals; and (xix) any combination of, subset or component of, or a specified increase in, any of the foregoing. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company, a Subsidiary or Affiliate, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Objectively verifiable adjustment(s) to Performance Goals can include but are not limited to adjustment(s) to reflect: (1) the impact of specific corporate transactions; (2) accounting or tax law changes; (3) asset write-downs; (4) significant

litigation or claim adjustment; (5) foreign exchange gains and losses; (6) disposal of a segment of a business; (7) discontinued operations; (8) refinancing or repurchase of bank loans or debt securities; or (9) unbudgeted capital expenditures. Each of the foregoing Performance Goals will be subject to certification by the Committee.

(t) “**Plan**” means this Amended and Restated VMware, Inc. 2007 Equity and Incentive Plan, as amended from time to time.

(u) “**Restricted Stock**” means an Award of shares of Stock to a Grantee under Section 6(b)(ii) that is subject to certain restrictions and to a risk of forfeiture.

(v) “**Restricted Stock Unit**” means a right granted to a Grantee under Section 6(b)(iii) of the Plan to receive shares of Stock subject to certain restrictions and to a risk of forfeiture.

(w) “**Rule 16b-3**” means Rule 16b-3, as from time to time in effect promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.

(x) “**Stock**” means shares of Class A common stock, par value \$0.01 per share, of the Company.

(y) “**Stock Appreciation Right**” means an Award that entitles a Grantee upon exercise to the excess of the Fair Market Value of the Stock underlying the Award over the base price established in respect of such Stock.

(z) “**Subsidiary**” means any entity in an unbroken chain of entities beginning with the Company if, at the time of granting of an Award, each of the entities (other than the last entity in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other entities in the chain.

3. ADMINISTRATION.

(a) The Plan will be administered by the Committee or, at the discretion of the Board, the Board. In the event the Board is the administrator of the Plan, references herein to the Committee will be deemed to include the Board. The Board may from time to time appoint a member or members of the Committee in substitution for or in addition to the member or members then in office and may fill vacancies on the Committee however caused. Subject to applicable law, the Board or the Committee may delegate to a sub-committee or individual the ability to grant Awards to employees who are not subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company at the time any such delegated authority is exercised.

(b) The decision of the Committee as to all questions of interpretation and application of the Plan will be final, binding and conclusive on all persons. The Committee has the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the power and authority either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including without limitation, the authority to grant Awards; determine the persons to whom and the time or times at which Awards will be granted; determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions and Performance Goals relating to any Award; determine whether, to what extent, and under what circumstances an Award may be settled, canceled, forfeited, accelerated, exchanged, or surrendered (including upon a change in control or similar transaction); to make adjustments in the terms and conditions (including Performance Goals) applicable to Awards; construe and interpret the Plan and any Award; prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the Award Terms (which need not be identical for each Grantee); and make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award Terms granted hereunder in the manner and to the extent it deems expedient to carry the Plan into effect and will be the sole and final judge of such expediency. No Committee member will be liable for any action or determination made with respect to the Plan or any Award.

4. ELIGIBILITY.

(a) Awards may be granted to officers, employees, independent contractors and non-employee directors of the Company or of any of the Subsidiaries and Affiliates; *provided*, that (i) ISOs may be granted only to employees (including officers and directors who are also employees) of the Company or any of its

“related corporations” (as defined in the applicable regulations promulgated under the Code) and (ii) Awards may be granted only to eligible persons who are not employed by the Company or a Subsidiary if such persons perform substantial services for the Company or a Subsidiary.

(b) No ISO may be granted to any employee of the Company or any of its Subsidiaries if such employee owns, immediately prior to the grant of the ISO, stock representing more than 10% of the voting power or more than 10% of the value of all classes of stock of the Company or a Subsidiary, unless the purchase price for the stock under such ISO is at least 110% of its Fair Market Value at the time such ISO is granted and the ISO, by its terms, will not be exercisable more than five years from the date it is granted. In determining the stock ownership under this paragraph, the provisions of Section 424(d) of the Code will control.

(c) No Award, except for Restricted Stock, may be granted to any employee or independent contractor who is subject to Section 409A of the Code if such person is an employee or independent contractor of an Affiliate that is not a Subsidiary, unless such Award conforms to the requirements of Section 409A.

5. STOCK SUBJECT TO THE PLAN.

(a) The maximum number of shares of Stock reserved for the grant or settlement of Awards under the Plan (the “Share Limit”) is 170,693,838, subject to adjustment as provided herein, not including shares of stock added to the Share Limit pursuant to Section 5(c).

(b) Shares issued pursuant to Awards under the Plan may, in whole or in part, be authorized but unissued shares or shares that have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares subject to an Award (other than Awards substituted or assumed pursuant to Section 5(c) herein) are forfeited, canceled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the Grantee, the shares of stock with respect to such Award will, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan.

(c) The Company may substitute or assume equity awards of acquired entities in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies. The number of shares of Stock reserved pursuant to Section 5 will be increased by the corresponding number of equity awards assumed and, in the case of a substitution, by the net increase in the number of shares of Stock subject to equity awards before and after the substitution.

(d) Subject to the Share Limit and Section 5(g), the aggregate maximum number of shares of Stock that may be issued pursuant to the exercise of ISOs will be 170,693,838 shares of Stock.

(e) Subject to the Share Limit and Section 5(g), the aggregate number of shares of Stock that may be issued pursuant to Awards granted during any fiscal year to any single individual may not exceed 4,402,658 shares of Stock.

(f) The maximum value of Awards granted during a single fiscal year under this Plan or under any other equity plan maintained by the Company, taken together with any cash fees paid during such fiscal year for services on the Board, will not exceed \$1,000,000 in total value for any non-employee director, except that such limit will be \$1,250,000 for any non-employee director serving as the lead director of the Board or chair of the Board. Such applicable limit will include the value of any stock awards that are received in lieu of all or a portion of any annual committee cash retainers or other similar cash based payments.

(g) Except as provided in an Award Term or as otherwise provided in the Plan, in the event of any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Stock, or other property), recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, recapitalization, combination, repurchase, or share exchange, or other similar corporate transaction or event, the Committee will make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (i) the number and kind of shares of Stock or other property (including cash) that may thereafter be issued in connection with Awards (including, but not limited to changes or adjustments to the limits specified in Sections 5(d) and (e)) or the total number of Awards issuable under the Plan, (ii) the number and kind of shares of Stock or other property issued or issuable in respect of outstanding Awards, (iii) the exercise price, grant price or purchase price relating to any Award, (iv) the Performance Goals, and (v) the individual limitations applicable to Awards; provided that, with respect to ISOs, any adjustment will be made in accordance with the provisions of Section 424(h) of the Code and any regulations or guidance promulgated thereunder, and provided further that no such adjustment will cause any

Award hereunder which is or becomes subject to Section 409A of the Code to fail to comply with the requirements of such section.

6. **SPECIFIC TERMS OF AWARDS.**

(a) *General.* Subject to the terms of the Plan and any applicable Award Terms, (i) the term of each Award will be for such period as may be determined by the Committee, and (ii) payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee determines at the date of grant or thereafter, including, without limitation, cash, Stock or other property, and may be made in a single payment or transfer, in installments, or, subject to the requirements of Section 409A of the Code on a deferred basis.

(b) *Awards.* The Committee is authorized to grant to Grantees the following Awards, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee will determine the terms and conditions of such Awards, consistent with the terms of the Plan. Options and Stock Appreciation Rights (“SARs”) are subject to a minimum one-year vesting period following grant, with the exception that up to 5% of the available shares of Stock reserved for grant may be subject to such Awards without such minimum vesting period. Subject to compliance with the requirements of Section 409A of the Code, an Award may provide the Grantee with the right to receive dividend or dividend equivalent payments with respect to Stock actually or notionally subject to the Award, which payments will be credited to an account for the Grantee, and may be settled in cash or Stock, as determined by the Committee. Any such dividend or dividend equivalents will be settled in cash or Stock to the Grantee only if, when and to the extent the related Award vests. The value of dividend or dividend equivalent payments payable with respect to any Award that does not vest will be forfeited.

(i) *Options.* The Committee is authorized to grant Options to Grantees on the following terms and conditions:

(A) The Award Terms evidencing the grant of an Option under the Plan will designate the Option as an ISO or an NQSO.

(B) The exercise price per share of Stock purchasable under an Option will be determined by the Committee, but in no event may the exercise price of an Option per share of Stock be less than the Fair Market Value of a share of Stock as of the date of grant of such Option. The purchase price of Stock as to which an Option is exercised must be paid in full at the time of exercise; payment may be made in cash, which may be paid by check, or other instrument acceptable to the Company, or, with the consent of the Committee, in shares of Stock, valued at the Fair Market Value on the date of exercise (including shares of Stock that otherwise would be distributed to the Grantee upon exercise of the Option), or if there were no sales on such date, on the next preceding day on which there were sales or (if permitted by the Committee and subject to such terms and conditions as it may determine) by surrender of outstanding Awards under the Plan, or the Committee may permit such payment of exercise price by any other method it deems satisfactory in its discretion. In addition, subject to applicable law and pursuant to procedures approved by the Committee, payment of the exercise price may be made pursuant to a broker-assisted cashless exercise procedure. Any amount necessary to satisfy applicable federal, state or local tax withholding requirements must be paid promptly upon notification of the amount due. The Committee may permit the amount of tax withholding to be paid in shares of Stock previously owned by the employee, or a portion of the shares of Stock that otherwise would be distributed to such employee upon exercise of the Option, or a combination of shares of such Stock and other property, except that the amount of tax withholding to be satisfied by withholding shares of Stock and other property will be limited to the extent necessary to avoid adverse accounting consequences, including but not limited to the Award being classified as a liability award.

(C) Options will be exercisable over the exercise period (which may not exceed ten years from the date of grant), at such times and upon such conditions as the Committee may determine, as reflected in the Award Terms; provided that, the Committee has the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate.

(D) Upon the termination of a Grantee’s employment or service with the Company and its Subsidiaries or Affiliates, the Options granted to such Grantee, to the extent that they are exercisable at the time of such termination, will remain exercisable for such period as may be provided in the applicable Award Terms, but in no event following the expiration of their term. The treatment of any Option that is unexercisable as of the date of such termination will be as set forth in the applicable Award Terms.

(E) Options may be subject to such other conditions, as the Committee may prescribe in its discretion or as may be required by applicable law.

(ii) *Restricted Stock.*

(A) The Committee may grant Awards of Restricted Stock under the Plan, subject to such restrictions, terms and conditions, as the Committee may determine in its sole discretion and as evidenced by the applicable Award Terms (provided that any such Award is subject to the vesting requirements described herein). The vesting of a Restricted Stock Award granted under the Plan may be conditioned upon the completion of a specified period of employment or service with the Company, any Subsidiary or an Affiliate, upon the attainment of specified Performance Goals or upon such other criteria as the Committee may determine in its sole discretion.

(B) The Committee will determine the purchase price, which, to the extent required by law, may not be less than par value of the Stock, to be paid by the Grantee for each share of Restricted Stock or unrestricted Stock or stock units subject to the Award. The Award Terms with respect to such Award will set forth the amount (if any) to be paid by the Grantee with respect to such Award and when and under what circumstances such payment is required to be made.

(C) Except as provided in the applicable Award Terms, no shares of Stock underlying a Restricted Stock Award may be assigned, transferred, or otherwise encumbered or disposed of by the Grantee until such shares of Stock have vested in accordance with the terms of such Award.

(D) Upon the termination of a Grantee's employment or service with the Company and its Subsidiaries or Affiliates, the Restricted Stock granted to such Grantee will be subject to the terms and conditions specified in the applicable Award Terms.

(iii) *Restricted Stock Units.* The Committee is authorized to grant Restricted Stock Units to Grantees, subject to the following terms and conditions:

(A) At the time of the grant of Restricted Stock Units, the Committee may impose such restrictions or conditions to the vesting of such Awards as it, in its discretion, deems appropriate, including, but not limited to, the achievement of Performance Goals. The Committee has the authority to accelerate the settlement of any outstanding award of Restricted Stock Units at such time and under such circumstances as it, in its sole discretion, deems appropriate, subject compliance with the requirements of Section 409A of the Code.

(B) Unless otherwise provided in the applicable Award Terms or except as otherwise provided in the Plan, upon the vesting of a Restricted Stock Unit there will be delivered to the Grantee, as soon as practicable following the date on which such Award (or any portion thereof) vests, that number of shares of Stock equal to the number of Restricted Stock Units becoming so vested.

(C) Upon the termination of a Grantee's employment or service with the Company and its Subsidiaries or Affiliates, the Restricted Stock Units granted to such Grantee will be subject to the terms and conditions specified in the applicable Award Terms.

(iv) *Other Stock-Based or Cash-Based Awards.*

(A) The Committee is authorized to grant Awards to Grantees in the form of Other Stock-Based Awards or Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee will determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including the Performance Goals and performance periods. Stock or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under Section 6(iv) may be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Stock, other Awards, notes or other property, as the Committee will determine, subject to any required corporate action.

(B) The maximum value of the aggregate payment that any Grantee may receive with respect to Other Cash-Based Awards pursuant to this Section 6(b)(iv) in respect of any annual performance period is \$5,000,000 and for any other performance period in excess of one year, such amount multiplied by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve. The Committee may establish other rules applicable to the Other Stock- or Cash-Based Awards.

(C) Payments earned in respect of any Cash-Based Award may be decreased or increased in the sole discretion of the Committee based on such factors as it deems appropriate.

7. **GENERAL PROVISIONS.**

(a) *Nontransferability, Deferrals and Settlements.* Unless otherwise determined by the Committee or provided in an Award Term or set forth below, but in accordance with the Code and any applicable laws, Awards will not be transferable by a Grantee except by will or the laws of descent and distribution and will be exercisable during the lifetime of a Grantee only by such Grantee or such Grantee's guardian or legal representative. Any attempted assignment or transfer of an Award will be null and void and without effect, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, divorce, trustee process or similar process, whether legal or equitable, upon such Award. The Committee may permit Grantees to elect to defer the issuance of shares of Stock or the settlement of Awards in cash under such rules and procedures as established under the Plan to the extent that such deferral complies with Section 409A of the Code and any regulations or guidance promulgated thereunder.

(b) *Leave of Absence; Reduction in Service Level.* The Committee may determine, in its discretion (i) whether, and the extent to which, an Award will vest during a leave of absence, (ii) whether, and the extent to which, a reduction in service level (for example, from full-time to part-time employment), will cause a reduction, or other change, in an Award, and (iii) whether a leave of absence or reduction in service will be deemed a termination of employment or service for the purpose of the Plan and the Award Terms. The Committee will also determine all other matters relating to whether the employment or service of a recipient of an Award is continuous for purposes of the Plan and the Award Terms.

(c) *No Right to Continued Employment, etc.* Nothing in the Plan or in any Award granted or any Award Terms, promissory note or other agreement entered into pursuant hereto confers upon any Grantee the right to continue in the employ or service of the Company, any Subsidiary or any Affiliate or to be entitled to any remuneration or benefits not set forth in the Plan or the applicable Award Terms or to interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate such Grantee's employment or service.

(d) *Clawback/Recoupment*

(i) All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company determines to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Committee may impose additional clawback, recovery or recoupment provisions in an Award agreement as the Committee determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Stock or other cash or property upon the occurrence of Cause as determined by the Committee.

(ii) In the event of a restatement of incorrect financial results, the Committee will review all Awards held by executive officers (within the meaning of Rule 3b-7 of the Exchange Act) of the Company that (i) were earned based on performance or were vesting during the course of the financial period subject to such restatement or (ii) were granted during or within one year following such financial period. If any Award would have been lower or would not have vested, been earned or been granted based on such restated financial results, the Committee will, if it determines appropriate in its sole discretion and to the extent permitted by governing law, (a) cancel such Award, in whole or in part, whether or not vested, earned or payable or (b) require the Grantee to repay to the Company an amount equal to all or any portion of the value of any gains from the grant, vesting or payment of the Award that would not have been realized had the restatement not occurred.

(iii) If a Grantee's employment or service is terminated for Cause, all unvested (and, to the extent applicable, unexercised) portions of Awards will terminate and be forfeited immediately without consideration. In addition, the Committee may in its sole discretion and to the extent permitted by applicable law cause the cancellation of all or a portion of any outstanding vested Awards held by such Grantee or payable to such Grantee or require such Grantee to reimburse the Company for all or a portion of the gains from the exercise of, settlement or payment of any of the Grantee's Awards realized after the event giving rise to Cause first occurred.

(e) *Taxes.* The Company, any Subsidiary and any Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any other payment to a Grantee, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Grantees to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority includes authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Grantee's tax obligations; provided, however, that the amount of tax withholding

to be satisfied by withholding Stock or other property will be limited to the extent necessary to avoid adverse accounting consequences, including but not limited to the Award being classified as a liability award.

(f) *Stockholder Approval; Amendment and Termination.* The Board may amend, alter or discontinue the Plan and outstanding Awards thereunder, but no amendment, alteration, or discontinuation may be made that would impair the rights of a Grantee under any Award theretofore granted without such Grantee's consent, or that without the approval of the stockholders (as described below) would, except in the case of an adjustment as provided in Section 5, increase the total number of shares of Stock reserved for the purpose of the Plan. In addition, stockholder approval will be required with respect to any amendment with respect to which stockholder approval is required under the Code, the rules of any stock exchange on which Stock is then listed or any other applicable law. Unless earlier terminated by the Board pursuant to the provisions of the Plan, the Plan will terminate on the tenth anniversary of the Adoption Date. No Awards may be granted under the Plan after such termination date.

(g) *No Rights to Awards; No Stockholder Rights.* No Grantee has any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Grantees. No Grantee has any right to payment or settlement under any Award unless and until the Committee or its designee determines that payment or settlement is to be made. Except as provided specifically herein, a Grantee or a transferee of an Award has no rights as a stockholder with respect to any shares covered by the Award until the date of the issuance of such shares.

(h) *Unfunded Status of Awards.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award will give any such Grantee any rights that are greater than those of a general creditor of the Company.

(i) *No Fractional Shares.* No fractional shares of Stock will be issued or delivered pursuant to the Plan or any Award. The Committee will determine whether cash, other Awards, or other property will be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto will be forfeited or otherwise eliminated.

(j) *Regulations and Other Approvals.*

(i) The obligation of the Company to sell or deliver Stock or pay cash with respect to any Award granted under the Plan is subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(ii) Each Award is subject to the requirement that, if at any time the Committee determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award may be granted or payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(iii) In the event that the disposition of Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "**Securities Act**"), and is not otherwise exempt from such registration, such Stock will be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Committee may require a Grantee receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by such Grantee is acquired for investment only and not with a view to distribution.

(iv) *Section 409A.* This Plan is intended to comply and will be administered in a manner that is intended to comply with Section 409A of the Code and will be construed and interpreted in accordance with such intent. To the extent that an Award, issuance or payment is subject to Section 409A of the Code, it will be awarded or issued or paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Any provision of this Plan that would cause an Award, issuance or payment to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by applicable law). Notwithstanding anything to the contrary in this Plan (and unless the Award Terms specifically provides otherwise), if the shares of Stock are publicly traded and a Grantee is a "specified employee" for purposes of Section 409A of

the Code and holds an Award that provides for “deferred compensation” under Section 409A of the Code, no distribution or payment of any amount shall be made upon a “separation from service” before a date that is six months following the date of such Grantee’s “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) except that in case of the Grantee’s death, such distribution or payment will be made as soon as practicable following the Grantee’s death or as otherwise set forth in an agreement with the Grantee.

(k) *Governing Law.* The Plan and all determinations made and actions taken pursuant hereto is governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof. Notwithstanding anything to the contrary herein, the Committee, in order to conform with provisions of local laws and regulations in foreign countries in which the Company or its Subsidiaries operate, has sole discretion to (i) modify the terms and conditions of Awards made to Grantees employed outside the United States, (ii) establish sub-plans with modified exercise procedures and such other modifications as may be necessary or advisable under the circumstances presented by local laws and regulations, and (iii) take any action which it deems advisable to obtain, comply with or otherwise reflect any necessary governmental regulatory procedures, exemptions or approvals with respect to the Plan or any sub-plan established hereunder.

(l) *Merger or Consolidation.* If the Company is the surviving corporation in any merger or consolidation (other than a merger or consolidation in which the Company survives but in which a majority of its outstanding shares are converted into securities of another corporation or are exchanged for other consideration), any Award granted hereunder will pertain and apply to the securities which a holder of the number of shares of stock of the Company then subject to the Award is entitled to receive. In the event of a (i) dissolution or liquidation of the Company, (ii) sale or transfer of all or substantially all of the Company’s assets or (iii) merger or consolidation in which the Company is not the surviving corporation or in which a majority of its outstanding shares are converted into securities of another corporation or are exchanged for other consideration, the Company must, contingent upon consummation of such transaction, either (a) arrange for any corporation succeeding to the business and assets of the Company to (x) assume each outstanding Award, or (y) issue to the Grantees replacement Awards (which, in the case of ISOs, satisfy, in the determination of the Committee, the requirements of Section 424 of the Code), for such corporation’s stock that will preserve the value, liquidity and material terms and conditions of the outstanding Awards; or (b) make the outstanding Awards fully exercisable or cause all of the applicable restrictions to which outstanding Stock Awards are subject to lapse, in each case, on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Committee, following the exercise of the Award or the issuance of shares of Common Stock, as the case may be, to participate as a stockholder in any such dissolution, liquidation, asset sale or transfer, merger or consolidation, and the Award will terminate immediately following consummation of any such transaction. The existence of the Plan will not prevent any such change or other transaction, and no Participant hereunder has any right except as herein expressly set forth. Notwithstanding the foregoing provisions of this Section 7(l), Awards subject to and intended to satisfy the requirements of Section 409A of the Code will be construed and administered consistent with such intent.

VMWARE, INC.
AMENDED AND RESTATED 2007 EMPLOYEE STOCK PURCHASE PLAN

Section 1. Purpose of Plan

The VMware, Inc. Amended and Restated 2007 Employee Stock Purchase Plan (the “**Plan**”) is intended to provide a method by which eligible employees of VMware, Inc. (“**VMware**”) and its subsidiaries (collectively, the “**Company**”) may use voluntary, systematic payroll deductions or other contributions (as described in Section 5 below) to purchase VMware’s class A common stock, \$.01 par value, (“**stock**”) and thereby acquire an interest in the future of VMware. For purposes of the Plan, a subsidiary is any corporation in which VMware owns, directly or indirectly, stock possessing 50% or more of the total combined voting power of all classes of stock unless the Board of Directors of VMware (the “**Board of Directors**”) or the Committee (as defined below) determines that employees of a particular subsidiary shall not be eligible.

The Plan is intended qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code of 1986, as amended (the “**Code**”). Notwithstanding the foregoing, the Board of Directors may establish comparable offerings under the Plan that are not intended to qualify under Code Section 423. Such offerings will be designated as being made under the non-423 component of this Plan.

For purposes of this Plan, if the Board of Directors so determines, the employees of VMware and/or of any designated subsidiary will be deemed to participate in a separate offering under the 423 component of the Plan, even if the dates of the applicable offering period of each such offering are identical, provided that the terms of participation are the same within each separate offering as determined under Code Section 423.

Section 2. Options to Purchase Stock

Under the Plan, no more than 37,300,000 shares of stock are available for purchase (subject to adjustment as provided in Section 16) pursuant to the exercise of options (“**options**”) granted under the Plan to employees of the Company (“**employees**”). All of the shares of stock are available for purchase under the Plan may be used for offerings under the 423 component of the Plan. The stock to be delivered upon exercise of options under the Plan may be either shares of VMware’s authorized but unissued stock, or shares of reacquired stock, as the Board of Directors shall determine.

Section 3. Eligible Employees

Except as otherwise provided in Section 20, each employee who has completed three months or more of continuous service in the employ of the Company, or any lesser number of months established by the Committee (if required under local law), shall be eligible to participate in the Plan provided such inclusion is consistent with requirements under Code Section 423 or offered under the non-423 component. For the avoidance of doubt, individuals who are not employees of VMware or an eligible subsidiary are not considered to be eligible employees and shall not be eligible to participate in the Plan.

Section 4. Method of Participation

Option periods of any duration up to 27 months in length shall be determined by the Committee. In the event no period is designated by the Committee, the option periods shall have a duration of six months commencing on the first day following termination of the prior period. For example, if an option period ends on July 31, the following option period would be August 1 through January 31 unless the Committee determines otherwise prior to commencement of such following option period. Each person who will be an eligible employee on the first day of any option period may elect to participate in the Plan by executing and delivering, at least one business day prior to such day, a payroll deduction authorization and/or other required enrollment agreement(s)/form(s) in accordance with Section 5. Such employee shall thereby become a participant (“**participant**”) on the first day of such option period and shall remain a participant until such employee’s participation is terminated as provided in the Plan. VMware may permit participants to elect or indicate whether an enrollment election, once made, will apply to subsequent option periods without being required to submit a new enrollment form. If an employee makes an enrollment election that does not apply to subsequent option periods, the employee will be deemed to have terminated such employee’s participation with respect to subsequent option periods unless and until the employee submits a new enrollment form in accordance with the Plan.

Section 5. Contributions

A participant may elect to make contributions under the Plan at a rate of not less than 2% nor more than 15% from the participant’s compensation (subject to a maximum of \$7,500 per six-month option period and pro-rated for longer or shorter periods, at the Committee’s discretion), by means of substantially equal payroll deductions over the option period; provided, however, where applicable local laws prohibit payroll deductions for the purpose of participation in the Plan, the Committee may permit all participants in a specified separate offering under the 423 component or an offering under the non-423 component of the Plan to contribute amounts to the Plan through payment by cash, check or other means set forth in the enrollment form. Any amount remaining in a participant’s contribution account at the end of an option period representing a fractional share that is rolled over to the contribution account for the next option period pursuant to Section 8 below (a “**rollover**”) may be used to purchase additional stock; provided that the maximum dollar amount per option period shall be reduced by the amount of any rollover. For purposes of the Plan, “**compensation**” shall mean all cash compensation paid to the participant by the Company unless otherwise specified by the Board.

A participant may only elect to change such participant’s contribution rate by written notice delivered to VMware (or its designated agent) at least one business day prior to the first day of the option period as to which the change is to be effective. Following delivery to VMware (or its designated agent) of any enrollment form or any election to change the withholding rate of a payroll deduction authorization, appropriate payroll deductions or changes thereto shall commence as soon as reasonably practicable. All amounts withheld in accordance with a participant’s payroll deduction authorization or contributed by other permitted means (if any) shall be credited to a contribution account for such participant.

Section 6. Grant of Options

Each person who is a participant on the first day of an option period shall, as of such day, be granted an option for such period. Such option shall be for the number of

shares of stock to be determined by dividing (a) the balance in the participant's contribution account on the last day of the option period by (b) the purchase price per share of the stock determined under Section 7, and eliminating any fractional share from the quotient. In the event that the number of shares then available under the Plan is otherwise insufficient, VMware shall reduce on a substantially proportionate basis the number of shares of stock receivable by each participant upon exercise of such participant's option for an option period and shall return the balance in a participant's contribution account to such participant without interest (unless otherwise required by local law). In no event shall the number of shares of stock that a participant may purchase during any one six-month option period under the Plan exceed 750 shares of stock (subject to adjustment as provided in Section 16), and prorated for longer or shorter periods, at the Committee's discretion.

Section 7. Purchase Price

The purchase price of stock issued pursuant to the exercise of an option shall be 85% of the fair market value of the stock at (a) the time of grant of the option or (b) the time at which the option is deemed exercised, whichever is less. "**Fair market value**" shall mean the closing sales price per share of the stock on the principal securities exchange on which the stock is traded or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported; if the stock is not listed for trading on a national securities exchange, the fair market value of the stock shall be determined in good faith by the Board of Directors.

Section 8. Exercise of Options

If an employee is a participant in the Plan on the last business day of an option period, the employee shall be deemed to have exercised the option granted to such employee for that period. Upon such exercise, VMware shall apply the balance of the participant's contribution account to the purchase of the number of whole shares of stock determined under Section 6, and as soon as practicable thereafter shall issue and deliver certificates for said shares to the participant (or have the shares deposited in a brokerage account for the benefit of the participant). No fractional shares shall be issued hereunder. Any balance accumulated in the participant's contribution account that is not sufficient to purchase a full share shall be retained in such account for any remaining or subsequent option period, subject to early withdrawal by the participant as provided in Section 10. Any other monies remaining in the participant's contribution account under the Plan after the date of exercise shall be returned to the participant or the participant's beneficiary (as applicable) in cash without interest (unless otherwise required by local law).

Notwithstanding anything herein to the contrary, VMware shall not be obligated to deliver any shares unless and until, in the opinion of VMware's counsel, all requirements of applicable federal, state and foreign laws and regulations (including any requirements as to legends) have been complied with, nor, if the outstanding stock is at the time listed on any securities exchange, unless and until the shares to be delivered have been listed (or authorized to be added to the list upon official notice of issuance) upon such exchange, nor unless or until all other legal matters in connection with the issuance and delivery of shares have been approved by VMware's counsel.

Section 9. Interest

No interest will be payable on contribution accounts, except as may be required by applicable law, as determined by the Committee.

Section 10. Cancellation and Withdrawal

A participant who holds an option under the Plan may cancel all (but not less than all) of the participant's option by written notice delivered to the Company, in such form as the Committee may prescribe, provided that VMware (or its designated agent) must receive such notice at least 31 days, or such other number of days determined by the Committee, before the last day of the option period (the "**Withdrawal Deadline**"). Any participant who delivers such written notice shall be deemed to have canceled such participant's option, terminated any applicable payroll deduction authorization with respect to the Plan and terminated such participant's participation in the Plan, in each case, as of the date of such written notice. In the event that the date of the Withdrawal Deadline with respect to the applicable option period shall be a Saturday, Sunday or day on which banks in the State of Delaware are required to close, a participant may cancel such participant's option by written notice given on or prior to the last business day immediately preceding such date. Following delivery of any such notice, any balance in the participant's contribution account will be returned to such participant as soon as reasonably practicable without interest (unless otherwise required by local law). Any participant who has delivered such notice may elect to participate in the Plan in any future option period in accordance with the provisions of Section 4.

Section 11. Termination of Employment

Except as otherwise provided in Section 12, upon the termination of a participant's employment with the Company for any reason whatsoever, the participant shall cease to be a participant, and any option held by such participant under the Plan shall be deemed canceled, the balance of such participant's contribution account shall be returned to the participant without interest (unless otherwise required by local law), and such participant shall have no further rights under the Plan. For purposes of this Section 11, a participant's employment will not be considered terminated in the case of a transfer to the employment of an eligible subsidiary or to the employment of VMware. However, in the event of a transfer of employment, VMware may transfer participant's participation to a separate offering or non-423 component offering, if advisable or necessary, considering applicable local law and Code Section 423 requirements. For purposes of the Plan, an individual's employment relationship is still considered to be continuing intact while such individual is on sick leave, or other leave of absence approved for purposes of this Plan by the Company; provided however, that if such period of leave of absence exceeds three months, and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day following such three month period.

Section 12. Death of Participant

In the event a participant holds any option hereunder at the time the participant's employment with the Company is terminated by such participant's death, whenever occurring, then such participant's legal representative, may, by a writing delivered to VMware on or before the date such option is exercisable, elect either (a) to cancel any such option and receive in cash the balance in such participant's contribution account, or (b) to have the balance in such participant's contribution account applied as of the last day of the option period to the exercise of such participant's option pursuant to Section 8, and have the balance, if any, in such account in excess of the total purchase price of the whole shares so issued returned in cash without interest (unless otherwise required by local law). In the event such participant's legal representative does not file a written

election as provided above, any outstanding option shall be treated as if an election had been filed pursuant to subparagraph 12(a) above.

Section 13. Participant's Rights Not Transferable, etc.

All participants granted options under a specified offering under the 423 component of the Plan shall have the same rights and privileges. Each participant's rights and privileges under any option granted under the Plan shall be exercisable during the participant's lifetime only by such participant, and shall not be sold, pledged, assigned, or otherwise transferred in any manner whatsoever except by will or the laws of descent and distribution. In the event any participant violates the terms of this Section, any options held by such participant may be terminated by VMware and, upon return to the participant of the balance of such participant's contribution account, all the participant's rights under the Plan shall terminate.

Section 14. Employment Rights

Neither the adoption of the Plan nor any of the provisions of the Plan shall confer upon any participant any right to continued employment with the Company or a subsidiary or affect in any way the right of the participant's employer to terminate the employment of such participant at any time.

Section 15. Rights as a Stockholder/Use of Funds

A participant shall have the rights of a stockholder only as to stock actually acquired by the participant under the Plan.

All contributions received under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to separate such funds, but may do so if required under applicable local law.

Section 16. Change in Capitalization

In the event of a stock dividend, stock split or combination of shares, recapitalization, merger in which VMware is the surviving corporation or other change in VMware's capital stock, the number and kind of shares of stock or securities of VMware to be subject to the Plan and to options then outstanding or to be granted hereunder, the maximum number of shares or securities which may be delivered under the Plan, the option price and other relevant provisions shall be appropriately adjusted by the Board of Directors, whose determination shall be binding on all persons. In the event of a consolidation or merger in which VMware is not the surviving corporation or in the event of the sale or transfer of substantially all VMware's assets (other than by the grant of a mortgage or security interest), all outstanding options shall thereupon terminate, provided that prior to the effective date of any such merger, consolidation or sale of assets, the Board of Directors shall either (a) return the balance in all contribution accounts and cancel all outstanding options, or (b) accelerate the exercise date provided for in Section 8, or (c) if there is a surviving or acquiring corporation, arrange to have that corporation or an affiliate of that corporation grant to the participants replacement options having equivalent terms and conditions as determined by the Board of Directors.

In the event of a corporate restructuring, VMware may transfer or terminate participant's participation to a separate offering or non-423 component offering, if

advisable or necessary, considering applicable local law and Code Section 423 requirements.

Section 17. Administration of Plan

The Plan will be administered by the Board of Directors. The Board of Directors will have authority, not inconsistent with the express provisions of the Plan, to take all action necessary or appropriate hereunder, to interpret its provisions, and to decide all questions which may arise in connection therewith. Except with respect to officers of VMware who are subject to the reporting requirements of Section 16 of the Securities Act of 1934, management of VMware is also authorized to resolve participant disputes under the Plan, consistent with the terms of the Plan and any agreements thereunder and any interpretations or guidance issued under the Plan by the Board of Directors or the Committee.

The Board may, in its discretion, delegate its powers with respect to the Plan to the Compensation Committee or any other committee at VMware (the “**Committee**”), in which event all references to the Board of Directors hereunder, including without limitation the references in Section 17, shall be deemed to refer to the Committee. A majority of the members of any such Committee shall constitute a quorum, and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Plan may be made without notice or meeting of the Committee by a writing signed by all of the Committee members.

Determinations of the Board of Directors, the Committee or where appropriate, management of the Company, shall be conclusive and shall bind all parties.

Section 18. Amendment and Termination of Plan

The Board of Directors may at any time or times amend the Plan or amend any outstanding option or options for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law, provided that (except to the extent explicitly required or permitted herein) no such amendment will, without the approval of the stockholders of the Company, (a) increase the maximum number of shares available under the Plan, (b) reduce the option price of outstanding options or reduce the price at which options may be granted, (c) change the conditions for eligibility under the Plan, or (d) amend the provisions of this Section 18 of the Plan, and no such amendment will adversely affect the rights of any participant (without the participant’s consent) under any option theretofore granted.

The Plan may be terminated at any time by the Board of Directors, but no such termination shall adversely affect the rights and privileges of holders of the outstanding options.

Section 19. Approval of Stockholders

The Plan as amended and restated was approved by the stockholders of the Company on June 8, 2017 and was further amended by the stockholders on June 25, 2019 and July 23, 2021. Subsequent amendments will be approved by the stockholders to the extent required by applicable securities and tax rules and regulations as well as applicable rules of the securities exchange(s) upon which the stock may be listed for trading.

Section 20. Limitations

Notwithstanding any other provision of the Plan:

(a) An employee shall not be eligible to receive an option pursuant to the Plan if, immediately after the grant of such option to the employee, such employee would (in accordance with the provisions of Sections 423 and 424(d) of the Code own or be deemed to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the employer corporation or of its parent or subsidiary corporation, as defined in Section 424 of the Code.

(b) No employee shall be granted an option under this Plan that would permit the employee's rights to purchase shares of stock under all employee stock purchase plans (as defined in Section 423 of the Code) of VMware or any subsidiary or parent corporation to accrue at a rate which exceeds \$25,000 in fair market value of such stock (determined at the time the option is granted) for each calendar year during which any such option granted to such employee is outstanding at any time, as provided in Section 423 of the Code.

(c) No employee shall be granted an option under this Plan that would permit such employee to withhold more than \$7,500 in each six-month option period, and pro-rated for longer or shorter periods, at the Committee's discretion, or \$15,000 per calendar year, less the amount of any rollover.

(d) No employee whose customary employment is 20 hours or less per week shall be eligible to participate in the Plan, unless otherwise required under applicable law. If participation in the Plan is offered to employees whose customary employment is 20 hours or less, the offering will be made under a separate offering under the 423 component or under the non-423 component of the Plan.

(e) No employee whose customary employment is for not more than five months in any calendar year shall be eligible to participate in the Plan.

(f) No independent contractor shall be eligible to participate in the Plan.

Section 21. Jurisdiction and Governing Law.

The Company and each participant in the Plan submit to the exclusive jurisdiction and venue of the U.S. federal or state courts of Delaware to resolve issues that may arise out of or relate to the Plan or the same subject matter. The Plan shall be governed by the laws of Delaware, excluding its conflicts or choice of law rules or principles that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction.

Section 22. Compliance with Foreign Laws and Regulations.

Notwithstanding anything to the contrary herein, the Board, in order to conform with provisions of local laws and regulations in foreign countries in which the Company or its subsidiaries operate, shall have sole discretion to (i) adversely modify the terms and conditions of options granted to participants employed outside the United States to the extent consistent with the U.S. Treasury regulations under Code Section 423; (ii) establish comparable offerings that are not intended to qualify under Code Section 423 with the shares to be taken from the allotment available under this Plan and with modified

enrollment or exercise procedures and/or establish such other modifications as may be necessary or advisable under the circumstances presented by local laws and regulations; and (iii) take any action which it deems advisable to obtain, comply with or otherwise reflect any necessary governmental regulatory procedures, exemptions or approvals with respect to the Plan or any sub-plan established hereunder.

VMware, Inc.
Executive Severance Plan

The Company considers it essential to the best interests of its stockholders to retain senior-level executives and to foster the continuous employment of key management personnel. In this connection, the Compensation Committee (the “**Committee**”) of the Board of Directors of the Company (the “**Board**”), recognizes that from time to time the uncertainty such as changes in the business environment can raise among members of management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders. The Committee has determined that appropriate steps should be taken to ensure the continuity of management and to foster objectivity in the face of such potentially disruptive circumstances. In order to induce such Company officers and other key personnel designated by the Committee and described on Schedule A, which list may be amended from time to time (each, a “**Participant**”), to remain in the employ of the Company and in consideration of a Participant’s further services to the Company, the Company agrees that effective as of the date on which a Participant signs the attached Schedule B (“**Consent to Accept Plan Benefits**”), such Participant will receive the severance benefits from the Company set forth in this Executive Severance Plan (“**Severance Plan**”) in the event any such Participant Separates from Service with the Company or a Subsidiary who is the Participant’s direct employer (the Company and any such employing Subsidiary, “**VMware**”) under the circumstances described below.

The Committee is responsible for selecting and designating eligible individuals employed by VMware as Participants.

It is a condition for eligibility to receive benefits under this Severance Plan that, during the term of the Severance Plan, each Participant waive any and all severance benefits to which the Participant might otherwise have been entitled under any prior agreement or arrangement with the Company or policy of the Company, other than the Company’s Change in Control Severance Plan adopted on February 25, 2015, as may be amended (the “**CIC Plan**”), should the Participant Separate from Service to VMware (as each term is defined below), and this Severance Plan supersedes and replaces in all respects any rights a Participant had to such benefits from the Company other than as set forth herein.

1. Term of Severance Plan. This Severance Plan continues in effect with respect to a Participant until the earliest of (i) with respect to a Participant who is also a participant in the CIC Plan, any termination of such Participant’s employment that occurs during of the Change in Control Period (as defined in the CIC Plan) (in which case the CIC Plan and not this Severance Plan will govern the Participant’s eligibility for severance benefits); (ii) any termination of such Participant’s employment that is not an Involuntary Termination; (iii) the Company’s satisfaction of all of its obligations to the Participant under this Severance Plan; (iv) the execution of a written agreement between the Company and the Participant terminating such Participant’s rights under this Severance Plan; (v) one year following the communication of the termination of the Plan with respect to an affected Participant pursuant to Section 12, if the Participant has not then experienced an Involuntary Termination (or if a Good Reason to resign has then occurred, the later date on which the Participant may no longer timely complete the resignation process specified in Section 7(b)); and (vi) the Release Deadline Date (as defined in Section 3(c) below) if the Release described in Section 3 has not then become effective with respect to the Participant.

2. Definitions. As used in this Severance Plan:

(a) “**Base Salary**” means the highest annualized base salary rate that a Participant was paid by the Company during the twelve months preceding the Participant’s Termination Date.

(b) “**Cause**” for termination of a Participant’s employment will exist in the event of any one or more of the following:

(i) willful neglect, failure or refusal by the Participant to perform the Participant’s employment duties (except resulting from the Participant’s incapacity due to illness) as reasonably directed by the Participant’s employer;

(ii) willful misconduct by the Participant in the performance of the Participant’s employment duties;

(iii) the Participant’s indictment for a felony (other than traffic related offense) or a misdemeanor involving moral turpitude; or

(iv) the Participant's commission of an act involving personal dishonesty that results in financial, reputational, or other harm to the Company and its "affiliates" (as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934) and Subsidiaries, including, but not limited to, an act constituting misappropriation or embezzlement of property.

No act or failure to act on the Participant's part will be deemed "willful" for purposes of this Cause definition unless committed or omitted by the Participant in bad faith and without reasonable belief that the Participant's act or failure to act was in, or not opposed to, the best interests of the Company. In order to terminate a Participant for Cause during the term of the Severance Plan, the Company is required to deliver a Notice of Termination to the Participant in accordance with the procedure set forth in Section 7 below.

Solely for the avoidance of doubt, during the term of the Severance Plan, this definition of "Cause" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Cause set forth in agreements between the Participant and the Company and any Plans in which the Participant participates, provided, however, that termination of a Participant for "Cause" during a Protected Period (as defined in the CIC Plan) must be pursuant to the applicable definitions and procedures set forth in the CIC Plan.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) "**Company**" means VMware, Inc., a Delaware corporation, and any successor as provided in Section 10 below.

(e) "**Disability**" means that, at the time a Participant Separates from Service, the Participant has been unable to perform the duties of the Participant's position for a period of 180 consecutive days as the result of the Participant's incapacity due to physical or mental illness. Any question as to the existence of the Participant's Disability upon which the Participant and the Company cannot agree will be determined by a qualified independent physician who will have been jointly selected by (i) a physician selected by the Participant (or, if the Participant is unable to make such selection, by any adult member of the Participant's immediate family), and (ii) a physician selected by the Company. The determination of such physician made in writing to the Company and to the Participant will be final and conclusive for all purposes of this Severance Plan, absent fraud.

Solely for the avoidance of doubt, during the term of the Severance Plan, this definition of "Disability" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Disability set forth in agreements between the Participant and the Company under the Company's equity plans.

(f) "**Equity Awards**" means each outstanding grant of unvested Company stock options and stock appreciation rights (collectively, the "**Option Rights**"), restricted stock, restricted stock units, performance stock units and other equity-based awards held by the Participant as of the Termination Date (including any Equity Awards assumed by the Company in connection with its acquisition of another entity).

(g) "**Good Reason**" for a Participant to resign the Participant's employment means that one or more of the following has occurred during the term of the Severance Plan without the Participant's express written consent:

(i) any materially adverse alteration in the Participant's role or to the nature or status of the Participant's responsibilities relative to the Participant's role or responsibilities, provided that neither a mere change in title nor in the fact that the Participant's position is no longer as an officer of a public company will alone constitute Good Reason, except that, with respect to the Chief Executive Officer, Chief Financial Officer and the most senior legal officer (whether the officer holds the title of General Counsel, Chief Legal Officer or another title) of the Company, no longer holding the position of Chief Executive Officer, Chief Financial Officer or the position of the most senior legal officer), respectively, in a public company will itself be a materially adverse alteration in the Participant's responsibility, role and status constituting Good Reason;

(ii) a material diminution by the Company in the Participant's base salary, or a material diminution by the Company in the Participant's target level of annual incentive bonus relative to the Participant's highest base salary and highest target level of annual incentive bonus, respectively, or, if applicable a material diminution by the Company in the Participant's On-Target Earnings, during the term of the Severance Plan;

(iii) relocation of the Participant's principal place of employment to a location more than 50 miles from the Participant's principal place of employment, except for required travel on the Company's business to

an extent substantially consistent with the business travel obligations that the Participant previously undertook on behalf of the Company during the term of the Severance Plan;

(iv) any purported termination of the Participant's employment by the Company that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2(n) below; or

(v) a material breach of the Company's obligations under this Severance Plan (including without limitation the failure of the Company to obtain the assumption of this Severance Plan pursuant to Section 10).

The Participant's right to terminate the Participant's employment for Good Reason will not be affected by the Participant's incapacity due to physical or mental illness. In order for a Participant to invoke a termination due to Good Reason in a manner that would entitle the Participant to benefits under Section 3 below, the Participant must provide a Notice of Termination to the Company and Separate from Service in accordance with the procedure set forth in Section 7(b) below.

(h) **"Historic Bonus Percentage"** means, with respect to each Participant, the Participant's highest target bonus percentage applicable during the twelve months preceding the Participant's Termination Date.

(i) **"Historic Bonus Target"** means a Participant's Historic Bonus Percentage multiplied by the Participant's Base Salary.

(j) **"Insurance Premiums"** means 150% of the amount of the aggregate monthly insurance premium payments necessary to procure coverage for one year for Participant and Participant's covered dependents of health and dental insurance benefits substantially similar to those provided to the Participant and Participant's covered dependents under the Company's Plans immediately prior to the Termination Date. To the extent that health or dental insurance continuation coverage is made available to Participant and Participant's covered dependents under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), the monthly amount of the insurance premium payments necessary to procure such coverage for Participant and Participant's covered dependents will equal the monthly cost required to obtain such COBRA continuation coverage for the first month following the Termination Date under the health and dental insurance programs in which Participant and Participant's covered dependents were participating on the Termination Date.

(k) **"Involuntary Termination"** of a Participant's employment with the Company will occur only upon a Separation from Service due to termination of Participant's employment by the Company without Cause or resignation by Participant due to Good Reason. A termination of employment as a result of the Participant's death or Disability is not considered an Involuntary Termination.

(l) **"Key Employee"** means an employee who is determined by the Company to be a "specified employee" in accordance with Section 409A of the Code.

(m) **"Notice of Termination"** means a notice that indicates whether a proposed termination is, if provided by the Company, (A) for Cause or (B) without Cause; and if provided by the Participant, (C) for Good Reason. Additionally, Notice of Termination refers to a notice that indicates whether a proposed termination is due to Disability, which notice may be provided by the Company or the Participant.

(n) **"On-Target Earnings"** means, with respect to a Participant compensated via the Company's on-target earnings or other sales commission-based programs, the Participant's highest annualized compensation rate for on-target performance during the twelve months preceding the Participant's Termination Date.

(o) **"Plan"** means any compensation plan such as an incentive plan, or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan or a relocation or vacation plan or policy or any other plan, program or policy of the Company or its Subsidiaries intended to benefit employees, and any agreement providing similar benefits between the Company or its Subsidiaries and a Participant.

(p) **"Section 409A"** means Code Section 409A together with final regulations promulgated thereunder and any other written interpretive guidance issued by the Department of Treasury or the Internal Revenue Service.

(q) **"Separation from Service"** or **"Separates from Service"** means a termination of employment with the Company that the Company determines is a "separation from service" in accordance with Section 409A of the Code.

(r) **“Subsidiary”** means any entity in an unbroken chain of entities beginning with the Company if, at the time of granting of an Award, each of the entities (other than the last entity in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other entities in the chain.

(s) **“Termination Date”** means the date of Participant’s Separation from Service with the Company due to an Involuntary Termination.

3. **Compensation Upon Involuntary Termination.** Subject to Sections 4, 5 and 6 below, if a Participant (a) experiences an Involuntary Termination during the term of the Severance Plan, or (b) experiences a Good Reason to resign during the term of the Severance Plan and timely resigns for Good Reason following the procedures prescribed in Section 7(b), then subject to the Participant signing and not revoking a separation agreement and general release of all claims such Participant may have against VMware and its officers, directors, agents and affiliates arising out of or relating to the Participant’s employment with VMware and the termination of the Participant’s employment with VMware (the **“Release”**) in a form reasonably satisfactory to the Company, which form will include a customary non-solicit provision:

(a) The Participant will be entitled to receive a lump sum severance payment in cash consisting of:

(i) the sum of (x) the Participant’s Base Salary plus (y) the Participant’s Historic Bonus Target, or, if a Participant is compensated via the Company’s on-target earnings or other sales commission-based programs, such Participant’s On-Target Earnings; and

(ii) the aggregate amount of Insurance Premiums.

The foregoing severance payment (the **“Severance Payment”**) is payable in lump sum, except as provided in the following sentence. To the extent any cash severance payments to which a Participant would otherwise be entitled under a Plan, the benefits of which the Participant is waiving in connection with participation in this Severance Plan, are not exempt from the definition of “nonqualified deferred compensation” under Section 409A, then the Severance Payment up to the amount otherwise payable under such Plan will be payable in the form provided under the applicable Plan and the excess, if any, will be payable in lump sum. Notwithstanding the foregoing, the Participant’s receipt of benefits under this subsection (a) is subject to subsection (c) and to Sections 5 and 6 below.

(b) The Participant will be entitled to the following treatment of the Participant’s Equity Awards:

(i) Except for performance stock units and other performance-based Equity Awards (collectively **“PSUs”**), each outstanding grant of unvested Equity Awards held by the Participant as of the Termination Date will immediately be vested as to that portion of the grant that would vest prior to or on the first anniversary of the Participant’s Termination Date and, to the extent subject to an exercise feature, exercisable as of the first anniversary of the Termination Date. The Participant will be entitled to exercise any Option Rights until the expiration of 90 days following the Payment Date (or until such later date as may be applicable under the terms of the award agreement governing the Option Right upon termination of employment), subject to the maximum full term of the Option Right.

(ii) Unvested grants of PSUs (but excluding performance stock unit awards whose terms expressly exclude or modify acceleration provided under this Severance Plan (the **“Excluded PSUs”**)) that include one or more performance periods that have been completed prior to the Termination Date (each, a **“Completed Performance Period”**) will accelerate with respect to the portion of the PSU represented by such Completed Performance Periods based upon actual performance achievement during the Completed Performance Periods. To the extent that the final calculation of the number of shares attributable to a Completed Performance Period depends upon calculation of one or more separate performance metric(s) for which achievement has not yet been certified to by the Committee by close of business on the Termination Date, vesting will be accelerated for the number of shares that would have vested had target performance been achieved for such separate performance metric(s).

For example, in the case of a PSU containing three annual performance periods for which individual performance ratios are determined, each with respect to one-third of the total number of shares issuable under the PSU, and the number of shares issuable under the PSU is determined by multiplying each such performance ratio by a performance ratio for the overall three-year performance period, if the Termination Date occurs after only the first annual performance period has become a Completed Performance Period, then vesting in one-third of the shares will be accelerated with the number of shares issued upon the accelerated vesting determined by the actual performance ratio determined for the Completed Performance Period multiplied by a

performance ratio for the three-year performance period based upon target achievement for such three-year performance period.

(iii) Additionally, with respect to PSUs (other than the Excluded PSUs) that are due to vest prior to or on the first anniversary of the Termination Date, vesting in shares subject to any performance periods that are not Completed Performance Periods (each, an “**Incomplete Performance Period**”) will be accelerated on a pro rata basis in proportion to the number of days that have elapsed from the start of any such remaining periods through and including the Termination Date compared to the total number of days in the Incomplete Performance Period. The number of shares issuable pursuant to such pro rata acceleration will be based on the number of shares that would have vested for the entire Incomplete Performance Period had target performance been achieved.

For example, in the case of a PSU containing three annual performance periods for which individual performance ratios are determined, each with respect to one-third of the total number of shares issuable under the PSU, and the number of shares issuable under the PSU is determined by multiplying each such performance ratio by a performance ratio for the overall three-year performance period, if the Termination Date occurs after the first two annual performance periods have become Completed Performance Periods and the Termination Date is within one year of the PSU vesting date, then

(x) vesting in two-thirds of the shares will be accelerated as set forth in subsection (ii) above, and

(y) vesting with respect to a pro rata portion of the remaining one-third of the shares subject to the PSU will be accelerated for the Incomplete Performance Period based on the number of days that have elapsed from the start of the Incomplete Performance Period to and including the Termination Date and the total number of shares that would have vested had target performance been achieved for the Incomplete Performance Period.

(iv) Notwithstanding anything to the contrary above,

(x) to the extent that the Board or Committee provides or will provide for different treatment in the event of an Involuntary Termination of any PSUs granted subsequent to the initial adoption of this Severance Plan, such different treatment set forth in the documents governing such PSUs will supersede the terms of this Severance Plan with respect to the effect of an Involuntary Termination on such awards, and

(y) to the extent an Equity Award is subject to a Section 409A payment restriction, vesting of such Equity Award will be accelerated as specified above but settlement shall be made in accordance with the terms of the applicable Plan and the requirements of Section 409A.

(c) Subject to Section 6 below, all payments and benefits under subsection (a) above and the effective date of any acceleration of vesting under subsection (b) above as to any Equity Awards held by the Participant will be made, commence or will become effective on the 30th day following the Termination Date or on the next business day if such 30th day is not a business day, with such date referred to as the “**Payment Date**”; provided, however, that if Participant’s Involuntary Termination occurs in a manner that requires a release consideration period of more than 21 days under applicable statutes and regulations, then the Payment Date will be the 60th day following the Termination Date or on the next business day if such 60th day is not a business day. The Company will provide the Release to the Participant no later than five business days following the Participant’s Termination Date. A Participant will not be entitled to any payment or acceleration under subsection (a) or (b) above if the Participant’s Release has not become effective as of the third business day preceding the Payment Date (the “**Release Deadline Date**”) or the Participant revokes the Release. If the amounts of all such payments cannot be finally determined on or before the Payment Date, the Company will pay to the Participant on the Payment Date an estimate, as determined in good faith by the Company, of the minimum amount of such payments to which the Participant is clearly entitled and will pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) on the 30th day after the Payment Date (also subject to Section 6). In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess will constitute a loan by the Company to the Participant, payable on the fifth business day after demand by the Company (together with interest at 120% of the rate).

(d) The Company will have no obligation hereunder to make any payment or offer any benefits to a Participant under this Section 3 if the Participant Separates from Service under any circumstances that would entitle the Participant to benefits under the CIC Plan, or under any circumstances that do not constitute an Involuntary Termination.

4. Merger or Consolidation. Subject to any required action by the stockholders, in the event of a dissolution, liquidation, merger or consolidation in which the Company is not the surviving corporation or in which a majority of the outstanding shares are converted into securities of another corporation or are exchanged for other consideration, the Company will either (a) arrange for any entity succeeding to the business and assets of the Company to assume such awards of Participants or issue to the Participants replacement awards (which, in the case of ISOs, satisfy, in the determination of the Committee, the requirements of Section 424 of the Code) on such entity's equity, which will to the extent possible preserve the value of the outstanding awards or (b) will make the outstanding awards of Participants fully exercisable or cause all of the applicable restrictions to which outstanding awards are subject to lapse, in each case, on a basis that gives the holder of the award a reasonable opportunity, as determined by the Committee, following the exercise of the award or the issuance of shares of Common Stock, as the case may be, to participate as a stockholder in any such dissolution, liquidation, merger or consolidation, and the award will terminate upon consummation of any such transaction. The existence of the Severance Plan will not prevent any such transaction and no Participant will have any right except as herein expressly set forth. Notwithstanding the foregoing provisions of this Section 4, awards subject to and intended to satisfy the requirements of Section 409A of the Code will be construed and administered consistent with such intent.

5. Parachute Payments. In the event that any payment or benefit received or to be received by a Participant in connection with the Participant's Involuntary Termination (collectively, the "**Severance Parachute Payments**") would (a) constitute a parachute payment within the meaning of Section 280G of the Code or any similar or successor provision to 280G and (b) but for this Section 5, be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision to Section 4999 (the "**Excise Tax**"), then such Severance Parachute Payments will be either:

- (i) delivered in full, or
- (ii) delivered as to such lesser extent that would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income and payroll taxes and the Excise Tax, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless the Company and the Participant otherwise agree in writing, any determination required under this Section 5 will be made in writing in good faith by a "Big Four" national accounting firm selected by the Company (the "**Accountants**"). If a reduction in the payments or benefits is required under this Section 5, and if none of the payments or benefits is subject to Code Section 409A, then the reduction will occur in the manner a Participant elects in writing prior to the date of payment; provided however that if the manner elected by the Participant pursuant to this sentence could in the opinion of the Company result in any of the payments or benefits becoming subject to Code Section 409A, then the following sentence will instead apply. If any payment or benefit is subject to Code Section 409A or a Participant fails to elect an order under the preceding sentence, then the reduction will occur in the following order: (i) cancellation of acceleration of vesting on any Option Rights for which the exercise price exceeds the then fair market value of the underlying equity; (ii) reduction in the cash payments provided for under Section 3(a); and (iii) cancellation of acceleration of vesting of Equity Awards not covered under (i) above; provided, however, that in the event that acceleration of vesting of Equity Awards is to be cancelled, such acceleration of vesting will be cancelled in the reverse order of the date of grant of such Equity Awards, that is, later Equity Awards will be canceled before earlier Equity Awards. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. Any good faith determination of the Accountants made hereunder will be final, binding and conclusive upon the Company and the Participant. The Company and the Participant must furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 5. The Company will bear all costs related to the Accountants' services in connection with any calculations contemplated.

6. Section 409A. To the fullest extent applicable, amounts and other benefits payable under this Severance Plan are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A. To the extent that any amount or benefit provided under this Severance Plan is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation under Section 409A, this Severance Plan is intended to comply with the applicable requirements of Section 409A with respect to such amounts or benefits so as to avoid the application of Section 409A(a)(1) to any amount or benefit provided for in this Severance Plan. To the extent possible, this Severance Plan will be interpreted and administered in a manner consistent with the foregoing statement of intent. For purposes of Section 409A and to the extent applicable, each payment and benefit under Sections 3(a), 3(b) and Section 4 is designated as a separate payment. If the Company determines that a Participant is a Key Employee at the time of the Participant's Involuntary Termination, then (i) to the extent such payments or benefits are subject to Section 409A, (ii) to the

extent necessary to avoid any portion of such payments and benefits being subject to Code Section 409A(a)(1), and (iii) notwithstanding anything to the contrary in Section 3(c) above, such amounts and benefits provided for will be paid, commence or be distributed, as applicable, in lump sum on or as of the first business day of the seventh month after a Participant's Involuntary Termination. Notwithstanding anything to the contrary in Section 3(c) above, if distribution as required under Section 3(c) or Section 4 of shares or other property with respect to Equity Awards the vesting of which has been accelerated under Section 3(b)(ii) or Section 4 would subject such awards to adverse tax consequences under Section 409A, then the shares or property will be distributed only at the time(s) and according to the schedule on which such distributions were scheduled to be made under the original terms of the award agreement(s) governing the Equity Awards. To the extent required to avoid accelerated recognition of taxable income or imposition of additional tax under Section 409A, the amount of any in-kind benefits provided during a taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided in any other taxable year. Any required reimbursement of an amount under the Severance Plan will be made on or before the last day of the Participant's taxable year following the taxable year in which the expense was incurred. Any right to reimbursement or to in-kind benefits is not subject to liquidation or exchange for another benefit.

7. Termination of Employment. During the term of the Severance Plan, any termination of the Participant's employment (other than by reason of death) will be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with this Section 7, and no purported termination by the Company effected other than pursuant to a Notice of Termination satisfying the requirements of this Section 7 will be effective.

(a) Termination by the Company. If during the term of the Severance Plan (and with respect to a Participant who is participant in the CIC Plan not within the Protected Period (as defined in the CIC Plan)) the Company terminates the Participant's employment for Cause, without Cause or due to Disability, the Company will provide a Notice of Termination that sets forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated.

(b) Resignation of Participant. If the Participant resigns from the Participant's employment with the Company for Good Reason or due to Disability, the Participant will provide a Notice of Termination that sets forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. In the case of a resignation due to Disability, the Notice of Termination may be provided by a person authorized to act on Participant's behalf. Further, in the case of a termination for Good Reason, the following steps must be followed in order to entitle Participant to benefits under Section 3 above:

(i) The Participant must provide a Notice of Termination to the senior officer of the Company's Human Resources group of the Participant's intention to terminate due to an event or condition set forth in the definition of Good Reason set forth in Section 2(h) of this Severance Plan that specifies the particulars thereof in detail. The Participant must provide the Notice of Termination within 90 days of the initial occurrence or existence of such event or condition and provide the Company with 30 days from receipt of the notice to remedy the event or condition;

(ii) The Company must fail to effect such remedy within the 30-day cure period; and

(iii) The effective date of the resignation must occur within 90 days after the end of the 30-day cure period.

(iv) In order for a Participant's resignation to be deemed to be for Good Reason pursuant to this Severance Plan, the initial occurrence or existence of the event or condition constituting Good Reason must take place during the term of the Severance Plan and the Participant's Termination Date must occur as permitted in this Section 7(b).

8. No Mitigation. No Participant will be required to mitigate the amount of any payment provided for in Section 3 hereof by seeking other employment or otherwise, nor will the amount of such payment be reduced by reason of compensation or other income a Participant receives for services rendered after the Participant's Involuntary Termination from the Company.

9. Exclusive Remedy. Subject to Sections 13 and 14 below, in the event of a Participant's Involuntary Termination during the term of the Severance Plan, the provisions of Section 3 are intended to be and are exclusive with respect to the rights and obligations of the Company to the Participant and in lieu of any other rights or remedies to which the Participant or the Company may otherwise be entitled (including any contrary provisions in any employment agreement between the Participant and VMware), whether at law, tort or contract, in equity, or under this Severance Plan

10. Company's Successors. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform the obligations under this Severance Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. As used in this Section 10, the "Company" includes any successor to its business or assets as aforesaid that executes and delivers this Severance Plan or that otherwise becomes bound by all the terms and provisions of this Severance Plan by operation of contract or law.

11. Notice. All notices, deliveries and other communications provided for in this Severance Plan must be in writing and will be deemed given if delivered by a globally recognized express delivery service (with a required email copy, receipt of which need not be acknowledged) to the parties at the addresses listed after their signature. Any such notice, delivery or communication will be deemed to have been delivered and received on the business day that receipt by the addressee is confirmed pursuant to the service's systems. The Company and any Participant may update this address for notice by giving the other party written notice of the new address.

If notice is given to the Company or the Board:

VMware, Inc.
3401 Hillview Ave.
Palo Alto, CA 94304
Attn: General Counsel
email: GeneralCounsel@vmware.com

And,

If a Notice of Termination is given to the Company, it must also be delivered in accordance with Section 7(b) hereto.

If notice is given to the Participant:

To the Participant's home address on file with the Company, with a copy to Participant's home email address on file with the Company.

12. Severance Plan Modification and Termination. Except as set forth below, no provision of this Severance Plan may be modified or terminated, unless as to a Participant such modification or termination is agreed to in writing and signed by such affected Participant and by an authorized member of the Committee or its designee, or by the respective parties' legal representatives and successors. The consent requirement of the preceding sentence will not apply to the extent that (a) amendments provide additional benefits to Participants or are required so that the Severance Plan complies with applicable law (including Section 409A), or (b) the amendment or termination is not effective with respect to an affected Participant until one year after it is communicated to the affected Participant. For the avoidance of doubt, the removal of an individual from Plan eligibility shall be considered an amendment with respect to the affected individual. Notwithstanding anything to the contrary, no amendment will be made if it would result in a delay or acceleration in payment, receipt of benefits or distribution of shares that causes Code Section 409A(a)(1) to apply to payments or benefits hereunder.

13. Coordination with CIC Plan and Other Agreements.

(a) Solely for the avoidance of doubt, with respect to Participants who are also participants in the CIC Plan, if such Participant experiences an Involuntary Termination that entitles the Participant to receive benefits under the CIC Plan, such Participant will receive benefits under the CIC Plan and will not receive benefits under this Severance Plan.

(b) In the event of a Participant's death or disability, any acceleration provided under the terms of the award will continue to apply.

14. Entire Agreement. This Severance Plan represents the entire agreement between each Participant and the Company with respect to the matters set forth herein and supersedes and replaces any prior agreements between the Participant and the Company in their entirety, provided, however, that this Severance Plan does not replace or supersede the CIC Plan with respect to Participants who are also participants in the CIC Plan. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Severance Plan have been or will be made by either party except to the extent they are expressly set forth herein. No future agreement between a Participant and the Company may supersede this Severance Plan as it applies to the

Participant, unless it is in writing and specifically makes reference to this Severance Plan. Nothing in this Severance Plan is intended to change any benefits to which a Participant is entitled under the CIC Plan, or under any other written agreement with the Company in the event the Participant's employment is terminated under circumstances that do not constitute an Involuntary Termination under this Severance Plan.

15. Participant's Successors. Benefits and rights provided under this Severance Plan will inure to the benefit of and be enforceable by a Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amounts are still payable to the Participant hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Severance Plan to the Participant's devisee, legatee, or other designee or, if there be no such designees, to the Participant's estate.

16. Funding. This Severance Plan will be unfunded. Any payment made under the Severance Plan will be made from the Company's general assets.

17. Waiver. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Severance Plan by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

18. Headings. All captions and section headings used in this Severance Plan are for convenient reference only and do not form a part of this Severance Plan.

19. Validity. The invalidity or unenforceability of any provision of this Severance Plan will not affect the validity or enforceability of any other provisions of this Severance Plan, which will remain in full force and effect.

20. Withholding. All payments made pursuant to this Severance Plan will be subject to withholding of applicable income and employment taxes, and each Participant is responsible for all taxes of any nature whatsoever that are required by law to be paid in connection with the benefits offered hereunder.

21. Applicable Law. This Severance Plan will be interpreted and enforced in accordance with the laws of the State of California (with the exception of its conflict of laws provisions).

22. Settlement of Disputes. In the event of a dispute between the Participant and the Company for benefits under this Severance Plan, Participant will provide notice of the dispute to the Board in writing with a written claim for benefits that the Participant believes to be due. The Board will determine the disposition of such disputed claim. Any denial by the Board of a claim for benefits under the Severance Plan will be delivered to the Participant in writing and will set forth the specific reasons for the denial and the specific provisions of this Severance Plan relied upon. The Board will afford a reasonable opportunity to the Participant for a review of the decision denying a claim and will further allow the Participant to appeal to the Board a decision within 60 days after notifications by the Board that the Participant's claim has been denied. Any further dispute or controversy arising under or in connection with this Severance Plan will be settled exclusively by arbitration in San Jose, California in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company will pay to the Participant all legal fees and expenses incurred by the Participant in disputing in good faith any issue hereunder relating to the termination of the Participant's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Severance Plan or in connection with any tax audit or proceeding to the extent attributable to the application of Section 162(m) of the Code to any payment or benefit provided hereunder. Such payments will be made within 15 business days after delivery of the Participant's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. The Participant's reimbursement rights described in this Section 22 will remain in effect for the life of the Participant, *provided, however*, that, in order for the Participant to be entitled to reimbursement hereunder, the Participant must submit the written reimbursement request described above within 180 days following the date upon which the applicable fee or expense is incurred.

23. Notwithstanding any provision of this Severance Plan to the contrary, the Participant will be entitled to seek specific performance of the Participant's right to be paid until the Involuntary Termination date during the pendency of any dispute or controversy arising under or in connection with this Severance Plan.

**Schedule A
Participants**

All Rule 3b-7 Executive Officers

Schedule B

Consent to Accept Plan Benefits

I agree and consent to the terms of the VMware, Inc. Executive Severance Plan (the "**Severance Plan**"). Further, and for the avoidance of doubt, I acknowledge and agree that by signing below I am waiving any and all existing rights to severance or other compensation or benefits to be provided to me by VMware in connection with a Separation from Service for any or no reason from VMware, any successor thereto or any subsidiary of either that employs me, that occurs during the term of the Severance Plan that I may otherwise be entitled to pursuant to any agreement, plan or arrangement (formal or informal, oral or written) with the Company (other than the Company's Change in Control Severance Plan, to the extent it applies to me) that may exist as of the date indicated below. This waiver does not waive or change any rights or benefits to which I am entitled under any written agreement with the Company in the event my employment is terminated under circumstances that do not constitute an Involuntary Termination under this Severance Plan. Capitalized terms in this consent shall have the meanings assigned to them in the Severance Plan.

Signature of [Name]

By: ____
Title: ____
Dated: ____

VMware, Inc.

Change in Control Retention Plan

The Company considers it essential to the best interests of its stockholders to attract senior-level executives and to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "**Board**"), recognizes that from time to time the possibility of a Change in Control may exist and that such possibility, and the uncertainty such circumstances can raise among members of management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined that appropriate steps should be taken to ensure the continuity of management and to foster objectivity in the face of such potentially disruptive circumstances. In order to induce the Company officers and other key personnel described on **Schedule A**, which list may be amended from time to time (each, a "**Participant**"), to remain in the employ of the Company and in consideration of a Participant's further services to the Company, the Company agrees that effective as of the date on which a Participant signs the attached **Schedule B ("Consent to Accept Plan Benefits")**, such Participant will receive the severance benefits from the Company set forth in this Change in Control Retention Plan ("**CIC Plan**") in the event any such Participant Separates from Service with the Company or a subsidiary of the Company who is the Participant's direct employer (the Company and any such employing subsidiary, "**VMware**") in connection with a Change in Control of the Company under the circumstances described below.

The Compensation Committee of the Board (the "**Committee**") is responsible for selecting and designating eligible individuals employed by VMware as Participants.

It is a condition for eligibility to receive benefits under this CIC Plan that each Participant waive any and all severance benefits conditioned on a Change in Control to which such Participant might otherwise have been entitled under any prior agreement, arrangement or policy should the Participant Separate from Service to VMware (as each term is defined below), and this CIC Plan supersedes and replaces in all respects any rights a Participant had to such benefits other than as set forth herein.

1. **Term of CIC Plan.** This CIC Plan continues in effect with respect to a Participant until the earliest of (i) any termination of such Participant's employment that occurs outside of the Change in Control Period; (ii) any termination of such Participant's employment that occurs during the Change in Control Period that is not an Involuntary Termination; (iii) the Company's satisfaction of all of its obligations to the Participant under this CIC Plan; (iv) the execution of a written agreement between the Company and the Participant terminating the Participant's rights under this CIC Plan; (v) immediately following the end of the Change in Control Period if such Participant has not experienced an Involuntary Termination; or (vi) the Release Deadline Date (as defined in Section 3(c) below) if the Release described in Section 3 has not then become effective with respect to the Participant.

2. **Definitions.** As used in this CIC Plan:

(a) "**Base Salary**" means the highest annualized base salary rate that a Participant was paid by the Company at any point during the Protected Period.

(b) "**Beneficial Owner**" has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

(c) "**Cause**" for termination of a Participant's employment during the Protected Period will exist in the event of any one or more of the following:

(i) willful and continued failure by the Participant to perform substantially the duties and responsibilities of the Participant's employment position with the Company after a written demand for substantial performance is delivered to the Participant by the Board, which demand specifically identifies the manner in which the Board believes that the Participant has not substantially performed such duties or responsibilities; *provided, however*, that the following will not constitute Cause: (A) the Participant's incapacity due to physical or mental illness; (B) any such actual or anticipated failure after the issuance of a Notice of Termination by the Participant for Good Reason; or (C) the Company's active or passive obstruction of the performance of the Participant's duties and responsibilities;

(ii) the conviction of the Participant by a court of competent jurisdiction for felony criminal misconduct; or

(iii) the willful engaging by the Participant in fraud or dishonesty, which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise, including but not limited to an act constituting misappropriation or embezzlement of property.

No act or failure to act on the Participant's part will be deemed "willful" for purposes of this Cause definition unless committed or omitted by the Participant in bad faith and without reasonable belief that the Participant's act or failure to act was in, or not opposed to, the best interests of the Company. In order to terminate a Participant for Cause during the Protected Period, the Company is required to deliver a Notice of Termination to the Participant in accordance with the procedure set forth in Section 7 below.

Solely for the avoidance of doubt, during the Protected Period, this definition of "Cause" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Cause set forth in agreements between the Participant and the Company and any Plans in which the Participant participates.

(d) **"Change in Control"** of the Company means and includes any of the following occurrences:

(i) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes a Beneficial Owner in connection with subsection (ii) below and except that from the date the MSD Stockholders initially acquire securities of the Company in the spin-off from Dell Technologies Inc. until the first time that the MSD Stockholders no longer Beneficially Own 35% or more of the combined voting power of the Company's then outstanding securities, the acquisition of Beneficial Ownership by an MSD Stockholder shall be governed by subsection (v) below;

(ii) There is consummated a merger or consolidation of the Company with any other corporation or similar entity, *other than* (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities;

(iii) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

(iv) The individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board; *or*

(v) The MSD Stockholders acquire, whether by purchase, tender or exchange offer, by joining a partnership, limited partnership, syndicate or other group, through swap or hedging transactions or otherwise, Beneficial Ownership of any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company or Synthetic Equity Interests other than (A) acquisitions of up to 2% in the aggregate of the common stock outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that do not result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the outstanding common stock that is greater than the percentage of the outstanding common stock represented by the MSD Stockholders' Initial Stake; (B) acquisitions of up to 1% in the aggregate of the common stock outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that would not be permitted under the preceding clause (A) (whether because such acquisitions would result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the

outstanding common stock that is greater than that permitted thereby or because the MSD Stockholders have already acquired the maximum aggregate amount permitted thereby); or (C) acquisitions that are otherwise approved by the Board. For the avoidance of doubt, except for acquisitions that are otherwise approved by the Board, it shall be deemed a Change in Control if the MSD Stockholders purchase securities that would result in the MSD Stockholders Beneficially Owning, in the aggregate, a percentage of the then outstanding common stock that is greater than one percentage point more than the percentage of the outstanding common stock represented by the MSD Stockholders' Initial Stake. Immediately following the time that the MSD Stockholders Beneficially Own less than 35% of the combined voting power of the Company's then outstanding securities this clause (v) will terminate.

Any other provision of this definition notwithstanding, the term Change in Control will not be deemed to have occurred with respect to a Participant for purposes of this CIC Plan by virtue of: any transaction that results in such Participant, or a group of Persons in which such Participant has a substantial interest, acquiring, directly or indirectly, 35% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities.

(e) **"Change in Control Period"** means the period beginning on the effective date of a Change in Control and ending on the first anniversary of such effective date. With respect to Participants who experience a Good Reason to resign prior to or on the first anniversary of such effective date, the Change in Control Period will be extended to end on the last date that such Participant is still eligible to resign for Good Reason in accordance with the procedure set forth in Section 7(b) below.

(f) **"Code"** means the Internal Revenue Code of 1986, as amended.

(g) **"Company"** means VMware, Inc., a Delaware corporation, and any successor as provided in Section 10 below.

(h) **"Disability"** means that, at the time a Participant Separates from Service, the Participant has been unable to perform the duties of the Participant's position for a period of 180 consecutive days as the result of the Participant's incapacity due to physical or mental illness. Any question as to the existence of the Participant's Disability upon which the Participant and the Company cannot agree will be determined by a qualified independent physician who will have been jointly selected by (i) a physician selected by the Participant (or, if the Participant is unable to make such selection, by any adult member of the Participant's immediate family), and (ii) a physician selected by the Company. The determination of such physician made in writing to the Company and to the Participant will be final and conclusive for all purposes of this CIC Plan, absent fraud.

Solely for the avoidance of doubt, during the Protected Period, this definition of "Disability" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Disability set forth in agreements between the Participant and the Company under the Company's equity plans.

(i) **"Good Reason"** for a Participant to resign the Participant's employment means that one or more of the following has occurred during the Protected Period without Participant's express written consent:

(i) any materially adverse alteration in the Participant's role or to the nature or status of the Participant's responsibilities relative to the Participant's role or responsibilities; *provided, however*, that neither a mere change in title nor in the fact that the Participant no longer holds following a Change in Control the same position in a public company as the Participant held before the transaction will alone constitute Good Reason, except that, with respect to the Chief Executive Officer, Chief Financial Officer and the most senior legal officer (whether the officer holds the title of General Counsel, Chief Legal Officer or another title) of the Company, no longer holding the position of Chief Executive Officer, Chief Financial Officer or most senior legal officer, respectively, in a public company following a Change in Control will itself be a materially adverse alteration in the Participant's responsibility, role and status constituting Good Reason;

(ii) a material diminution by the Company in the Participant's base salary, or a material diminution by the Company in the Participant's target level of annual incentive bonus relative to the Participant's highest base salary and highest target level of annual incentive bonus, respectively, or, if applicable a material diminution by the Company in the Participant's On-Target Earnings, during the Protected Period;

(iii) relocation of the Participant's principal place of employment to a location more than 50 miles from the Participant's principal place of employment, except for required travel on the Company's business to

an extent substantially consistent with the business travel obligations that the Participant undertook on behalf of the Company prior to the Change in Control;

(iv) any purported termination of the Participant's employment by the Company during the Change in Control Period that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2(q) below; or

(v) a material breach of the Company's obligations under this CIC Plan (including without limitation the failure of the Company to obtain the assumption of this CIC Plan pursuant to Section 10).

The Participant's right to terminate the Participant's employment for Good Reason will not be affected by the Participant's incapacity due to physical or mental illness. In order for a Participant to invoke a termination due to Good Reason in a manner that would entitle the Participant to benefits under Section 3 below, the Participant must provide a Notice of Termination to the Company and Separate from Service in accordance with the procedure set forth in Section 7(b) below.

(j) **"Historic Bonus Percentage"** means, with respect to each Participant, the Participant's highest target bonus percentage applicable during the Protected Period.

(k) **"Historic Bonus Target"** means a Participant's Historic Bonus Percentage multiplied by the Participant's Base Salary.

(l) **"Immediate Family Member"** means, with respect to any natural person, such natural person's parent, spouse, children (whether natural or adopted), grandchildren or more remote descendants, siblings and spouse's parents and siblings.

(m) **"Incumbent Board"** means the members of the Board as of the date this CIC Plan is finally approved by the Board or Committee, as the case may be. Notwithstanding the preceding sentence, any individual who becomes a member of the Board after such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such member were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(n) **"Insurance Premiums"** means 150% of the amount of the aggregate monthly insurance premium payments necessary to procure coverage for Participant and Participant's covered dependents of health and dental insurance benefits substantially similar to those provided to the Participant and Participant's covered dependents under the Company's Plans immediately prior to the Termination Date. To the extent that health or dental insurance continuation coverage is made available to Participant and Participant's covered dependents under the Consolidated Omnibus Budget Reconciliation Act of 1985 (**"COBRA"**), the monthly amount of the insurance premium payments necessary to procure such coverage for Participant and Participant's covered dependents will equal the monthly cost required to obtain such COBRA continuation coverage for the first month following the Termination Date under the health and dental insurance programs in which Participant and Participant's covered dependents were participating on the Termination Date.

(o) **"Involuntary Termination"** of a Participant's employment with the Company will occur only upon a Separation from Service due to termination of Participant's employment by the Company without Cause or resignation by Participant due to Good Reason. A termination of employment as a result of the Participant's death or Disability is not considered an Involuntary Termination.

(p) **"Key Employee"** means an employee who is determined by the Company to be a "specified employee" in accordance with Section 409A of the Code.

(q) **"MSD Charitable Entity"** means the Michael & Susan Dell Foundation and any other private foundation or supporting organization (as defined in Section 509(a) of the Code) established and principally funded directly or indirectly by Michael S. Dell or his spouse or by Michael S. Dell and his spouse together.

(r) **"MSD Stockholders"** means Michael S. Dell, Susan Lieberman Dell Separate Property Trust, and their respective Permitted Assignees (as defined herein) that hold any equity securities of the Company, including

any common stock, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company

(s) **“MSD Stockholders’ Initial Stake”** means 169,278,015 shares of common stock Beneficially Owned by the MSD Stockholders in the aggregate as of the close of business on the date hereof (equitably adjusted for any stock splits, reverse stock splits, recapitalizations or similar transactions that may occur following the date hereof) representing 40.3% of the combined voting power of the securities of the Company.

(t) **“Notice of Termination”** means a notice that indicates whether a proposed termination is, if provided by the Company, (A) for Cause or (B) without Cause; and if provided by the Participant, (C) for Good Reason. Additionally, Notice of Termination refers to a notice that indicates whether a proposed termination is due to Disability, which notice may be provided by the Company or the Participant.

(u) **“On-Target Earnings”** means, with respect to a Participant compensated via the Company’s on-target earnings or other sales commission-based programs, the Participant’s highest annualized compensation rate for on-target performance during the Protected Period.

(v) **“Permitted Assignee”** means (A) Michael S. Dell, Susan Lieberman Dell Separate Property Trust or any Immediate Family Member of Michael S. Dell; (B) any MSD Charitable Entity; (C) one or more trusts whose current beneficiaries are and will remain for so long as such trust holds any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company, any of (or any combination of) Michael S. Dell, one or more Immediate Family Members of Michael S. Dell or MSD Charitable Entities; (D) any corporation, limited liability company, partnership or other entity wholly-owned by any one or more persons or entities described in clause (A), (B) or (C) of this definition of “Permitted Assignee”; or (E) from and after Michael S. Dell’s death, any recipient of equity securities of the Company, debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company under Michael S. Dell’s will, any revocable trust established by Michael S. Dell that becomes irrevocable upon Michael S. Dell’s death, or by the laws of descent and distribution; provided, that in each of clauses (A) through (E) above, such person or entity executes and delivers to the Company a joinder or counterpart to the Company’s Stockholders Agreement dated November 1, 2021, by and among the Company, the MSD Stockholders and the other stockholders signatory thereto.

(w) **“Person”** has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) of the Exchange Act but excluding (i) the Company or any of its subsidiaries or any employee benefit plan sponsored or maintained by the Company or any of its subsidiaries (including any trustee or other fiduciary of any such plan), (ii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(x) **“Plan”** means any compensation plan such as an incentive plan, or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan or a relocation or vacation plan or policy or any other plan, program or policy of the Company or its subsidiaries intended to benefit employees and any agreement providing similar benefits between the Company or its subsidiaries and a Participant.

(y) **“Potential Change in Control”** means the occurrence of any one of the following: (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) the Company or any Person publicly announces an intention to take or to consider taking actions that, if consummated, would constitute a Change in Control; (iii) an event that constitutes a Change in Control; or (iv) the Board adopts a resolution that for purposes of this CIC Plan a Potential Change in Control has occurred.

(z) **“Protected Period”** means the period commencing upon the earlier of an event constituting (i) a Potential Change in Control, or (ii) a Change in Control, and concluding upon the earlier of (A) termination of the CIC Plan with respect to a Participant as set forth in Section 1 above, or (B) termination of the agreement or event that triggered a Potential Change in Control prior to consummation of the Change in Control contemplated by such agreement or event.

(aa) **“Section 409A”** means Code Section 409A together with final regulations promulgated thereunder and any other written interpretive guidance issued by the Department of Treasury or the Internal Revenue Service.

(bb) **“Separation from Service”** or **“Separates from Service”** means a termination of employment with the Company that the Company determines is a “separation from service” in accordance with Section 409A of the Code.

(cc) **“Synthetic Equity Interests”** means any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such person, the purpose or effect of which is to give such person economic risk similar to ownership of equity securities of any class or series of the Company, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the Company’s equity securities, or which derivative, swap or other transactions provide the opportunity to profit from any increase in the price or value of shares of any class or series of the Company’s equity securities, without regard to whether (A) the derivative, swap or other transactions convey any voting rights in such equity securities to such person; (B) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such equity securities; or (C) such person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions.

(dd) **“Termination Date”** means the date of Participant’s Separation from Service with the Company due to an Involuntary Termination.

3. **Compensation Upon Involuntary Termination in Connection with a Change in Control.** Subject to Sections 4, 5 and 6 below, if a Participant (a) experiences an Involuntary Termination during the Change in Control Period, or (b) experiences a Good Reason to resign during the Protected Period and resigns for Good Reason during the Change in Control Period following the procedures prescribed in Section 7(b), then subject the Participant signing and not revoking a separation agreement and general release of all claims such Participant may have against VMware and its officers, directors, agents and affiliates arising out of or relating to the Participant’s employment with VMware and the termination of the Participant’s employment with VMware (the **“Release”**) in a form reasonably satisfactory to the Company, which form will include a customary non-solicit provision:

(a) The Participant will be entitled to receive a lump sum severance payment in cash consisting of:

(i) the applicable multiple determined in accordance with **Schedule A** times the sum of (i) the Participant’s Base Salary plus (ii) the Participant’s Historic Bonus Target, or, if a Participant is compensated via the Company’s on-target earnings or other sales commission-based programs, the applicable multiple of such Participant’s On-Target Earnings;

(ii) the aggregate amount of Insurance Premiums determined in accordance with **Schedule A**.

The foregoing severance payment (the **“Severance Payment”**) is payable in lump sum, except as provided in the following sentence. To the extent any cash severance payments to which a Participant would otherwise be entitled under a Plan, the benefits of which the Participant is waiving in connection with participation in this CIC Plan, are not exempt from the definition of “nonqualified deferred compensation” under Section 409A, then the Severance Payment up to the amount otherwise payable under such Plan will be payable in the form provided under the applicable Plan and the excess, if any, will be payable in lump sum. Notwithstanding the foregoing, the Participant’s receipt of benefits under this subsection (a) is subject to subsection (c) and to Sections 5 and 6 below.

(b) The Participant will be entitled to the following treatment of the Participant’s Equity Awards:

(i) All outstanding unvested Company stock options and stock appreciation rights (collectively, the **“Option Rights”**), restricted stock, performance shares, restricted stock units, performance stock units and other equity-based awards held by the Participant as of the Termination Date (collectively, the **“Equity Awards”**) (including any Equity Awards assumed by the Company in connection with its acquisition of another entity) will immediately be 100% vested and, to the extent subject to an exercise feature, exercisable as of the Termination Date. The Participant will be entitled to exercise any Option Rights until the expiration of 90 days following the Payment Date (or until such later date as may be applicable under the terms of the award agreement governing the Option Right upon termination of employment), subject to the maximum full term of the Option Right. To the extent an Equity Award is subject to a Section 409A payment restriction, vesting of such Equity Award will be accelerated as specified above but settlement shall be made in accordance with the terms of the applicable Plan and the requirements of Section 409A; and

(ii) With respect to any performance-based Equity Award whose vesting is accelerated pursuant to subsection (i) above, it is the intent of this Section 3 that the vesting of such award be accelerated so that the Participant becomes vested in connection with the Participant's Involuntary Termination in the number of shares subject to the award in which such Participant would have been vested had the target level of performance specified under the original terms of the award been achieved (and to the extent any time-based vesting provisions apply in addition to the performance vesting conditions, as if the Participant satisfied all such time-based vesting provisions).

(iii) Notwithstanding anything to the contrary above, to the extent that the Board or Committee has provided or will provide for different treatment of performance-based Equity Awards in the event of Change in Control, such different treatment set forth in the grant agreements governing such performance-based awards will supersede the terms of this CIC Plan with respect to the effect of a Change in Control on such awards; *provided, however*, that during the Protected Period, the definitions of Cause, Change in Control, Disability, Good Reason, Involuntary Termination, Separation from Service and Termination Date set forth in this CIC Plan will supersede the definition of such term or similar terms set forth in any such grant agreements to the extent permitted in accordance with Section 409A.

(c) Subject to Section 6 below, all payments and benefits under subsection (a) above and the effective date of any acceleration of vesting under subsection (b) above as to any Equity Awards held by the Participant will be made, commence or will become effective on the 30th day following the Termination Date or on the next business day if such 30th day is not a business day, with such date referred to as the "**Payment Date**"; *provided, however*, that if Participant's Involuntary Termination occurs in a manner that requires a release consideration period of more than 21 days under applicable statutes and regulations, then the Payment Date will be the 55th day following the Termination Date or on the next business day if such 55th day is not a business day. The Company will provide the Release to the Participant no later than five business days following the Participant's Termination Date. A Participant will not be entitled to any payment or acceleration under subsection (a) or (b) above if the Participant's Release has not become effective as of the third business day preceding the Payment Date (the "**Release Deadline Date**") or the Participant revokes the Release. If the amounts of all such payments cannot be finally determined on or before the Payment Date, the Company will pay to the Participant on the Payment Date an estimate, as determined in good faith by the Company, of the minimum amount of such payments to which the Participant is clearly entitled and will pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) on the 30th day after the Payment Date (also subject to Section 6). In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess will constitute a loan by the Company to the Participant, payable on the fifth business day after demand by the Company together with interest at 120% of the rate.

(d) The Company will have no obligation hereunder to make any payment or offer any benefits to a Participant under this Section 3 if the Participant Separates from Service under any circumstances outside the Change in Control Period, or under any circumstances that do not constitute an Involuntary Termination, whenever occurring.

4. **Merger or Consolidation.** Subject to any required action by the stockholders, in the event of a dissolution, liquidation, merger or consolidation in which the Company is not the surviving corporation or in which a majority of the outstanding shares are converted into securities of another corporation or are exchanged for other consideration, the Company will either (a) arrange for any entity succeeding to the business and assets of the Company to assume such awards of Participants or issue to the Participants replacement awards (which, in the case of ISOs, satisfy, in the determination of the Committee, the requirements of Section 424 of the Code) on such entity's equity, which will to the extent possible preserve the value of the outstanding awards or (b) will make the outstanding awards of Participants fully exercisable or cause all of the applicable restrictions to which outstanding awards are subject to lapse, in each case, on a basis that gives the holder of the award a reasonable opportunity, as determined by the Committee, following the exercise of the award or the issuance of shares of common stock, as the case may be, to participate as a stockholder in any such dissolution, liquidation, merger or consolidation, and the award will terminate upon consummation of any such transaction. The existence of the CIC Plan will not prevent any such transaction and no Participant will have any right except as herein expressly set forth. Notwithstanding the foregoing provisions of this Section 4, awards subject to and intended to satisfy the requirements of Section 409A of the Code will be construed and administered consistent with such intent.

5. **Parachute Payments.** In the event that any payment or benefit received or to be received by a Participant in connection with the Participant's Involuntary Termination (collectively, the "**Severance Parachute Payments**") would (a) constitute a parachute payment within the meaning of Section 280G of the Code or any similar or successor provision to 280G and (b) but for this Section 5, be subject to the excise tax imposed by

Section 4999 of the Code or any similar or successor provision to Section 4999 (the “*Excise Tax*”), then such Severance Parachute Payments will be either:

- (i) delivered in full, or
- (ii) delivered as to such lesser extent that would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income and payroll taxes and the Excise Tax, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless the Company and the Participant otherwise agree in writing, any determination required under this Section 5 will be made in writing in good faith by a “Big Four” national accounting firm selected by the Company (the “*Accountants*”). If a reduction in the payments or benefits is required under this Section 5, and if none of the payments or benefits is subject to Code Section 409A, then the reduction will occur in the manner a Participant elects in writing prior to the date of payment; provided however that if the manner elected by the Participant pursuant to this sentence could in the opinion of the Company result in any of the payments or benefits becoming subject to Code Section 409A, then the following sentence will instead apply. If any payment or benefit is subject to Code Section 409A or a Participant fails to elect an order under the preceding sentence, then the reduction will occur in the following order: (i) cancellation of acceleration of vesting on any Option Rights for which the exercise price exceeds the then fair market value of the underlying equity; (ii) reduction in the cash payments provided for under Section 3(a); and (iii) cancellation of acceleration of vesting of Equity Awards not covered under (i) above; *provided, however*, that in the event that acceleration of vesting of Equity Awards is to be cancelled, such acceleration of vesting will be cancelled in the reverse order of the date of grant of such Equity Awards, that is, later Equity Awards will be canceled before earlier equity awards. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. Any good faith determination of the Accountants made hereunder will be final, binding and conclusive upon the Company and the Participant. The Company and the Participant must furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 5. The Company will bear all costs related to the Accountants’ services may incur in connection with any calculations contemplated.

6. **Section 409A.** To the fullest extent applicable, amounts and other benefits payable under this CIC Plan are intended to be exempt from the definition of “nonqualified deferred compensation” under Section 409A. To the extent that any amount or benefit provided under this CIC Plan is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation under Section 409A, this CIC Plan is intended to comply with the applicable requirements of Section 409A with respect to such amounts or benefits so as to avoid the application of Section 409A(a)(1) to any amount or benefit provided for in this CIC Plan. To the extent possible, this CIC Plan will be interpreted and administered in a manner consistent with the foregoing statement of intent. For purposes of Section 409A and to the extent applicable, each payment and benefit under Sections 3(a), 3(b) and Section 4 is designated as a separate payment. If the Company determines that a Participant is a Key Employee at the time of the Participant’s Involuntary Termination, then (i) to the extent such payments or benefits are subject to Section 409A, (ii) to the extent necessary to avoid any portion of such payments and benefits being subject to Code Section 409A(a)(1), and (iii) notwithstanding anything to the contrary in Section 3(c) above, such amounts and benefits provided for will be paid, commence or be distributed, as applicable, in lump sum on or as of the first business day of the seventh month after a Participant’s Involuntary Termination. Notwithstanding anything to the contrary in Section 3(c) above, if distribution as required under Section 3(c) or Section 4 of shares or other property with respect to Equity Awards the vesting of which has been accelerated under Section 3(b)(ii) or Section 4 would subject such awards to adverse tax consequences under Section 409A, then the shares or property will be distributed only at the time(s) and according to the schedule on which such distributions were scheduled to be made under the original terms of the award agreement(s) governing the Equity Awards. To the extent required to avoid accelerated recognition of taxable income or imposition of additional tax under Section 409A, the amount of any in-kind benefits provided during a taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided in any other taxable year. Any required reimbursement of an amount under the CIC Plan will be made on or before the last day of the Participant’s taxable year following the taxable year in which the expense was incurred. Any right to reimbursement or to in-kind benefits is not subject to liquidation or exchange for another benefit.

7. **Termination of Employment.** During the Protected Period, any termination of the Participant’s employment (other than by reason of death) will be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with this Section 7, and no purported termination by the Company

effected other than pursuant to a Notice of Termination satisfying the requirements of this Section 7 will be effective.

(a) *Termination by the Company.* If the Company terminates the Participant's employment for Cause, without Cause or due to Disability, the Company will provide a Notice of Termination that specifies the specific termination provision in this CIC Plan relied upon and set forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board). The resolutions must include a finding that, in the good faith opinion of the Board, the Participant was guilty of conduct set forth in the definition of Cause in Section 2(c) of this CIC Plan, and must specify the particulars thereof in detail. The Notice of Termination must provide the Participant 30 days to remedy the event or condition giving rise to Cause (if such event or condition is capable of remedy) in order to terminate the Participant's employment for Cause.

(b) *Resignation of Participant.* If the Participant resigns from the Participant's employment with the Company for Good Reason or due to Disability, the Participant will provide a Notice of Termination that specifies the specific termination provision in this CIC Plan relied upon and set forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. In the case of a resignation due to Disability, the Notice of Termination may be provided by a person authorized to act on Participant's behalf. Further, in the case of a termination for Good Reason, the following steps must be followed in order to entitle Participant to benefits under Section 3 above:

(i) The Participant must provide a Notice of Termination to the senior officer of the Company's Human Resources group of the Participant's intention to terminate due to an event or condition set forth in the definition of Good Reason set forth in Section 2(j) of this CIC Plan that specifies the particulars thereof in detail. The Participant must provide the Notice of Termination within 90 days of the initial occurrence or existence of such event or condition and provide the Company with 30 days from receipt of the notice to remedy the event or condition;

(ii) The Company must fail to effect such remedy within the 30-day cure period; and

(iii) The effective date of the resignation must occur within 90 days after the end of the 30-day cure period.

In order for a Participant's resignation to be deemed to be for Good Reason pursuant to this CIC Plan, the initial occurrence or existence of the event or condition constituting Good Reason must take place during the Protected Period and the Participant's Termination Date must occur during the Change in Control Period.

(c) *Disputes Concerning Termination*

(i) If within 10 days after any Notice of Termination is given, or, if later, prior to the Termination Date, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Termination Date will be extended until the earlier of (i) the date on which the Change in Control Period ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); *provided, however*, that the Termination Date will be extended by a notice of dispute given by the Participant only if such notice is given in good faith and the Participant pursues the resolution of such dispute with reasonable diligence.

(ii) If the Termination Date is extended in accordance with subsection (i) above, the Company will continue to pay the Participant the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, the Base Salary) and continue the Participant as a participant in all Plans in which the Participant was participating when the notice giving rise to the dispute was given, until the Termination Date, as determined in accordance with subsection (i) above. Amounts paid under this Section 7(c) are in addition to all other amounts due under this CIC Plan and will not be offset against or reduce any other amounts due under this CIC Plan.

8. **No Mitigation.** No Participant will be required to mitigate the amount of any payment provided for in Section 3 hereof by seeking other employment or otherwise, nor will the amount of such payment be reduced by reason of compensation or other income a Participant receives for services rendered after the Participant's Involuntary Termination from the Company.

9. **Exclusive Remedy.** In the event of a Participant's Involuntary Termination during a Change in Control Period, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which the Participant or the Company may otherwise be entitled (including any contrary provisions in any employment agreement between the Participant and VMware), whether at law, tort or contract, in equity, or under this CIC Plan.

10. **Company's Successors.** The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform the obligations under this CIC Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. As used in this Section 10, the "Company" includes any successor to its business or assets as aforesaid that executes and delivers this CIC Plan or that otherwise becomes bound by all the terms and provisions of this CIC Plan by operation of contract or law.

11. **Notice.** All notices, deliveries and other communications provided for in this CIC Plan must be in writing and will be deemed given if sent via email or delivered by globally recognized express delivery service (with a required email copy, receipt of which need not be acknowledged) to the parties at the addresses listed after their signature. Any such notice, delivery or communication will be deemed to have been delivered and received (a) in the case of email, on the date that the recipient acknowledges having received the email, with an automatic "read receipt" not constituting acknowledgment of an email for purposes of this section, and (b) in the case of a globally recognized express delivery service, on the business day that receipt by the addressee is confirmed pursuant to the service's systems. The Company and any Participant may update this address for notice by giving the other party written notice of the new address.

If notice is given to the Company or the Board:

VMware, Inc.
3401 Hillview Ave.
Palo Alto, CA 94304
Attn: General Counsel, email: GeneralCounsel@vmware.com

And,

If a Notice of Termination is given to the Company, it must also be delivered in accordance with Section 7(b) hereto

If notice is given to the Participant:

To the Participant's home address on file with the Company, with a copy to Participant's home email address on file with the Company.

12. **CIC Plan Modification and Termination.** Except as set forth below, no provision of this CIC Plan may be modified or terminated, unless as to a Participant such modification or termination is agreed to in writing and signed by such affected Participant and by an authorized member of the Committee or its designee, or by the respective parties' legal representatives and successors. The consent requirement of the preceding sentence will not apply to the extent that (a) amendments provide additional benefits to Participants or are required so that the CIC Plan complies with applicable law (including Section 409A) or (b) the amendment or termination is not effective until one year after it is communicated to all affected Participants and the amendment or termination is not adopted during a Protected Period. Notwithstanding anything to the contrary, no amendment will be made if it would result in a delay or acceleration in payment, receipt of benefits or distribution of shares that causes Code Section 409A(a)(1) to apply to payments or benefits hereunder.

13. **Detrimental Activity.** During the Protected Period, the "detrimental activity" provisions in the Company's equity and incentive plans will no longer apply to any award issued to the Participant under such plans;

provided, however, that such “detrimental activity” provisions will once more become effective if, and at such time that, the Protected Period terminates.

14. **Entire Agreement.** This CIC Plan represents the entire agreement between each Participant and the Company with respect to the matters set forth herein and supersedes and replaces any prior agreements in their entirety. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this CIC Plan have been or will be made by either party except to the extent they are expressly set forth herein. No future agreement between a Participant and the Company may supersede this CIC Plan as it applies to the Participant, unless it is in writing and specifically makes reference to this CIC Plan. Nothing in this CIC Plan is intended to change any benefits to which a Participant is entitled under any written agreement with the Company in the event the Participant’s employment is terminated under circumstances other than a Separation from Service in connection with a Change in Control.

15. **Participant’s Successors.** Benefits and rights provided under this CIC Plan will inure to the benefit of and be enforceable by a Participant’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amounts are still payable to the Participant hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this CIC Plan to the Participant’s devisee, legatee, or other designee or, if there be no such designees, to the Participant’s estate.

16. **Funding.** This CIC Plan will be unfunded. Any payment made under the CIC Plan will be made from the Company’s general assets.

17. **Waiver.** No waiver by either party of any breach of, or of compliance with, any condition or provision of this CIC Plan by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

18. **Headings.** All captions and section headings used in this CIC Plan are for convenient reference only and do not form a part of this CIC Plan.

19. **Validity.** The invalidity or unenforceability of any provision of this CIC Plan will not affect the validity or enforceability of any other provisions of this CIC Plan, which will remain in full force and effect.

20. **Withholding.** All payments made pursuant to this CIC Plan will be subject to withholding of applicable income and employment taxes, and each Participant is responsible for all taxes of any nature whatsoever that are required by law to be paid in connection with the benefits offered hereunder.

21. **Applicable Law.** This CIC Plan will be interpreted and enforced in accordance with the laws of the State of California (with the exception of its conflict of laws provisions).

22. **Settlement of Disputes.** In the event of a dispute between the Participant and the Company for benefits under this CIC Plan, Participant will provide notice of the dispute to the Board in writing with a written claim for benefits that the Participant believes to be due. The Board will determine the disposition of such disputed claim. Any denial by the Board of a claim for benefits under the CIC Plan will be delivered to the Participant in writing and will set forth the specific reasons for the denial and the specific provisions of this CIC Plan relied upon. The Board will afford a reasonable opportunity to the Participant for a review of the decision denying a claim and will further allow the Participant to appeal to the Board a decision within 60 days after notifications by the Board that the Participant’s claim has been denied. Any further dispute or controversy arising under or in connection with this CIC Plan will be settled exclusively by arbitration in San Jose, California in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The Company will pay to the Participant all legal fees and expenses incurred by the Participant in disputing in good faith any issue hereunder relating to the termination of the Participant’s employment, in seeking in good faith to obtain or enforce any benefit or right provided by this CIC Plan or in connection with any tax audit or proceeding to the extent attributable to the application of Section 162(m) of the Code to any payment or benefit provided hereunder. Such payments will be made within 15 business days after delivery of the Participant’s written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. The Participant’s reimbursement rights described in this Section 22 will remain in effect for the life of the Participant; *provided, however*, that, in order for the Participant to be entitled to reimbursement hereunder, the Participant must submit the written reimbursement request described above within 180 days following the date upon which the applicable fee or expense is incurred.

23. **Specific Performance.** Notwithstanding any provision of this CIC Plan to the contrary, the Participant will be entitled to seek specific performance of the Participant's right to be paid until the Involuntary Termination date during the pendency of any dispute or controversy arising under or in connection with this CIC Plan.

VMWARE, INC.
AMENDED AND RESTATED 2007 EQUITY AND INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT

I. NOTICE OF GRANT

Unless otherwise defined in this notice of grant (“**Notice of Grant**”) and Restricted Stock Unit agreement (“**Agreement**”), capitalized terms used herein will have the meanings set forth in the VMware, Inc. Amended and Restated 2007 Equity and Incentive Plan (the “**Plan**”) in effect on the date of grant, unless otherwise determined by the Administrator.

Name (“Participant”):

The Participant has been granted an Award of Restricted Stock Units (“RSUs”). Each RSU represents the right to receive one share of Stock, subject to the terms and conditions of his Notice of Grant, the Plan and this Agreement, as follows:

Grant Number:

Date of Grant:

Vesting Commencement Date:

Number of RSUs:

Vesting Schedule:

[VESTING SCHEDULE TO BE REVISED FOR EACH EMPLOYEE], subject to the Participant’s continuing employment with the Company or any Subsidiary through each vesting date, in accordance with Section 2(a) of the Agreement.

II. AGREEMENT

1. **Grant of the RSUs.** The Company has granted the Participant the number of RSUs set forth in the Notice of Grant. However, unless and until the RSUs have vested, the Participant has no right to the payment or receipt of any Stock subject thereto. Prior to actual payment or receipt of any Stock, the RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2. **Vesting of RSUs.** Subject to Section 4 below, the Participant will vest in the RSUs in accordance with the vesting schedule set forth in the Notice of Grant, except that in the event the Participant incurs a termination of employment for any reason other than due to the Participant's death or termination by the Company or Subsidiary or, if there is no such plan, as determined by the Board or the applicable long-term disability plan of the Company or Subsidiary or, if there is no such plan, as determined by the Board or the Committee (each, the "**Administrator**"), such that the Participant is no longer employed by the Company or any Subsidiary, the Participant's right to vest in the RSUs and to receive the Stock related thereto will terminate effective as of the date that Participant ceases to be so employed and thereafter, the Participant will have no further rights to such unvested RSUs or the related Stock. In such case, any unvested RSUs held by the Participant immediately following such termination of employment will be deemed forfeited. In the event that the Participant's employment is terminated by reason of death or disability, then any unvested portion of the RSUs will automatically accelerate and the Participant will become fully vested in the RSUs upon termination of employment by reason of death or disability. In all cases, the date of termination of employment for purposes of the RSUs will be determined in the sole discretion of the Administrator.

3. **Issuance of Stock.** No Stock will be issued to the Participant prior to the date on which the RSUs vest. After any RSUs vest and subject to the terms of this Agreement, including without limitation Section 6 hereof, the Company will cause to be issued (either in book-entry form or otherwise) to the Participant or the Participant's beneficiaries, as the case may be, that number of shares of Stock corresponding to the number of such vested RSUs as soon as administratively practicable following vesting, but in no event will the issuance of such shares be made subsequent to March 15th of the year following the year in which the shares vested. No fractional shares of Stock will be issued under this Agreement. Notwithstanding any provision in the Plan to the contrary, the RSUs will be settled only in shares of Stock.

4. **Administrator Discretion.** The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the RSUs at any time, subject to the terms of the Plan. If so accelerated, such RSUs will be considered as having vested as of the date specified by the Administrator.

5. **Death of Participant.** Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of such administrator's or such executor's status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. **Taxes.**

(a) Generally. The Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any entity employing the Participant (the "**Employer**") takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor the Employer make any representation or undertaking regarding the treatment of any tax withholding in connection

with the grant or vesting of the RSUs or the subsequent sale of Stock issuable pursuant to the RSUs. The Company and the Employer do not commit and are under no obligation to structure the RSUs to reduce or eliminate the Participant's tax liability.

(b) **Payment of Withholding Taxes.** Notwithstanding any contrary provision of this Agreement, no Stock will be issued to the Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by the Participant with respect to the payment of any taxes which the Company determines must be withheld with respect to the RSUs. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may satisfy such tax withholding obligations, in whole or in part, by withholding otherwise deliverable Stock having an aggregate Fair Market Value sufficient to satisfy (but, unless otherwise consented to by Participant, not exceeding) the minimum amount required to be withheld, or by the sale of shares of Stock to generate sufficient cash proceeds to satisfy any such tax withholding obligation; except that if Participant is an officer subject to Section 16 of the Exchange Act, only such minimum amount will be withheld and such amount will be satisfied by withholding otherwise-deliverable Stock, unless otherwise approved by the Committee. Upon any such withholding, any and all rights of Participant to such withheld Stock is deemed to be forfeited to the Company. The Participant hereby authorizes the Administrator to take any steps as may be necessary to effect any such sale and agrees to pay any costs associated therewith, including without limitation any applicable broker's fees. In addition, and to the maximum extent permitted by law, the Company may exercise the right to retain, without notice, from salary or other amounts payable to the Participant, cash having a value sufficient to satisfy any tax withholding obligations that cannot be satisfied by the withholding or sale of otherwise deliverable shares of Stock.

7. **Changes in Stock.** In the event that any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or exchange of Stock or other securities of the Company, or other similar corporate transaction or event affecting the Stock occurs such that an adjustment or change is determined by the Administrator (in its sole discretion) to be necessary or appropriate, the Administrator will proportionately adjust this Award in accordance with the terms of the Plan, including adjustments in the number and kind of shares of Stock or other property the Participant would have received upon vesting of the RSUs, except that the number of shares of Stock into which the RSUs may be converted will always be a whole number.

8. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Stock deliverable hereunder unless and until certificates representing such Stock (which may be in book entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, the Participant will have all the rights of a stockholder of the Company with respect to voting such Stock and receipt of dividends and distributions on such Stock.

9. **No Effect on Employment.** The transactions contemplated hereunder and the vesting schedule set forth in the Notice of Grant do not: (i) constitute an express or implied promise of continued employment for any period of time, (ii) interfere with right of the Company, any Subsidiary or any Affiliate to terminate the Participant's employment at any time in accordance with applicable law, or (iii) entitle the Participant to any additional rights under the Plan or under any other welfare or benefit plan of the Company, or any Subsidiary or Affiliate.

10. **Nature of Grant.** In accepting the RSUs, the Participant acknowledges that: (a) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs even if RSUs have been granted repeatedly in the past; (b) all decisions with respect to future Awards of RSUs, if any, will be at the sole discretion of the Company; (c) the future value of the underlying Stock is unknown and cannot be predicted with certainty; (d) in consideration of the Award of RSUs, no claim or entitlement to compensation or damages will arise from termination of the RSUs or any diminution in value of the RSUs or Stock received when the RSUs vest resulting from the Participant's termination of employment by the Employer (for any reason whatsoever and whether or not in breach of local employment laws), and the Participant irrevocably releases the Company, and its Subsidiaries and Affiliates from any such claim that may arise; (e) in the event of involuntary termination of the Participant's employment (whether or not in breach of local employment laws), the Participant's right to receive RSUs and vest under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively employed and will not be extended by any notice period mandated under local law or contract, and the Company will have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of the RSUs; (f) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Stock; and (g) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

11. **Restricted Trading Periods.** The Participant acknowledges that, to the extent the vesting of any RSUs occurs during a "restricted trading" period wherein certain employees, including the Participant, are precluded from selling Stock, the Administrator retains the right, in its sole discretion, to defer the delivery of the Stock pursuant to the RSUs, except that the Administrator will not exercise its right to defer the Participant's receipt of such Stock if such shares of Stock are specifically covered by a trading plan of the Participant which conforms to the requirements of Rule 10b5-1 of the Exchange Act and the Company's policies and procedures with respect to Rule 10b5-1 trading plans and such trading plan causes such shares to be exempt from any applicable restricted trading period then in effect. In the event the receipt of any shares of Stock is deferred hereunder due to the existence of a regularly scheduled restricted trading period, such shares will be issued to the Participant on the first day following the termination of such regularly scheduled restricted trading period, except that in no event will the issuance of such shares be deferred subsequent to March 15th of the year following the year in which such shares vest. In the event the receipt of any shares of Stock is deferred hereunder due to the existence of a special restricted trading period, such shares will be issued to the Participant on the first day following the termination of such special restricted trading period as determined by the Company's General Counsel or the General Counsel's delegate, except that in no event will the issuance of such shares be deferred subsequent to March 15th of the year following the year in which such shares vest. Notwithstanding the foregoing, any deferred shares of Stock will be issued promptly to the Participant prior to the termination of the restricted trading period in the event the Participant ceases to be subject to the restricted trading period. The Participant hereby represents that the Participant accepts the effect of any such deferral under relevant federal, state and local tax laws or otherwise.

12. **Award is Not Transferable.** Except for the limited circumstance outlined in Section 5 above, this Award of RSUs and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way by the Participant (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process, until the Participant has been issued the Stock. Upon any attempt by the Participant to transfer, assign, pledge, hypothecate or otherwise dispose of this Award, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment

or similar process, this Award and the rights and privileges conferred hereby immediately will become null and void. The terms of this Agreement will be binding upon the Participant's executors, administrators, heirs, successors and any permitted transferees.

13. **Data Privacy.** The Participant hereby explicitly and unambiguously consents to the collection, use and disclosure, in electronic or other form, of the Participant's personal information ("**Data**") by and among, as applicable, the Employer the Company, and any of the Company's Subsidiaries or Affiliates for the purpose of implementing, administering and managing the Participant's participation in the Plan as described in this Agreement and any other RSU grant materials, or as reasonably necessary to comply with applicable laws and regulations or to respond to lawful requests for information, such as subpoenas and court orders.

The Participant understands that the Company and the Employer may collect, store, process, and disclose certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, Social Security number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all RSUs or any entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan, or as reasonably necessary to comply with applicable laws and regulations or to respond to lawful requests for information, such as subpoenas and court orders.

The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipients' countries may have data privacy laws and protections that differ from those in the Participant's country. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a third party. Further, the Participant understands that the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant the Participant RSUs or other equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan.

The Participant understands that Participant can obtain additional information about Company's collection, storage, use, and disclosure of personal information in association with the implementation, administration, and management of the Plan, including information regarding rights that Participant may have with regard to such personal information, by consulting with Participant's local human resources representative.

14. **Entire Agreement.** This Agreement, subject to the terms and conditions of the Plan and the Notice of Grant, represents the entire agreement between the parties with respect to the RSUs.

15. **Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. **Additional Conditions to Issuance of Certificates for Stock.** The Company will not be required to issue any certificate or certificates for Stock hereunder prior to fulfillment of all the following conditions: (a) the admission of such Stock to listing on all stock exchanges on which such class of stock is then listed; (b) the completion of any registration or other qualification of such Stock under any state, federal or foreign law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Administrator, in its absolute discretion, deems necessary or advisable; (c) the obtaining of any approval or other clearance from any state, federal or foreign governmental agency, which the Administrator, in its absolute discretion, determines to be necessary or advisable; and (d) the lapse of such reasonable period of time following the date of vesting of the RSUs as the Administrator may establish from time to time for reasons of administrative convenience.

17. **Plan Governs.** This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

18. **Administrator Authority.** The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon the Participant, the Company, the Employer and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. **Captions.** Captions are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

20. **Agreement Severable.** In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

21. **Notice of Governing Law.** This Agreement will be governed by the internal substantive laws, but not the choice of law rules of the State of Delaware.

22. **Waiver; Cumulative Rights.** The failure or delay of either party to require performance by the other party of any provision hereof will not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time.

23. **Notices.** Any notice which either party hereto may be required or permitted to give the other must be in writing and may be delivered personally or by mail, postage prepaid, addressed to the Company, at the address below, and the Participant at the Participant's address as shown on the Company's, or the Employer's payroll records, or to such other address as the Participant, by notice to the Company, may designate in writing from time to time.

To the Company: VMware, Inc.
3401 Hillview Avenue
Palo Alto, CA 94304
Attention: Stock Administrator

Unless the Participant notifies the Company within ten days following receipt of this Agreement that the Participant declines this Award, the Participant will be deemed to have accepted and agreed to the terms and conditions of this Agreement and the Plan. The Participant acknowledges receipt of a copy of the Plan and represents that the Participant is familiar with the terms and provisions thereof, which are incorporated herein by reference

VMWARE, INC.

2007 EQUITY AND INCENTIVE PLAN

PERFORMANCE STOCK UNIT AGREEMENT

I. NOTICE OF GRANT

Unless otherwise defined in this notice of grant (“**Notice of Grant**”) and Performance Stock Unit Agreement (“**Agreement**”), the capitalized terms used herein have the meanings set forth in the VMware, Inc. 2007 Amended and Restated Equity and Incentive Plan (the “**Plan**”) in effect on the date of grant, unless otherwise determined by the Administrator.

Name: ____ (“**Participant**”)

The Participant has been granted an award (the “**Award**”) of Performance Stock Units (the “**PSUs**”), subject to the terms and conditions of this Notice of Grant, the Plan and this Agreement. Except as set forth in Sections 2(b) and 4 of the Agreement, the number of shares earned pursuant to the Award will equal the number of shares subject to the PSUs set forth below multiplied by the conversion ratio determined by the Administrator (the “**Conversion Ratio**”) at the end of the Award Performance Period in accordance with the schedule attached as **Exhibit A** to this Agreement (the “**Performance Schedule**”).

Date of Grant: ____

Number of PSUs: ____

Award Performance Period: ____

Vesting Schedule:

[VESTING SCHEDULE TO BE REVISED FOR EACH EMPLOYEE], subject to the Participant’s continuing employment with the Company or any Subsidiary through each Vesting Date, in accordance with Section 2 of the Agreement.

II. AGREEMENT

1. Grant of the PSUs. The Company has granted the Participant the number of PSUs set forth in the Notice of Grant. However, unless and until the PSUs have vested, the Participant will have no right to the payment or receipt of any Stock subject thereto. Prior to actual payment or receipt of any Stock, the PSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2. Vesting of PSUs.

(a) Subject to Sections 2(b), 2(c), 4(c) and 4(d) below, the Participant will vest in the PSUs in accordance with the vesting schedule set forth in the Notice of Grant, except, that, if the Participant incurs a termination of employment for any reason other than due to Participant's death or termination by the Company or Subsidiary due to "disability" (as defined under the applicable long-term disability plan of the Company or Subsidiary, or, if there is no such plan, as determined by the Board or the Committee (each, the "**Administrator**")), such that the Participant is no longer employed by the Company or any Subsidiary, the Participant's right to vest in the PSUs and to receive the Stock related thereto will terminate effective as of the date that Participant ceases to be so employed (the "**Termination Date**") and thereafter, the Participant will have no further rights to such unvested PSUs or the related Stock. In such case, any unvested PSUs held by the Participant immediately following such termination of employment will be deemed forfeited.

(b) If the Participant's employment is terminated by reason of death or by the Company due to disability, then, unless otherwise set forth in **Exhibit A**:

1) vesting in this Award will accelerate fully with respect to the number of unvested PSUs subject to any Completed Performance Period.

2) if the Vesting Date is scheduled to occur prior to or on the first anniversary of the Termination Date, vesting in this Award will further accelerate on a pro rata basis with respect to the number of unvested PSUs subject to any Incomplete Performance Period, with such pro rata calculation derived by dividing number of days that have elapsed as of the Termination Date since the start of any such Incomplete Performance Periods by the total number of days in the Incomplete Performance Period.

3) The Conversion Ratio utilized to convert PSUs into shares will be calculated based on the actual achievement of the performance metrics set forth in **Exhibit A** as determined by the Administrator as of the Termination Date, except that if the Conversion Ratio depends upon the calculation of one or more separate performance metrics for which achievement has not been determined as of the Termination Date, vesting will be accelerated for the number of shares that would have vested had target performance been achieved for such separate performance metric(s).

4) If this Award has more than one Vesting Date, then the pro rata calculation set forth in Section 2(b)(2) for Incomplete Performance Periods will be applied only with respect to the number of PSUs scheduled to vest on Vesting Dates scheduled to occur prior to or on the first anniversary of the Termination Date.

5) Definitions.

(1) "**Completed Performance Period**" means a Performance Period that is completed prior to or on the Termination Date.

(2) "**Incomplete Performance Period**" means any Performance Period that has not been completed prior to the Termination Date.

(3) "**Performance Period**" means any individual performance period embedded within the Award Performance Period or, if there are no such embedded performance period, the Award Performance Period.

3. Issuance of Stock. No Stock will be issued to the Participant prior to the date on which the PSUs vest. After any PSUs vest and subject to the terms of this Agreement, including without limitation Section 8 hereof, the Company will cause to be issued (either in book-entry form or otherwise) to the Participant or the Participant's beneficiaries, as the case may be, that number of shares of Stock corresponding to the number of such vested PSUs as soon as administratively practicable following vesting, but in no event will the issuance of such shares be made subsequent to March 15th of the year following the year in which the shares vested. No fractional shares of Stock will be issued under this Agreement. Notwithstanding any provision in the Plan to the contrary and subject only to changes in Stock, as set forth in Section 9 hereof, the PSUs will be settled only in shares of Stock.

4. Change in Control.

(a) Change in Control during Award Performance Period. In the event of a Change in Control during the Award Performance Period, the Award Performance Period and all Incomplete Performance Periods will terminate immediately prior to consummation of the Change in Control. The Administrator will determine the Conversion Ratio prior to the consummation of the Change in Control pursuant to instructions set forth in the Performance Schedule. If the Performance Schedule does not set forth the means for calculating the Conversion Ratio in the event of a Change in Control, then the Conversion Ratio will equal one share per each vested PSU. "**Change in Control**" has the meaning set forth in **Exhibit A** to this Agreement.

(b) Change in Control following Award Performance Period. In the event of a Change in Control following completion of the Award Performance Period, the Administrator will determine the Conversion Ratio prior to the consummation of the Change in Control based on actual performance pursuant to instructions set forth in the Performance Schedule.

(c) Vesting. Following a Change in Control, this Award will continue to vest in accordance with the original vesting schedule set forth in Section I above, except that if this Award is not assumed or replaced in accordance with the provisions of the Plan regarding the effect of mergers and consolidations on Awards, then immediately prior to the Change in Control, the Award will vest as to a number of shares equal to the total number of PSUs subject to this Award multiplied by the Conversion Ratio.

(d) Termination Due to Death or Disability Following Change in Control. If, following a Change in Control the Participant's vesting in this Award is accelerated in accordance with Section 2(b) above due to termination of employment by reason of death or by the Company due to disability, then:

1) the number of unvested PSUs that are subject to Performance Periods that constituted Completed Performance Periods prior to the Change of Control will fully accelerate;

2) the number of unvested PSUs that are subject to Performance Periods that constituted Incomplete Performance Periods prior to the Change in Control that when this Award was granted were scheduled to be completed prior to or on the Termination Date will fully accelerate;

3) the number of unvested PSUs that are subject to Performance Periods that constituted Incomplete Performance Periods prior to the Change of Control that when this Award was granted were scheduled to be completed after the Termination Date and to vest prior to or on the first anniversary of the Termination Date will accelerate on a pro rata basis to the extent set forth in Section 2(b) above; and

4) any unvested PSUs that are subject to Performance Periods that constituted Incomplete Performance Periods prior to the Change in Control that when this Award was granted were scheduled to be completed after the Termination Date and to vest after the first anniversary of the Termination Date will be not accelerate.

In each of cases 1-3, the Conversion Ratio for the number of PSUs accelerated will be determined in accordance with Section 4(a) above.

5. Participation in Executive Severance Plan and Change in Control Plan. If, at the time that Participant's employment is terminated, the Participant is a participant in either or both the Company's Executive Severance Plan and Change-in-Control Plan (each, an "**Executive Plan**") and Participant's incurs an "Involuntary Termination" of employment (as defined in the applicable Executive Plan), then this Award will accelerate in accordance with the terms of the Executive Plan then applicable to Participant, or as otherwise set forth in **Exhibit A** attached hereto.

6. Death of Participant. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of such administrator's or such executor's status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Leave of Absence; Reduction in Service Level. In accordance with the provisions of the Plan regarding the effect of a leave of absence or a reduction in service level on an outstanding Award, the Committee may determine, in its sole discretion (i) whether, and the extent to which, a leave of absence will cause a reduction or other change in this Award, (ii) whether, and the extent to which, a reduction in service level (for example, from full-time to part-time employment), will cause a reduction, or other change, in an Award, and (iii) whether a leave of absence or reduction in service level will be deemed a termination of employment for the purpose of this Award. Any changes to this Award pursuant to the Plan and this Section 7 of the Agreement will not result in an increase in the amount of the Award or otherwise accelerate its payment. The Committee will also determine all other matters relating to whether the employment or service of Participant is continuous for purposes of this Award.

8. Taxes.

(a) Generally. The Participant is ultimately liable and responsible for all taxes owed in connection with the PSUs, regardless of any action the Company or any entity employing the Participant (the "**Employer**") takes with respect to any tax withholding obligations that arise in connection with the PSUs. Neither the Company nor the Employer make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the PSUs or the subsequent sale of Stock issuable pursuant to the PSUs. The Company and the Employer do not commit and are under no obligation to structure the PSUs to reduce or eliminate the Participant's tax liability.

(b) Payment of Withholding Taxes. Notwithstanding any contrary provision of this Agreement, no Stock will be issued to the Participant, unless and until satisfactory arrangements (as determined by the Administrator) have been made by the Participant with respect to the payment of any taxes that the Company determines must be withheld with respect to the PSUs. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may satisfy such tax withholding obligations, in whole or in part, by withholding otherwise deliverable Stock having an aggregate Fair Market Value sufficient to satisfy (but, unless otherwise consented to by the Participant, not exceeding) the minimum amount required to be withheld or by the sale of shares of Stock to generate sufficient cash proceeds to satisfy any such tax withholding obligation, except that if Participant is an officer subject to Section 16 of the Exchange Act, only such minimum amount will be withheld and such amount will be satisfied by withholding otherwise-deliverable Stock, unless otherwise approved by the Committee. Upon any such withholding, any and all rights of Participant to such withheld Stock will be deemed to be forfeited to the Company. The Participant hereby authorizes the Administrator to take any steps as may be necessary to effect any such sale and agrees to pay any costs associated therewith, including without limitation any applicable broker's fees. In addition, and to the maximum extent permitted by law, the Company may exercise the right to retain, without notice, from salary or other amounts payable to the Participant, cash having a value sufficient to satisfy any tax withholding obligations that cannot be satisfied by the withholding or sale of otherwise deliverable shares of Stock.

9. Changes in Stock. If any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or exchange

of Stock or other securities of the Company, or other similar corporate transaction or event affecting the Stock occurs such that an adjustment or change is determined by the Administrator (in its sole discretion) to be necessary or appropriate, the Administrator will proportionately adjust this Award in accordance with the terms of the Plan, including adjustments in the number and kind of shares of Stock or other property the Participant would have received upon vesting of the PSUs, except that the number of shares of Stock into which the PSUs may be converted will always be a whole number.

10. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Stock deliverable hereunder unless and until certificates representing such Stock (which may be in book-entry form) have been issued and recorded in the records of the Company or its transfer agents or registrars and delivered to the Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, the Participant will have all the rights of a stockholder of the Company with respect to voting such Stock and receipt of dividends and distributions on such Stock.

11. No Effect on Employment. The transactions contemplated hereunder and the vesting schedule set forth in the Notice of Grant do not: (i) constitute an express or implied promise of continued employment for any period of time, (ii) interfere with right of the Company or any Subsidiary or Affiliate to terminate the Participant's employment at any time in accordance with applicable law, or (iii) entitle the Participant to any additional rights under the Plan or under any other welfare or benefit plan of the Company or any Subsidiary or Affiliate.

12. Nature of Grant. In accepting the PSUs, the Participant acknowledges that: (a) the grant of the PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs even if PSUs have been granted repeatedly in the past; (b) all decisions with respect to future Awards of PSUs, if any, will be made by the Company in its sole discretion; (c) the future value of the underlying Stock is unknown and cannot be predicted with certainty; (d) in consideration of the Award of PSUs, no claim or entitlement to compensation or damages will arise from termination of the PSUs or any diminution in value of the PSUs or Stock received when the PSUs vest resulting from the Participant's termination of employment by the Employer (for any reason whatsoever and whether or not in breach of local employment laws), and the Participant irrevocably releases the Company and its Subsidiaries and Affiliates from any such claim that may arise; (e) in the event of involuntary termination of the Participant's employment (whether or not in breach of local employment laws), the Participant's right to receive PSUs and vest under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively employed and will not be extended by any notice period mandated under local law or contract, and the Company will have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of the PSUs; (f) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Stock; and (g) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

13. Restricted Trading Periods. The Participant acknowledges that, to the extent the vesting of any PSUs occurs during a "restricted trading" period wherein certain employees, including the Participant, are precluded from selling Stock, the Administrator retains the right, in its sole discretion, to defer the delivery of the Stock pursuant to the PSUs, except that the Administrator may not exercise its right to defer the Participant's receipt of such Stock if such shares of Stock are specifically covered by a trading plan of the Participant that conforms to the requirements of Rule 10b5-1 of the Exchange Act and the Company's policies and procedures with respect to Rule 10b5-1 trading plans and such trading plan causes such shares to be exempt from any applicable restricted trading period then in effect. If the receipt of any shares of Stock is deferred hereunder due to the existence of a regularly scheduled restricted trading period, such shares will be issued to the Participant on the first business day following the termination of such regularly scheduled restricted trading period, except that in no event will the issuance of such shares be deferred subsequent to March 15th of the year following the year in which such shares vest. If the receipt of any shares of Stock is deferred hereunder due to the existence of a special restricted trading period, such shares will be issued to the Participant on the first business day following the termination of such special restricted trading period as determined by the Company's General Counsel or

the General Counsel's delegate, except that in no event will the issuance of such shares be deferred subsequent to March 15th of the year following the year in which such shares vest. Notwithstanding the foregoing, any deferred shares of Stock will be issued promptly to the Participant prior to the termination of the restricted trading period in the event the Participant ceases to be subject to the restricted trading period. The Participant hereby represents that the Participant accepts the effect of any such deferral under relevant federal, state and local tax laws or otherwise.

14. Award is Not Transferable. Except to the limited extent provided in Section 6 above, this Award of PSUs and the rights and privileges conferred hereby may not be transferred, assigned, pledged or hypothecated in any way by the Participant (whether by operation of law or otherwise) and may not be subject to sale under execution, attachment or similar process until the Participant has been issued the Stock. Upon any attempt by the Participant to transfer, assign, pledge, hypothecate or otherwise dispose of this Award, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this Award and the rights and privileges conferred hereby immediately will become null and void.

15. Data Privacy. The Participant hereby explicitly and unambiguously consents to the collection, use and disclosure, in electronic or other form, of the Participant's personal information ("**Data**") by and among, as applicable, the Employer, the Company and its Subsidiaries or Affiliates for the purpose of implementing, administering and managing the Participant's participation in the Plan as described in this Agreement and any other PSU grant materials, or as reasonably necessary to comply with applicable laws and regulations or to respond to lawful requests for information, such as subpoenas and court orders.

The Participant understands that the Company and the Employer may collect, store, process, and disclose certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, Social Security number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all PSUs or any entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan, or as reasonably necessary to comply with applicable laws and regulations or to respond to lawful requests for information, such as subpoenas and court orders.

The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipients' countries may have data privacy laws and protections that differ from those in the Participant's country. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a third party. Further, the Participant understands that the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant the Participant PSUs or other equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan.

The Participant understands that Participant can obtain additional information about Company's collection, storage, use, and disclosure of personal information in association with the implementation, administration, and management of the Plan, including information regarding rights that Participant may have with regard to such personal information, by consulting with Participant's local human resources representative.

16. Entire Agreement. This Agreement, subject to the terms and conditions of the Plan and the Notice of Grant, represents the entire agreement between the parties with respect to the PSUs.

17. Binding Agreement. Subject to the limitations on the transferability of this Award contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

18. Additional Conditions to Issuance of Certificates for Stock. The Company is not required to issue any certificate or certificates for Stock hereunder prior to fulfillment of all the following conditions: (a) the admission of such Stock to listing on all stock exchanges on which such class of stock is then listed; (b) the completion of any registration or other qualification of such Stock under any state, federal or foreign law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Administrator, in its absolute discretion, deems necessary or advisable; (c) the obtaining of any approval or other clearance from any state, federal or foreign governmental agency, which the Administrator, in its absolute discretion, determines to be necessary or advisable; and (d) the lapse of such reasonable period of time following the date of vesting of the PSUs as the Administrator may establish from time to time for reasons of administrative convenience.

19. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.

20. Administrator Authority. Participant acknowledges that determination of the number of shares of Stock earned under this Award is subject to determination by the Administrator of achievement of the performance targets set forth on the Performance Schedule. The Administrator has the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon the Participant, the Company, the Employer and all other interested persons. No member of the Administrator is personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Cancellation, Rescission and Recoupment of Award. Participant hereby acknowledges that this Award and any shares of Stock issued pursuant to this Award are subject to cancellation, rescission, clawback, repayment or other action at the discretion of the Board or the Committee as set forth in the provisions of the Plan regarding the clawback or recoupment of Awards in accordance with any clawback policy adopted by the Company pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, in the event of a restatement of incorrect financial results or if Participant is terminated for Cause. In addition, the Administrator has the discretion to require Participant to reimburse the Company for all or any portion of the Stock issued pursuant to this Award, or the value thereof, if:

- (a) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material financial restatement;
- (b) in the view of the Board or the Committee, the Participant engaged in fraud or misconduct that caused or partially caused the need for a material financial restatement by the Company or any substantial affiliate; and
- (c) a lower vesting would have occurred based upon the restated financial results.

In each such instance, upon the determination of the Committee to require recoupment of a previously issued number of shares of Stock under this Agreement, the Company will, to the extent practicable and allowable under applicable laws, require reimbursement of any number of shares of Stock, or the value thereof, issued for the relevant period that exceeded the lower number of shares of Stock that would have been issued based on the restated financial results, except that the Company may not seek to

recover shares of Stock issued more than three years prior to the date the applicable restatement is disclosed.

23. Section 409A Exemption. It is intended that the Award satisfy, to the greatest extent possible, the exemption from the application of Section 409A of the Code provided under Treasury Regulation Section 1.409A-1(b)(4) (“**Section 409A**”) and comply with Section 409A, and the Award will be so interpreted and administered. Notwithstanding the foregoing, if the Company determines that the Award may not either be exempt from or compliant with Section 409A, the Company may, with the Participant’s prior written consent, adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to (i) exempt the Award from Section 409A and preserve the intended tax treatment of the Award, or (ii) comply with the requirements of Section 409A, it being understood that the Company has no obligation to adopt any such amendment, policy or procedure or take any such other action, and in any event, no such action will reduce the amount of compensation that is owed to the Participant under this Award without the Participant’s prior written consent.

24. Agreement Severable. If any provision in this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

25. Notice of Governing Law. This Agreement will be governed by the internal substantive laws, but not the choice of law rules, of the State of Delaware.

26. Waiver; Cumulative Rights. The failure or delay of either party to require performance by the other party of any provision hereof will not affect its right to require performance of such provision unless and until such performance has been waived in writing. Each and every right hereunder is cumulative and may be exercised in part or in whole from time to time.

27. Notices. Any notice that either party hereto may be required or permitted to give the other must be in writing and may be delivered personally or by mail, postage prepaid, addressed to the Company, at the address provided below, and the Participant at the Participant’s address as shown on the Company’s or the Employer’s payroll records, or to such other address as the Participant, by notice to the Company, may designate in writing from time to time.

To the Company: VMware, Inc.
3401 Hillview Avenue
Palo Alto, CA 94304
Attention: Legal Department

The Participant's signature below indicates the Participant's agreement and understanding that this Award is subject to and governed by the terms and conditions of the Plan and this Agreement including, without limitation, Section 22 above. The Participant acknowledges receipt of a copy of the Plan and represents that the Participant is familiar with the terms and provisions thereof, which are incorporated herein by reference. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement.

PARTICIPANT

Signature: _____

Name: _____

Date: _____

Exhibit A
Performance Schedule

SUBSIDIARIES OF VMWARE, INC.

SUBSIDIARIES	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION
3401 Hillview LLC	Delaware
A.W.S. Holding, LLC	Delaware
AetherPal LLC	Delaware
AirWatch LLC	Delaware
Avi Networks Germany GmbH	Germany
Avi Networks India Private Limited	India
Avi Networks International, Inc.	Delaware
Avi Networks, LLC	Delaware
BitRock, LLC	California
Carbon Black, LLC	Delaware
CloudHealth Technologies, LLC	Delaware
Datrium Holdings, Inc.	Delaware
Datrium India Software Private Ltd.	India
Datrium, LLC	Delaware
GoPivotal Singapore Pte. Limited	Singapore
Lastline, LLC	Delaware
Nicira, Inc.	Delaware
Pivotal Labs Sydney Pty Ltd	Australia
Pivotal Software Australia Pty Limited	Australia
Pivotal Software, Inc.	Delaware
Pivotal Technology (Beijing) Co., Ltd.	China
PT VMware Software Indonesia	Indonesia
Taiwan VMware Information Technology LLC	Taiwan
V M WARE EGYPT	Egypt
VeloCloud Networks Private Limited	India
Velocloud Networks, LLC	Delaware
VMware Alpha LLC	Delaware
VMware Argentina S.R.L.	Argentina
VMware Australia Pty Ltd	Australia
VMware Belgium	Belgium
VMware Bermuda Unlimited	Ireland
VMware Bulgaria EOOD	Bulgaria
VMware Canada ULC	Canada
VMware Chile SpA	Chile
VMware Colombia SAS	Colombia
VMware Costa Rica Ltda.	Costa Rica
VMware Denmark ApS	Denmark
VMware Eastern Europe	Armenia
VMware France SAS	France
VMware Global, Inc.	Delaware
VMware Hong Kong Limited	Hong Kong
VMware Information Technology (China) Co. Ltd	China
VMware International Marketing Limited	Ireland
VMware International Spain, S.L.	Spain
VMware International Unlimited Company	Ireland
VMware Israel Ltd.	Israel
VMware Italy S.r.l.	Italy

VMware Korea Co., Ltd.		South Korea
VMware Malaysia SDN. BHD.		Malaysia
VMware Marketing Austria GmbH		Austria
VMware Mexico S. de R.L. de C.V.		Mexico
VMware Middle East FZ-LLC		Dubai
VMware Netherlands B.V.		Netherlands
VMware Norway AS		Norway
VMware NZ Company		New Zealand
VMware Pembroke Heights Designated Activity Company		Ireland
VMWARE PHILIPPINES INC.		Philippines
VMware Poland sp. Z.o.o.		Poland
VMware QFC LLC		Qatar
VMware Rus LLC		Russia
VMware Saudi Limited		Saudi Arabia
VMware Singapore Pte. Ltd.		Singapore
VMware Software e Serviços Brasil Ltda.		Brazil
VMware Software India Private Limited		India
VMware South Africa (Pty) Ltd		South Africa
VMware Spain, S.L.		Spain
VMware Sweden AB		Sweden
VMware Switzerland GmbH		Switzerland
VMware Technology Holdings Limited		Bermuda
VMware (Thailand) Co., Ltd.		Thailand
VMware Turkey Software Solutions and Services Company Limited		Turkey
VMware UK Limited		United Kingdom
VMware Vietnam Limited Liability Company		Vietnam
VMware, K.K.		Japan

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-259316, 333-248622, 333-237409, 333-235401, 333-227273, 333-218640, 333-206114, 333-194148, 333-189491, 333-179680, 333-159747 and 333-145402) and Form S-3 (No. 333-237417) of VMware, Inc. of our report dated March 24, 2022 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 24, 2022

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rangarajan (Raghu) Raghuram, certify that:

1. I have reviewed this annual report on Form 10-K of VMware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - i. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - ii. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - iii. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - iv. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2022

By: /s/ Rangarajan (Raghu) Raghuram

Rangarajan (Raghu) Raghuram
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zane Rowe, certify that:

1. I have reviewed this annual report on Form 10-K of VMware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - i. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - ii. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - iii. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - iv. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2022

By: /s/ Zane Rowe

Zane Rowe
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rangarajan (Raghu) Raghuram, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of VMware, Inc. on Form 10-K for the fiscal year ended January 28, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of VMware, Inc.

Date: March 24, 2022

By: /s/ Rangarajan (Raghu) Raghuram

Rangarajan (Raghu) Raghuram
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zane Rowe, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of VMware, Inc. on Form 10-K for the fiscal year ended January 28, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of VMware, Inc.

Date: March 24, 2022

By: /s/ Zane Rowe

Zane Rowe
Chief Financial Officer and Executive Vice President
(Principal Financial Officer)