VMware, Inc.
3401 Hillview Avenue
Palo Alto, California 94304, USA

Prospectus for the public offer of

6,242,770 shares of VMware, Inc. common stock
each with a par value of US$0.01
under the VMware, Inc. Amended and Restated 2007 Employee Stock Purchase Plan

to the employees of the European Economic Area subsidiaries of VMware, Inc.

March 24, 2015

International Securities Identification Number (ISIN): US9285634021
German Securities Code Number (Wertpapier-Kenn-Nummer): A0MYC8
Committee on Uniform Security Identification Procedures Number (CUSIP): 928563402

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PROSPECTUS SUMMARY

Note to the reader

Summaries are made up of disclosure requirements known as "elements." These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable" together with a short explanatory statement.

Section A. — Introduction and Warnings		
A.1	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area ("EEA"), have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have assumed responsibility for the contents of the summary or presented the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, the required key information.	
A.2	**Use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.**	Not applicable. The issuer has not consented to the use of the prospectus for subsequent resale or final placement of securities.
Section B — Issuer		
B.1	**Legal and Commercial Name of the Issuer**	The legal and commercial name of the issuer is VMware, Inc. References in this summary to "VMware" or the "Company" means VMware, Inc. and its consolidated subsidiaries, unless the context indicates otherwise.
B.2	**Domicile and Legal Form of VMware, the Legislation under which the Issuer operates and its Country of Incorporation**	VMware is a corporation incorporated and existing under the laws of Delaware. VMware's principal offices are located at 3401 Hillview Avenue, Palo Alto, California 94304, USA. The Company incorporated in Delaware in 1998 and is registered with the Delaware Department of State, under registration number 2853894.
B.3	**Description of the Nature of VMware's current Operations and its principal Activities and identification**	VMware, Inc. provides virtualization infrastructure solutions utilized by organizations to help transform the way they build, deliver and consume information technology ("IT") resources. The Company develops and markets its product and service offerings within three main product groups, and it also seeks to leverage synergies across these three product areas: SDDC or Software-Defined Data Center, Hybrid Cloud Computing and End-User Computing. The Company pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware. The benefits to the Company's customers include

of the principal markets in which the issuer competes

lower IT costs and a more automated and resilient systems infrastructure capable of responding dynamically to variable business demands. The Company's broad and proven suite of virtualization technologies are designed to establish secure and reliable IT environments and address a range of complex IT challenges that include cost reduction, operational inefficiencies, access to cloud computing capacity, business continuity and corporate end-user computing device management. The Company's solutions enable organizations to aggregate multiple servers, storage infrastructure and networks together into shared pools of capacity that can be allocated dynamically, securely and reliably to applications as needed. Once created, these internal computing infrastructures, or "clouds," can be dynamically extended by the Company's customers to the public cloud environment. When linked, this results in a "hybrid" computing cloud of highly available internal and external computing resources that organizations can access on demand. The Company's customers' deployments range in size from a single virtualized server for small businesses to thousands of virtual machines for its Fortune 1000 enterprise customers.

The Company believes that its solutions enable organizations to realize significant operational and cost efficiencies as they transition their underlying legacy IT infrastructure. The Company works closely with more than 1,100 technology partners, including leading server, microprocessor, storage, networking, software and security vendors. The Company has shared the economic opportunities surrounding virtualization with its partners by facilitating solution development through open application programming interface ("APIs") formats and protocols and providing access to the Company's source code and technology. The endorsement and support of the Company's partners further enhances the awareness, reputation and adoption of its virtualization solutions.

In 2014, the Company acquired AirWatch, a provider of enterprise mobile management and security, which expands its solutions within the enterprise mobile management and security spaces.

The Company has developed a multi-channel distribution model to expand its presence and reach various segments of the market. The Company derives the majority of its revenues from its indirect sales channel, which includes distributors, resellers, system vendors and systems integrators. The Company believes that its partners benefit greatly from the sale of its solutions through additional services, software and hardware sales opportunities. The Company has trained a large number of partners and end users to deploy and leverage its solutions.

Revenues by geographic area for the years ended December 31, 2014, 2013 and 2012 were as follows (table in millions):

	For the Year Ended December 31,		
	2014	**2013**	**2012**
United States	$ **2,912**	$ 2,485	$ 2,229
International	**3,123**	2,722	2,376
Total	$ **6,035**	$ 5,207	$ 4,605

The Company was acquired by EMC Corporation ("EMC") in 2004 and conducted its initial public offering ("IPO") of its Class A common stock in August 2007.

B.4a **Recent Trends**

The cloud computing, end-user computing and virtualization spaces are inter-related and rapidly evolving.

The Company experienced increased competition during 2014 and expects it to significantly intensify in the future. The Company competes with large and small vendors in different segments of the cloud computing, end-user computing and virtualization spaces, and expects that new entrants will continue to enter these industries and develop technologies that, if commercialized, may compete with VMware's products and services.

		Overall the Company believes its market position, large virtualization customer base, strong network of partners and indirect sales, broad and innovative solutions suite, and platform-agnostic approach position it to compete effectively.
B.5	**Organizational Structure**	Not applicable, because information regarding the organizational structure of VMware is not required to be provided elsewhere in the prospectus.
B.6	**Interests in VMware's Capital**	Not applicable, because information regarding VMware's capital structure is not required to be provided elsewhere in the prospectus.
B.7	**Selected Financial Information regarding VMware and subsequent material changes**	The following selected financial data is derived from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 as published in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 which can be accessed as described in the section "Documents Available for Inspection" of this prospectus. The Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Table in millions, except per share amounts, and shares in thousands

	For the Year Ended December 31,		
	2014	**2013**	**2012**
Summary of Operations:			
Revenues:			
License	$ 2,591	$ 2,270	$ 2,087
Services	3,444	2,937	2,518
Total revenues	$ 6,035	$ 5,207	$ 4,605
Operating income	1,027	1,093	872
Net income	886	1,014	746
Net income per weighted average share, basic, for Class A and Class B	$ 2.06	$ 2.36	$ 1.75
Net income per weighted average share, diluted, for Class A and Class B	$ 2.04	$ 2.34	$ 1.72
Weighted average shares, basic, for Class A and Class B	430,355	429,093	426,658
Weighted average shares, diluted, for Class A and Class B	434,513	433,415	433,974

	December 31,		
	2014	**2013**	**2012**
Balance Sheet Data:			
Cash, cash equivalents and short-term investments(1)	$ 7,075	$ 6,175	$ 4,631
Working capital(1)	5,134	4,388	3,160
Total assets	15,216	12,327	10,596
Total unearned revenues	4,833	4,092	3,461
Long-term obligations(2)	1,500	450	450
Stockholders' equity	7,586	6,816	5,740
Cash Flow Data:			
Net cash provided by operating activities	$ 2,180	$ 2,535	$ 1,897

		(1) In 2012, the Company acquired all of the outstanding capital stock of Nicira, Inc. ("Nicira") for $1,100 million, net of cash acquired, consisting of $1,083 million in cash and $17 million for the fair value of assumed equity attributed to pre-combination services. (2) On January 21, 2014, in connection with the Company's agreement to acquire A.W.S. Holding, LLC ("AirWatch Holding"), the sole member and equity holder of AirWatch LLC ("AirWatch"), VMware and EMC entered into a note exchange agreement providing for the issuance of three promissory notes in the aggregate principal amount of $1,500 million. The total debt of $1,500 million includes $450 million that was exchanged for the $450 million promissory note outstanding in prior years.
B.8	**Pro Forma Financial Information**	Not applicable, because no historical financial information is required to be provided in the prospectus.
B.9	**Profit Forecast**	Not applicable. This prospectus does not contain any profit forecast.
B.10	**Qualifications in the Audit Report on the historical Financial Information**	Not applicable. There are no such qualifications in the auditors' report.
B.11	**Working Capital Statement**	VMware believes that its working capital (i.e. its ability to access cash and other available liquid resources in order to meet its liabilities as they fall due) is sufficient to meet its present requirements for at least the next twelve months.

Section C — Securities		
C.1	**Type and Class of the Securities being offered, including the Security Identification Code**	The shares offered under the VMware, Inc. Amended and Restated 2007 Employee Stock Purchase Plan ("ESPP") are Class A common stock of VMware, par value US$0.01. The International Securities Identification Number (ISIN) for the Company's common stock is US9285634021. The U.S. security identification (CUSIP) number for the Company's common stock is 928563402.
C.2	**Currency of the Securities Issue**	The United States Dollar is the currency of the securities issue.
C.3	**Number of Shares Issued**	The Company had 429,359,318 shares of common stock outstanding as of December 31, 2014, with a par value of US$0.01 per share, of which 129,359,318 shares were Class A common stock and 300,000,000 were Class B common stock.
C.4	**Rights attached to the Securities**	No participating employee will have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the purchase rights have been exercised and the shares have been purchased and delivered to the participating employee. Following such purchase and delivery, the participating employee will be entitled to the rights attached to the shares, as further described below: *Classes of Common Stock.* VMware has two classes of authorized common stock: Class A common stock and Class B common stock. Only Class A common stock is the subject of this prospectus. *Dividend Rights.* Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of VMware's Class A common stock and Class B common stock are entitled to receive dividends, out of assets legally available, sharing equally in all such dividends on a per share basis, at the times and in the amounts that VMware's board of directors ("Board") may determine from time to time. Dividend rights attach when shares of common stock are issued. However, stockholders do not become entitled to dividends until (and if)

		the Board declares a dividend. If dividends are declared, all stockholders of record as of a certain date set forth by the Board will be entitled to such dividends. If someone is not a stockholder of record on such date, he or she will not be entitled to any dividend payments. Under §1197 of Title 12 of the Delaware Code, dividends that are unclaimed for 3 years escheat to the State of Delaware. Specifically, dividends become subject to escheat after a period of dormancy which is the full and continuous period of 3 years during which an owner has ceased, failed or neglected to assert a right of ownership or possession. There are no dividend restrictions and no special procedures for stockholders resident in the European Union and the EEA. *Conversion Rights for Class B common stock.* Each share of Class B common stock is convertible while held by EMC or its successor-in-interest at the option of EMC or its successor-in-interest into one share of Class A common stock. All conversions will be effected on a share-for-share basis. *Voting Rights.* Except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to 10 votes per share on all matters to be voted on by VMware's stockholders and except with respect to the election of directors, conversion, certain actions that require the consent of holders of Class B common stock and other protective provisions, the holders of Class A common stock and Class B common stock have identical rights. The holders of VMware Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on VMware's Board which it would have if there were no vacancies on the Board at the time. Subject to any rights of any series of preferred stock to elect directors, the holders of VMware Class A common stock and the holders of VMware Class B common stock, voting together as a single class, are entitled to elect the remaining directors, which at no time will be less than one director. In any such election, the holders of Class A common stock and the holders of Class B common stock are entitled to one vote per share. Generally, all other matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast at a meeting by all shares of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. *No Preemptive or Redemption Rights.* VMware's Class A common stock and Class B common stock are not entitled to preemptive rights to acquire shares of the Company's common stock and are not subject to redemption or sinking fund provisions. *Right to Receive Liquidation Distributions.* Upon VMware's liquidation, dissolution or winding-up, the holders of VMware's Class A common stock and Class B common stock are entitled to share equally in all of VMware's assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock.
C.5	**Transferability**	The offering of shares under the ESPP has been registered with the U.S. Securities and Exchange Commission on a registration statement on Form S-8 and the issued and outstanding shares of common stock are generally freely transferable. A participant may sell shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws, insider trading policies and applicable blackout periods. The participant assumes the risk of any market fluctuations in the price of the shares.

<table>
<tr><td>C.6</td><td>Admission to Trading on a Regulated Market</td><td>Not applicable. The Company’s shares are listed for trading on the New York Stock Exchange (“NYSE”) under the symbol “VMW.” In Germany, the shares are traded on the unofficial market segment (“Freiverkehr”) on the exchanges in Frankfurt, Stuttgart, Munich and Berlin as well as on Tradegate under the symbol “BZF1”. They will not be admitted for trading on any regulated market.</td></tr>
<tr><td>C.7</td><td>Dividend Policy</td><td>Subsequent to VMware’s IPO in August 2007, the Company has not declared or paid cash dividends on its common stock. VMware currently does not anticipate declaring any cash dividends in the foreseeable future.</td></tr>
<tr><td colspan="3">Section D — Risks</td></tr>
<tr><td colspan="3">Employees should carefully consider the risks described below, which are described in more detail under the caption “Risk Factors”, and other information contained in this prospectus, and take these factors into account in making their investment decision. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the business and financial condition of the Company and cause the market price of the Company’s shares to decline. In such case, employees could lose all or part of their investment. The prospectus contains all risks which the Company deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which the Company is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of the Company. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.</td></tr>
<tr><td>D.1</td><td>Risks related to VMware or its Industry</td><td>Risks Related to VMware’s Business
• As the markets for its server and desktop virtualization products have matured, VMware has been increasingly developing and marketing products and services targeted toward the delivery, management and automation of information technology (“IT”) infrastructure, platforms and services through cloud-based solutions. If businesses do not find its cloud computing solutions compelling, VMware’s revenue growth and operating margins will decline.
• The large majority of VMware’s revenues have come from its server virtualization products including its flagship VMware vSphere product line. Decreases in demand for its server virtualization products could adversely affect VMware’s results of operations and financial condition.
• VMware expects to face increasing competition that could result in a loss of customers, reduced revenues or decreased operating margins.
• Industry alliances or consolidation may result in increased competition.
• VMware’s new product and technology initiatives subject it to additional business, legal and competitive risks.
• VMware’s vCloud Air offering relies upon a number of third-party providers for data center space, equipment, maintenance and other colocation services, and the loss of, or problems with, one or more of these providers may impede the growth of the Company’s vCloud Air offerings, adversely impact its plans to expand the service and damage its reputation.
• Ongoing uncertainty regarding global economic conditions and the stability of regional financial markets may reduce information technology spending below current expectations and therefore adversely impact VMware’s revenues, impede end-user adoption of new products and services and product and service upgrades, and adversely impact VMware’s competitive position.
• VMware’s revenues, unearned revenues, collection of accounts receivable and financial results may be adversely impacted by fluctuation of foreign currency exchange rates. Although foreign currency hedges can offset some of the risk related to foreign currency fluctuations, the Company will continue to experience foreign currency gains and losses in certain instances where it is not possible or cost effective to hedge its foreign currency exposures.
• VMware may not be able to respond to rapid technological changes with new</td></tr>
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solutions and services offerings, which could have a material adverse effect on its sales and profitability.

- VMware’s operating results may fluctuate significantly, which makes its future results difficult to predict and may result in its operating results falling below expectations or its guidance and cause the price of VMware Class A common stock to decline.
- The failure by customers to renew large license agreement transactions on a satisfactory basis could materially adversely affect the Company’s business, financial condition, operating results and cash flow.
- VMware’s current research and development efforts may not produce significant revenues for several years, if at all.
- VMware’s products and services are sold using enterprise license agreements (“ELAs”) and through the Company’s transactional business, and this strategy may not drive long-term sales and revenue growth.
- VMware’s sales cycles can be long and unpredictable, its sales efforts require considerable time and expense, and timing of sales is subject to changing purchasing behaviors of its customers. As a result, VMware’s sales are difficult to predict and may vary substantially from quarter to quarter, which may cause its operating results to fluctuate significantly.
- VMware is dependent on its management and its key development personnel, and the loss of key personnel may prevent the Company from implementing its business plan in a timely manner.
- Because competition for VMware’s target employees is intense, the Company may not be able to attract and retain the highly skilled employees it needs to support its planned growth, and its compensation expenses may increase.
- VMware’s success depends upon its ability to develop new products and services, integrate acquired products and services, enhance its existing products and services and develop appropriate business and pricing models.
- Breaches of the Company’s cybersecurity systems could degrade its ability to conduct its business operations and deliver products and services to its customers, delay its ability to recognize revenue, compromise the integrity of its software products, result in significant data losses and the theft of its intellectual property, damage its reputation, expose the Company to liability to third parties and require it to incur significant additional costs to maintain the security of its networks and data.
- VMware’s products and services are highly technical and may contain errors, defects or security vulnerabilities which could cause harm to its reputation and adversely affect its business.
- Operating in foreign countries subjects VMware to additional risks that may harm its ability to increase or maintain its international sales operations and investments.
- Failure to effectively manage VMware’s product and service lifecycles could materially adversely affect its business, financial condition, operating results and cash flow.
- If operating system and hardware vendors do not cooperate with VMware or VMware is unable to obtain early access to their new products, or access to certain information about their new products to ensure that its solutions interoperate with those products, the Company’s product development efforts may be delayed or foreclosed.
- VMware relies on distributors, resellers, system vendors and systems integrators to sell its products and services, and the Company’s failure to effectively develop, manage or prevent disruptions to its distribution channels and the

		processes and procedures that support them could cause a reduction in the number of end users of the Company's products and services. • The concentration of the Company's product sales among a limited number of distributors increases VMware's potential credit risk. Additionally, weakness in credit markets could affect the ability of its distributors, resellers and customers to comply with the terms of credit the Company provides in the ordinary course of business. Accordingly, if its distributors, resellers and customers find it difficult to obtain credit or comply with the terms of their credit obligations, it could cause significant fluctuations or declines in the Company's product revenues. • VMware may become involved in litigation and regulatory inquiries and proceedings that could negatively affect it. • VMware's business is subject to a variety of U.S. and international laws and regulations regarding data protection. • If VMware fails to comply with its customer contracts or government contracting regulations, its business could be adversely affected. • If VMware is unable to protect its intellectual property rights, its competitive position could be harmed or it could be required to incur significant expenses to enforce its rights. • VMware provides access to its hypervisor and other selected source code to partners, which creates additional risk that its competitors could develop products that are similar to or better than the Company's. • VMware is, and may in the future be, subject to claims by others that it infringes or contributes to the infringement of their proprietary technology, which could force the Company to pay damages or prevent it from using certain technology in its products. • VMware's use of "open source" software in its products could negatively affect the Company's ability to sell its products and subject it to possible litigation. • VMware offers a number of products under open source licenses that subject the Company to additional risks and challenges, which could result in increased development expenses, delays or disruptions to the release or distribution of those software solutions, and increased competition. • Acquisitions could disrupt the Company's business, cause dilution to its stockholders and harm its business, financial condition and results of operations. • If VMware's goodwill or amortizable intangible assets become impaired, the Company may be required to record a significant charge to earnings. • If VMware fails to maintain an effective system of internal controls, the Company may not be able to accurately report its financial results or prevent fraud. As a result, the Company's stockholders could lose confidence in its financial reporting, which could harm the Company's business and the trading price of its Class A common stock. • Problems with the Company's information systems could interfere with its business and could adversely impact its operations. • VMware's financial results may be adversely impacted by higher than expected tax rates, and the Company may have exposure to additional tax liabilities. • VMware's business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events such as pandemics, and to interruption by man-made problems, such as computer viruses, unanticipated disruptions in local infrastructure or terrorism, which could result in delays or cancellations of customer orders or the deployment of its products and services. • Changes in accounting principles and guidance, or their interpretation, could

		result in unfavorable accounting charges or effects, including changes to the Company's previously-filed financial statements, which could cause its stock price to decline. Risks Related to VMware's Relationship with EMC • As long as EMC controls VMware, or Class B common stock remains outstanding, other holders of the Company's Class A common stock will have limited ability to influence matters requiring stockholder approval. • VMware's business and that of EMC overlap, and EMC may compete with the Company, which could reduce the Company's market share. • EMC's competition in certain markets may affect the Company's ability to build and maintain partnerships. • VMware's investment in Pivotal Software, Inc. ("Pivotal", previously known as "GoPivotal, Inc.") may not prove successful. • In order to preserve the ability for EMC to distribute its shares of VMware's Class B common stock on a tax-free basis, the Company may be prevented from pursuing opportunities to raise capital, to effectuate acquisitions or to provide equity incentives to its employees, which could hurt the Company's ability to grow. • Third parties may seek to hold the Company responsible for liabilities of EMC, which could result in a decrease in its income. • Although VMware has entered into a tax sharing agreement with EMC under which its tax liabilities for most transactions will effectively be determined as if the Company were not part of any consolidated, combined or unitary tax group of EMC Corporation or its subsidiaries, VMware nonetheless could be held liable for the tax liabilities of other members of these groups. • Any inability to resolve favorably any disputes that arise between the Company and EMC with respect to its past and ongoing relationships may result in a significant reduction of the Company's revenues and earnings. • VMware's Chief Executive Officer and some of its directors own EMC common stock or equity awards to acquire EMC common stock, and some of the Company's directors hold management positions with EMC, which could cause conflicts of interests that result in the Company not acting on opportunities it otherwise may have. • EMC's ability to control VMware's board of directors may make it difficult for the Company to recruit independent directors. • VMware is a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, is relying on exemptions from certain corporate governance requirements that provide protection to stockholders of companies that are not "controlled companies." • VMware's historical financial information as a majority-owned subsidiary of EMC may not be representative of the results of a completely independent public company.
D.3	**Key Risks related to the Shares**	• The price of VMware's Class A common stock has fluctuated substantially in recent years and may fluctuate substantially in the future. • If securities or industry analysts change their recommendations regarding the Company's stock adversely, its stock price and trading volume could decline. • Delaware law and VMware's certificate of incorporation and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Section E — Offer		
E.1	**Net Proceeds and Estimate of total Expenses**	Assuming that each of the eligible employees uses the maximum of his or her accumulated contributions to purchase shares, the gross proceeds of VMware in connection with the offer under the ESPP pursuant to this prospectus would be US$259,218,501. The costs of this offering consist of legal expenses in an amount approximately US$40,000. After deduction of such costs the net proceeds, based on the above assumptions, would be approximately US$259,178,501.
E.2a	**Reasons for the Offer and Use of Proceeds**	The ESPP is intended to provide a method by which eligible employees of the Company and its subsidiaries may purchase shares of VMware's Class A common stock and therefore acquire an interest in the future of the Company. The Company may use the proceeds from the exercise of the purchase rights for any corporate purpose.
E.3	**Description of the Terms and Conditions of the Offer**	VMware has decided to offer eligible employees of its designated subsidiaries the opportunity to buy shares of VMware Class A common stock ("purchase rights") under the ESPP. The ESPP is administered by VMware's Board or a committee appointed by the Board (the "Compensation Committee"). VMware has designated E*TRADE Securities Inc. ("E*TRADE") as the service provider for the ESPP. E*TRADE assists VMware with administration of the ESPP. Shares of Class A common stock to be delivered to a participant under the ESPP will be registered in the name of the participant or in the street name in the participant's account at E*TRADE. *Offered Shares* The offered shares are the Class A common stock of VMware, par value US$0.01. The total number of shares reserved for purchase under the ESPP is 14,300,000. As of December 31, 2014, 6,242,770 shares were available for purchase under the ESPP. *Offering Period* Shares are purchased at the end of each offering period using employee contributions made by way of payroll deductions during the offering period. Offering periods are generally six-months long but are subject to change at the discretion of the Board or the Compensation Committee. For the period covered by this prospectus, the offering periods will begin February 2, 2015, August 3, 2015 and February 1, 2016, whereby the first offering period begins prior to the approval of this prospectus and is covered by the prospectus dated March 19, 2014 and approved on March 19, 2014.Each of these offering periods will last for six months. The participant's right to purchase Class A common stock under the ESPP will be exercised automatically on the last day of the offering period, with respect to the amounts credited to the participant's ESPP account. *Contributions* Participants contribute a percentage of their compensation towards the purchase of shares by way of payroll deductions. At the time a participant files his or her enrollment form, the participant indicates the percentage of compensation to be contributed to the ESPP which must be between two (2%) and fifteen percent (15%) of the employee's eligible compensation. Contributions for the purchase of Class A common stock may not exceed US$7,500 per six-month offering period (or an amount prorated for longer or shorter offering periods). All payroll deductions authorized by a participant will be credited for his or her benefit under the ESPP. A participant may decrease or increase the rate of contributions by filing a written notice with VMware at least one business day prior to the first day of the offering period. The change in rate will become effective as soon as practicable thereafter.

		Eligibility to Participate Only employees of VMware or its designated subsidiaries that have completed three (3) months or more of continuous service prior to commencement of an offering period are eligible to participate in the ESPP. Only employees whose customary employment is more than 20 hours per week are eligible to participate in the ESPP (unless otherwise required under applicable law) and whose customary employment is for more than five months in any calendar year. Employees elect to participate in the ESPP by filing an enrollment form with VMware. Participation is voluntary and may be terminated by the employee at any time. Participants who wish to withdraw from a particular period may do so anytime until 15 days before the end of the period. If a participant terminates employment with VMware or its subsidiaries for any reason, participation in the ESPP will be immediately terminated and any accumulated contributions to the ESPP will be returned to the terminated employee. *Purchase Price* The purchase price is eighty-five percent (85%) of the stock's fair market value at the first or last trading day of the offering period (*i.e.*, the purchase date), whichever price is lower. The fair market value will be the closing price per share on the NYSE for the applicable date or if there is no such sale on the relevant date, then on the last previous day on which a sale was reported. *Amendment and Termination of the ESPP* The Board may at any time amend or terminate the ESPP, provided that no amendment will adversely affect a participant's outstanding purchase rights during an offering period without his or her consent. Stockholder approval may be required for certain amendments. Whether stockholder approval is required will be determined by the Board or the Compensation Committee and consistent with the rules and laws in effect at the time the ESPP amendment becomes effective. *Commission* E*TRADE has a commission fee of Euro 19.99 per online transaction in Germany and France and of £ 9.99 in the UK upon a sale of shares purchased under the ESPP.
E.4	**Description of material Interest to the Offer including Conflict of Interests**	Not applicable, because information regarding such interests is not required to be provided elsewhere in the prospectus.
E.5	**Name of the Entity offering to sell the Security**	VMware, Inc.
E.6	**Maximum Dilution**	The book value of the stockholders' equity of the Company (defined as total assets less total liabilities) as reflected in the consolidated financial statements in accordance with GAAP amounted to approximately US$7,585,923,000 as of December 31, 2014. This is equivalent to approximately US$17.67 per share (calculated on the basis of Class A and Class B shares totaling 429,359,318 outstanding shares as of December 31, 2014). Assuming net proceeds of US$259,178,501, and the purchase of 3,656,630 shares, the implementation of the offering would lead to a direct increase in the book value of shareholders' equity of approximately US$0.45 per share for the existing shareholders and an average dilution of approximately US$52.77 per share for the eligible employee who purchased the shares and, thus, investors who acquire shares at the purchase price of US$70.89 are diluted by about 74%.

E.7	**Estimated Expenses charged to the Investor by the Issuer**	Not applicable. There are no such expenses.

PROSPEKTZUSAMMENFASSUNG

Hinweis an den Leser

Zusammenfassungen bestehen aus verschiedenen Offenlegungselementen, die als „Angaben" bezeichnet werden. Diese Angaben sind unten in den Abschnitten A – E enthalten (A.1 – E.7).

Diese Zusammenfassung enthält alle Angaben, die in einer Zusammenfassung für die angebotene Art von Wertpapieren und diesen Emittenten erforderlich sind. Da bestimmte Angaben in der Zusammenfassung nicht enthalten sein müssen, können in der Nummerierung der Angaben Lücken auftreten.

Es kann vorkommen, dass im Hinblick auf eine bestimmte Angabe keine relevanten Informationen zur Verfügung gestellt werden können, obwohl die entsprechenden Informationen aufgrund der Art der angebotenen Wertpapiere und des Emittenten eigentlich zwingend in die Zusammenfassung aufzunehmen sind. In einem solchen Fall wird die entsprechende Angabe in der Zusammenfassung mit der Bezeichnung „entfällt" und einer kurzen Begründung versehen.

Abschnitt A – Einleitung und Warnhinweise		
A.1	Diese Zusammenfassung sollte als Einführung zum Prospekt verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die betreffenden Wertpapiere auf die Prüfung des gesamten Prospektes stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in einem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums („EWR") die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich der Übersetzung hiervon übernommen haben oder von denen der Erlass ausgeht, können zivilrechtlich haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospektes gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospektes gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.	
A.2	**Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre.**	Entfällt. Der Emittent hat der Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren nicht zugestimmt.
Abschnitt B – Emittent		
B.1	**Juristische und kommerzielle Bezeichnung des Emittenten**	Die juristische und kommerzielle Bezeichnung des Emittenten lautet VMware, Inc. In dieser Zusammenfassung beziehen sich Verweise auf „VMware" oder die „Gesellschaft" auf die VMware, Inc. und ihre in den Konzernabschluss einbezogenen Tochtergesellschaften, sofern sich aus dem Zusammenhang nichts anderes ergibt.
B.2	**Sitz und Rechtsform des Emittenten, das für den Emittenten geltende Recht und Land der Gründung der Gesellschaft**	VMware ist eine nach dem Recht von Delaware gegründete und bestehende Kapitalgesellschaft. Die Hauptniederlassung von VMware befindet sich in 3401 Hillview Avenue, Palo Alto, Kalifornien 94304, USA. Die Gesellschaft wurde im Jahre 1998 in Delaware gegründet und ist beim *Delaware Department of State* unter der Registernummer 2853894 eingetragen.

B.3	**Art der derzeitigen Geschäftstätigkeit und Hauptaktivitäten des Emittenten sowie die Hauptmärkte, auf denen der Emittent tätig ist**	VMware, Inc. ist eine Anbieterin für Virtualisierungs-Infrastruktur-Lösungen, die von Unternehmen eingesetzt werden, um die Art und Weise des Aufbaus, der Bereitstellung und der Inanspruchnahme von Informationstechnologie („IT“)-Ressourcen zu verändern. Die Gesellschaft entwickelt und vertreibt ihre Produkt- und Dienstleistungsangebote in drei Hauptproduktgruppen und ist außerdem bestrebt, Synergien aus diesen drei Hauptproduktgruppen zu heben: Softwaredefiniertes Rechenzentraum (SDDC bzw. *Software-Defined Data Center*), Hybrides Cloud-Computing und Endnutzer-Computing. Durch Abtrennen der Anwendungssoftware von der zugrundeliegenden Hardware hat die Gesellschaft den Weg für die Entwicklung und Anwendung von Virtualisierungstechnologien mit x86 serverbasierter EDV bereitet. Für die Kunden der Gesellschaft bedeutet dies Vorteile in Form von geringeren IT-Kosten und einer automatisierteren und belastbareren Systeminfrastruktur, die auf die unterschiedlichen geschäftlichen Anforderungen dynamisch reagieren kann. Die breit angelegte und bewährte Softwareprogrammfolge von Virtualisierungstechnologien der Gesellschaft dient der Erstellung sicherer und verlässlicher IT-Umgebungen und löst zahlreiche komplexe IT-Probleme, einschließlich der Kostensenkung und geschäftsinternen Ineffizienzen, des Zugriffs auf „cloud computing“-Kapazitäten, unterbrechungsfreie Geschäftsprozesse und des Managements der Rechner von Endnutzern in Unternehmen. Lösungen der Gesellschaft ermöglichen Unternehmen die Aggregation mehrerer Server, Speicherinfrastrukturen und Netzwerke in gemeinsam genutzten Kapazitätenpools, die dynamisch, sicher und zuverlässig für Anwendungen bedarfsgerecht zugewiesen werden können. Nach Einrichtung können die Kunden der Gesellschaft diese internen Computer-Infrastrukturen oder „Clouds“ auf externe öffentliche Cloud-Umgebungen dynamisch ausdehnen. Mit der Verknüpfung entsteht eine „hybride“ Computing-Cloud aus hochverfügbaren internen und externen IT-Ressourcen, auf die Organisationen nach Bedarf zugreifen können. Der Bedarf bei den Kunden der Gesellschaft reicht von einzelnen virtualisierten Servern in kleinen Unternehmen bis zu tausenden virtuellen Maschinen für die Fortune-1.000-Firmenkunden von VMware. Die Gesellschaft ist der Ansicht, dass ihre Lösungen Organisationen in die Lage versetzen, erhebliche Effizienzgewinne bei Organisation und Kosten zu erreichen, indem sie ihre bestehende IT Infrastruktur überführen. Die Gesellschaft arbeitet eng mit über 1.100 Technologiepartnern zusammen, darunter führende Anbieter von Servern, Mikroprozessoren, Speicher, Netzwerken, Software und Sicherheitsprodukten. Die Gesellschaft teilt sich die wirtschaftlichen Möglichkeiten, die die Virtualisierung bietet, mit ihren Partnern, indem sie die Entwicklung von Lösungen durch Bereitstellung offener Schnittstellenformate und -protokolle für die Anwendungsprogrammierung (*application programming interface*; "APIs") sowie durch Bereitstellung des Quellcodes und der Technologie der Gesellschaft erleichtert. Die Befürwortung und Unterstützung durch ihre Partner verbessert den Bekanntheitsgrad, den Ruf und den Einsatz der Virtualisierungslösungen der Gesellschaft. Im Jahr 2014 hat die Gesellschaft AirWatch erworben, einen Anbieter von Mobil-Management und -Sicherheit für Unternehmen, was die Lösungen der Gesellschaft innerhalb dieser Bereiche erweitert. Die Gesellschaft hat zum Ausbau ihrer Präsenz, und um unterschiedliche Marktsegmente zu erreichen, ein Multikanal-Vertriebsmodell entwickelt. Den größten Teil ihrer Umsatzerlöse erwirtschaftet die Gesellschaft über ihre indirekten Verkaufskanäle, u.a. bestehend aus Vertriebshändlern, Wiederverkäufern, Systemlieferanten und Systemintegratoren. Die Gesellschaft ist der Auffassung, dass ihre Partner mit dem Verkauf ihrer Lösungen erheblich von zusätzlichen Absatzmöglichkeiten für ergänzende Dienstleistungen, Soft- und Hardware profitieren. Die Gesellschaft hat einer großen Anzahl ihrer Partner und Endnutzer darin geschult, die Lösungen der

<table>
<tr><td></td><td></td><td>Gesellschaft zu installieren und diese wirksam einzusetzen.

In den zum 31. Dezember 2014, 2013 und 2012 endenden Jahren betrugen die Umsatzerlöse, aufgeschlüsselt nach geografischen Gebieten (Tabelle in Millionen):

<table>
<tr><th></th><th colspan="3">Für die Geschäftsjahre endend zum 31. Dezember</th></tr>
<tr><th></th><th>2014</th><th>2013</th><th>2012</th></tr>
<tr><td>Vereinigte Staaten</td><td>$ 2.912</td><td>$ 2.485</td><td>$ 2.229</td></tr>
<tr><td>International</td><td>3.123</td><td>2.722</td><td>2.376</td></tr>
<tr><td>Gesamt</td><td>$ 6.035</td><td>$ 5.207</td><td>$ 4.605</td></tr>
</table>

Die Gesellschaft wurde im Jahr 2004 von der EMC Corporation („EMC“) erworben. Das erstmalige Angebot ihrer Stammaktien der Gattung A an das Publikum (IPO bzw. Initial Public Offering) erfolgte im August 2007.</td></tr>
<tr><td>B.4a</td><td>Geschäftsgang und Aussichten/Trends</td><td>Die Branchen Cloud-Computing, Endnutzer-Computing und Virtualisierung sind miteinander verbunden und entwickeln sich rapide.

Im Jahr 2014 war VMware erhöhtem Wettbewerb ausgesetzt und erwartet für die Zukunft eine weitere erhebliche Zunahme. VMware steht in unterschiedlichen Bereichen der Gebiete für Cloud-Computing, Endnutzer-Computing und Virtualisierung mit großen und kleinen Anbietern im Wettbewerb und erwartet, dass laufend neue Mitbewerber in diese Branchen eintreten und Technologien entwickeln werden, die, sobald sie auf dem Markt sind, mit den Produkten und Dienstleistungen von VMware in Konkurrenz treten könnten.

Insgesamt ist die Gesellschaft der Ansicht, dass sie durch ihre Marktstellung, ihre große Kundenbasis im Bereich Virtualisierung, ihr starkes Netzwerk an Partnern und indirekten Umsätzen, ihre breit aufgestellte und innovative Reihe von Lösungen sowie ihre plattform-unabhängigen Ansätze wirksam im Wettbewerb bestehen kann.</td></tr>
<tr><td>B.5</td><td>Organisationsstruktur</td><td>Entfällt, da bezüglich der Organisationsstruktur von VMware keine Informationen in diesem Prospekt enthalten sein müssen.</td></tr>
<tr><td>B.6</td><td>Darstellung der Beteiligungen am Kapital der Gesellschaft</td><td>Entfällt, da bezüglich der Beteiligungen am Kapital von VMware keine Informationen in diesem Prospekt enthalten sein müssen.</td></tr>
</table>

B.7

Ausgewählte Finanzinformationen bezüglich VMware und erhebliche nachfolgende Veränderungen

Die nachfolgend dargestellten ausgewählten Finanzdaten sind aus den geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2014, 31. Dezember 2013 und 31. Dezember 2012 endenden Geschäftsjahre entnommen wie diese im Jahresbericht (*Annual Report*) der Gesellschaft nach Formular 10-K für das Geschäftsjahr zum 31. Dezember 2014 veröffentlicht wurden. Dieser Jahresbericht kann, wie im Abschnitt „Verfügbare Unterlagen" („*Documents Available for Inspection*") dieses Prospekts dargestellt, eingesehen werden. Die Konzernabschlüsse der Gesellschaft wurden in Übereinstimmung mit den in den Vereinigten Staaten von Amerika allgemein anerkannten Grundsätzen ordnungsgemäßer Buchführung („*U.S.-GAAP*") erstellt.

Tabelle in Millionen, außer Beträgen pro Aktien und Aktien in Tausend

	Für die Geschäftsjahre endend zum 31. Dezember		
	2014	**2013**	**2012**
Betriebsergebnis:			
Umsatzerlöse:			
Lizenzeinnahmen	$ 2.591	$ 2.270	$ 2.087
Dienstleistungen	3.444	2.937	2.518
Gesamtumsatzerlöse	$ 6.035	$ 5.207	$ 4.605
Operatives Ergebnis	1.027	1.093	872
Jahresüberschuss	886	1.014	746
Jahresüberschuss pro gewichteter durchschnittlicher Aktie, unverwässert, der Gattungen A und B	$ 2,06	$ 2,36	$ 1,75
Jahresüberschuss pro gewichteter durchschnittlicher Aktie, verwässert, der Gattungen A und B	$ 2,04	$ 2,34	$ 1,72
Gewichtete durchschnittlicher Anzahl von Aktien, unverwässert, der Gattungen A und B	430.355	429.093	426.658
Gewichtete durchschnittlicher Anzahl von Aktien, verwässert, der Gattungen A und B	434.513	433.415	433.974

	31. Dezember		
	2014	**2013**	**2012**
Bilanzdaten:			
Liquide Mittel und kurzfristige Investitionen[(1)]	$ 7.075	$ 6.175	$ 4.631
Betriebskapital[(1)]	5.134	4.388	3.160
Bilanzsumme	15.216	12.327	10.596
Summe abgegrenzte Umsatzerlöse	4.833	4.092	3.461
Langfristige Verbindlichkeiten[(2)]	1.500	450	450
Eigenkapital	7.586	6.816	5.740
Kapitalflussrechnung:			
Netto-Kapitalfluss aus betrieblicher Tätigkeit	$ 2.180	$ 2.535	$ 1.897

(1) Im Jahre 2012 erwarb die Gesellschaft das gesamte ausgegebene Aktienkapital der Nicira, Inc. für USD 1.100 Mio., abzüglich erworbener Barmittel, bestehend aus USD 1.083 Mio. in bar und USD 17 Mio. für den Marktwert des übernommenen Eigenkapitals, das vor dem Zusammenschluss erbrachten Leistungen zugeordnet wurde.

(2) Am 21. Januar 2014 schlossen der alleinige Gesellschafter und Anteilseigner von AirWatch LLC ("AirWatch"), VMware und EMC im Zusammenhang mit dem Erwerb der A.W.S. Holding, LLC ("AirWatch Holding") durch die Gesellschaft eine Vereinbarung über den Tausch von

		Schuldverschreibungen, die die Ausgabe von drei Schuldscheinen in Höhe von insgesamt USD 1.500 Mio. Nenntbetrag vorsieht. Die Gesamtverschuldung von USD 1.500 Mio. beinhaltet einen Betrag von USD 450 Mio., der gegen den in den Vorjahren bestehenden Schuldschein in Höhe von USD 450 Mio. ausgetauscht wurde.
B.8	**Pro Forma Finanzinformationen**	Entfällt, da keine historischen Finanzinformationen in diesem Prospekt enthalten sein müssen.
B.9	**Gewinnprognose**	Entfällt. Dieser Prospekt enthält keine Gewinnprognose.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen**	Entfällt. Es gibt keine entsprechenden Beschränkungen im Bestätigungsvermerk.
B.11	**Erklärung zum Geschäftskapital**	VMware geht davon aus, dass ihr Geschäftskapital (das heißt ihre Fähigkeit auf Barmittel oder andere liquide Mittel zuzugreifen, um ihre Verbindlichkeiten bei Fälligkeit zu erfüllen) zur Deckung ihrer derzeitigen Bedürfnisse in den nächsten zwölf Monaten ausreicht.
Abschnitt C – Wertpapiere		
C.1	**Beschreibung von Art und Gattung der angebotenen Wertpapiere, einschließlich der Wertpapierkennnu mmer**	Bei den im Rahmen des Geänderten und Neugefassten VMware Inc. Mitarbeiteraktienkaufplan von 2007 (*VMware, Inc. Amended and Restated 2007 Employee Stock Purchase Plan*: „ESPP“) angebotenen Aktien handelt es sich um VMware-Stammaktien der Gattung A im Nennwert von USD 0,01. Die Internationale Wertpapier-Identifikationsnummer (ISIN) für die Stammaktien der Gesellschaft lautet US9285634021. Die US-Wertpapier-Identifikationsnummer (CUSIP) für die Stammaktien der Gesellschaft lautet 928563402.
C.2	**Währung der Wertpapieremission**	Die Wertpapiere werden in US-Dollar ausgegeben.
C.3	**Anzahl der ausgegebenen Aktien**	Zum 31. Dezember 2014 befanden sich 429.359.318 Stammaktien im Nennwert von USD 0,01 pro Aktie im Umlauf; davon 129.359.318 Stammaktien der Gattung A und 300.000.000 Stammaktien der Gattung B.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte**	Ein teilnehmender Mitarbeiter hat solange keine Stimm-, Dividenden- oder anderen Aktionärsrechte im Hinblick auf die im Rahmen des ESPP erfolgenden Angebote, bis die Kaufrechte ausgeübt und die Aktien von dem teilnehmenden Arbeitnehmer erworben und an diesen geliefert wurden. Nach Kauf und Lieferung der Aktien stehen dem teilnehmenden Mitarbeiter die mit den Aktien verbundenen Rechte wie nachfolgend beschrieben zu: *Gattungen von Stammaktien*. VMware hat zwei genehmigte Gattungen von Stammaktien: Stammaktien der Gattung A und Stammaktien der Gattung B. Gegenstand dieses Prospektes sind lediglich die Stammaktien der Gattung A. *Dividendenrechte*. Vorbehaltlich von Vorzügen für etwaige Vorzugsaktien sind die Inhaber ausgegebener VMware-Stammaktien der Gattungen A und B berechtigt, Dividenden zu beziehen, die aus den gesetzlich zur Verfügung stehenden Mitteln ausgeschüttet werden. Sie sind jeweils nach Anzahl ihrer Aktien, gleichberechtigt; Zeitpunkt und Höhe der Dividendenausschüttung werden jeweils vom Verwaltungsrat von VMware festgelegt. Stammaktien werden bei ihrer Ausgabe Dividendenrechte zugeordnet. Aktionäre sind jedoch erst dividendenberechtigt, wenn (und soweit) der Verwaltungsrat die Ausschüttung einer Dividende beschließt. Werden Dividenden beschlossen, sind alle bis zu einem bestimmten, vom Verwaltungsrat festgelegten Stichtag eingetragenen Aktionäre entsprechend dividendenberechtigt. Sind Aktionäre zu diesem Stichtag nicht als solche eingetragen, erhalten sie keinerlei Dividendenzahlungen. Ansprüche auf Dividendenzahlungen, die nicht innerhalb von drei Jahren geltend gemacht werden, fallen gemäß § 1197 Title 12 *Delaware Code* dem

		Staat Delaware zu. D. h., nach einer Verfallsperiode, die mindestens drei volle und zusammenhängende Jahre betragen muss und während der der Inhaber die Geltendmachung sein Eigentums- oder Besitzrecht nicht weiter verfolgt hat oder dieses Recht nicht geltend gemacht hat bzw. ihre Geltendmachung versäumt hat, fallen Dividenden ausdrücklich dem Staat zu. Für in der Europäischen Union und im EWR wohnhafte Aktionäre bestehen keine Dividendenbeschränkungen und keine besonderen Verfahren. *Umwandlungsrechte für Stammaktien der Gattung B*. Alle Stammaktien der Gattung B können, soweit sie sich im Eigentum von EMC oder deren Rechtsnachfolger befinden, nach Ermessen von EMC oder deren Rechtsnachfolger in Stammaktien der Gattung A umgewandelt werden. Die Umwandlung von Stammaktien erfolgt immer im Verhältnis eins zu eins. *Stimmrechte*. Die Inhaber von Stammaktien der Gattungen A und B besitzen identische Rechte, außer dass die Inhaber von Stammaktien der Gattung A pro Aktie ein (1) Stimmrecht und die Inhaber von Stammaktien der Gattung B pro Aktie zehn (10) Stimmrechte in allen Angelegenheiten, über die die VMware Hauptversammlung abstimmt, haben und außer in Bezug auf die Wahl der Verwaltungsratsmitglieder, Umwandlung, bestimmte Maßnahmen, die der Zustimmung der Inhaber von Stammaktien der Gattung B bedürfen, sowie andere Schutzbestimmungen. Inhaber von VMware-Stammaktien der Gattung B sind berechtigt in gesonderter Abstimmung 80% der Gesamtzahl der Mitglieder des Verwaltungsrats von VMware zu wählen, die dieser haben würde, wenn es zu diesem Zeitpunkt keine Vakanzen gäbe. Vorbehaltlich etwaiger Rechte etwaiger Serien von Vorzugsaktien, Verwaltungsratsmitgliedern zu wählen, sind die Inhaber von VMware-Stammaktien der Gattung A und die Inhaber von VMware-Stammaktien der Gattung B, die zusammen als eine Gattung abstimmen, berechtigt, die verbleibenden Verwaltungsratsmitglieder zu wählen, jedoch immer mindestens ein Verwaltungsratsmitglied. Bei einer solchen Wahl haben die Inhaber von Stammaktien der Gattung A und die Inhaber von Stammaktien der Gattung B jeweils ein (1) Stimmrecht pro Aktie. Generell müssen alle Angelegenheiten, über die von den Aktionären abgestimmt wird, von einer Mehrheit der auf der Hauptversammlung anwesenden oder vertretenen Stimmen aus den Stammaktien der Gattung A und Stammaktien der Gattung B, die zusammen als eine Gattung abstimmen, beschlossen werden, vorbehaltlich etwaiger Stimmrechte, die Inhabern von Vorzugsaktien zustehen. *Keine Bezugs- oder Einziehungsrechte*. VMware-Stammaktien der Gattung A und der Gattung B haben keine Bezugsrechte auf den Kauf von Stammaktien der Gesellschaft und unterliegen nicht Einziehungs- oder Rückzahlungsbestimmungen. *Recht auf Liquidationserlös*. Im Falle der Liquidation, Auflösung oder Abwicklung von VMware, sind die VMware-Aktionäre mit Stammaktien der Gattung A und der Gattung B nach Abzug der Zahlung aller Verbindlichkeiten und der Vorrechte aus ausgegebenen Vorzugsaktien, berechtigt, die verbleibenden Vermögensgegenstände von VMware zu gleichen Teilen zu erhalten.
C.5	**Übertragbarkeit**	Das Angebot zum Bezug von Aktien im Rahmen des ESPP wurde per Registrierungserklärung auf Formblatt S-8 bei der U.S. Securities and Exchange Commission (US-amerikanische Börsenaufsicht) registriert. Die ausgegebenen und im Umlauf befindlichen Stammaktien sind grundsätzlich frei übertragbar. Den Teilnehmern bleibt es überlassen, Aktien, die im Rahmen des ESPP gekauft wurden, in Übereinstimmung mit den anwendbaren Wertpapiergesetzen, Richtlinien zum Insiderhandel sowie den anwendbaren Handelssperrzeiten,

		jederzeit wieder zu verkaufen. Der Teilnehmer trägt die Risiken von Marktschwankungen, die sich im Preis der Aktien abbilden können.
C.6	**Zulassung zum Handel an einem geregelten Markt**	Entfällt. Die Aktien sind unter dem Symbol „VMW" an der New York Stock Exchange („NYSE") notiert. In Deutschland werden die Aktien im Freiverkehr an den Börsen in Frankfurt, Stuttgart, München und Berlin sowie an der Tradegate unter dem Kürzel „BZF1" gehandelt. Sie werden nicht zum Handel an einem geregelten Markt zugelassen.
C.7	**Dividendenpolitik**	Seit dem IPO von VMware im August 2007 hat die Gesellschaft auf ihre Stammaktien keine Bardividenden beschlossen bzw. ausgezahlt. VMware geht derzeit nicht davon aus, dass in absehbarer Zeit Bardividenden beschlossen werden.

Abschnitt D – Risiken

Mitarbeiter sollten vor ihrer Anlageentscheidung die nachfolgend beschriebenen Risiken, die im Abschnitt „Risikofaktoren" (Risk Factors) näher beschrieben sind, und die übrigen in diesem Prospekt enthaltenen Informationen sorgfältig lesen und bei ihrer Anlageentscheidung berücksichtigen. Der Eintritt dieser Risiken kann, einzeln oder zusammen mit anderen Umständen, die Geschäftstätigkeit und die Finanzlage der Gesellschaft wesentlich beeinträchtigen und dazu führen, dass der Börsenkurs der Aktien der Gesellschaft fällt. In diesem Fall könnten Mitarbeiter ihr eingesetztes Kapital ganz oder teilweise verlieren. Der Prospekt enthält alle Risiken, die die Gesellschaft für wesentlich erachtet. Allerdings könnten sich die nachfolgend aufgeführten Risiken rückwirkend betrachtet als nicht abschließend herausstellen und daher nicht die einzigen Risiken sein, denen die Gesellschaft ausgesetzt ist. Weitere Risiken könnten die Geschäftstätigkeit und die Finanzlage der Gesellschaft wesentlich beeinträchtigen. Die gewählte Reihenfolge der Risikofaktoren enthält weder eine Aussage über die Eintrittswahrscheinlichkeit noch über das Ausmaß bzw. die Bedeutung der einzelnen Risiken.

D.1	**Risiken im Hinblick auf VMware oder ihr Branchenumfeld**	Risiken in Bezug auf das Geschäft von VMware • Da die Märkte für VMwares Server und Desktop Virtualisierungs-Produkte eine gewisse Reife erreicht hat, entwickelt und vermarktet die Gesellschaft zunehmend Produkte und Dienstleistungen, die auf Lieferung, Management und Automation von IT-Infrastruktur, Plattformen und Dienste durch Cloud-basierte Lösungen ausgerichtet sind. Wenn Unternehmen von den Cloud Datenverarbeitungslösungen von VMware nicht überzeugt werden können, könnten das Umsatzwachstum und die operativen Margen der Gesellschaft sinken. • VMware erzielt einen weit überwiegenden Teil ihrer Umsatzerlöse mit ihren Virtualisierungsprodukten für Server, einschließlich ihres Vorzeigeprodukts, die VMware vSphere Produktlinie. Eine sinkende Nachfrage nach VMware-Virtualisierungsprodukten für Server kann sich nachteilig auf die Betriebsergebnisse und die Finanzlage der Gesellschaft auswirken. • VMware rechnet mit zunehmendem Wettbewerb. Dies könnte zum Verlust von Kunden, einer Verringerung der Umsätze oder der Umsatzrendite führen. • Allianzen oder Konsolidierungen innerhalb der Branche können den Wettbewerb verschärfen. • Die neuen Produkt- und Technologieinitiativen von VMware setzen diese zusätzlichen geschäftlichen, rechtlichen und wettbewerblichen Risiken aus. • VMwares Angebot des vCloud Air ist von einigen Drittanbietern von Rechenzentrumskapazitäten, -ausrüstung, -wartung und sonstiger Kollokationsdienstleistungen abhängig. Der Verlust dieser Drittanbieter oder das Auftreten von Schwierigkeiten mit diesen könnte das Wachstum der Dienstleistungsangebote im Rahmen des vCloud Air hemmen, sich nachteilig auf die entsprechenden Expansionspläne der Gesellschaft auswirken und ihrem Ruf schaden

		• Durch die anhaltende Unsicherheit bezüglich der Weltwirtschaftslage und der Stabilität regionaler Finanzmärkte können die Ausgaben für Informationstechnologie hinter den momentanen Erwartungen zurück bleiben; dies könnte VMwares Umsatzerlöse nachteilig beeinträchtigen, die Akzeptanz von neuen Produkten und Dienstleistungen und Produkt-und Dienstleistungs-Upgrades durch den Endnutzer erschweren und sich nachteilig auf ihre Wettbewerbsposition auswirken. • Wechselkursschwankungen können sich nachteilig auf die Umsatzerlöse, die nicht verdienten Umsatzerlöse, die Einziehung von Forderungen und das Finanzergebnis von VMware auswirken. Obwohl Kurssicherungsgeschäfte in Fremdwährungen einige der Risiken von Wechselkursschwankungen ausgleichen können, wird die Gesellschaft in bestimmten Situationen, bei denen eine solche Absicherung nicht möglich oder kosteneffizient ist, weiterhin mit Währungsgewinnen und -verlusten konfrontiert sein. • VMware könnte nicht in der Lage sein, mit neuen Lösungen und Dienstleistungsangeboten auf den rasanten technologischen Wandel zu reagieren. Dies könnte sich in erheblichem Maße nachteilig auf Umsatz und Rentabilität auswirken. • Die operativen Ergebnisse von VMware können erheblichen Schwankungen unterliegen, so dass im Hinblick auf die zukünftigen Ergebnisse der Gesellschaft nur schwer Vorhersagen getroffen werden können. Aufgrund dieser Schwankungen können die operativen Ergebnisse der Gesellschaft hinter den Erwartungen oder den Bekanntmachungen der Gesellschaft zurück bleiben und zu einem Kursverlust der VMware-Stammaktien der Gattung A führen. • Wenn Kunden große Lizenzvereinbarungen nicht zu zufriedenstellenden Bedingungen verlängern, könnte sich dies in erheblichem Maße nachteilig auf den Geschäftsbetrieb der Gesellschaft, die Finanzlage, das operative Ergebnis und den Kapitalfluss auswirken. • VMwares gegenwärtige Anstrengungen im Bereich Forschung und Entwicklung könnten für mehrere Jahre nur unwesentliche oder sogar keine Erlöse generieren. • Die Produkte und Dienstleistungen von VMware werden auf Grundlage von Unternehmenslizenzvereinbarungen (*enterprise license agreements*; "ELAs") verkauft sowie im Rahmen des Transaktionsgeschäfts der Gesellschaft. Diese Strategie könnte als Motor für ein langfristiges Wachstum von Verkäufen und Umsatzerlösen ggf. nicht greifen. • Die Verkaufszyklen von VMware können lang und unvorhersehbar sein. Die Verkaufsbemühungen der Gesellschaft erfordern einen beträchtlichen Aufwand an Zeit und Kosten und der Verkaufszeitpunkt ist von dem veränderlichen Beschaffungsverhalten der Kunden der Gesellschaft abhängig. Daher lässt sich der Umsatz von VMware nur schwer vorhersagen; er kann von einem Quartal zum nächsten erhebliche Abweichungen aufweisen, was zu beträchtlichen Schwankungen des Betriebsergebnisses führen kann. • VMware ist von den Mitgliedern der Geschäftsleitung und Schlüsselpersonen im Bereich Entwicklung abhängig. Der Verlust von Schlüsselpersonal kann die zeitgerechte Umsetzung des Geschäftsplans der Gesellschaft behindern. • Aufgrund des intensiven Wettbewerbs um die von VMware benötigten Mitarbeiter, könnte die Gesellschaft außerstande sein, die erforderliche Anzahl hochqualifizierter Mitarbeiter zu gewinnen und an sich zu binden, um das von der Gesellschaft angestrebte Wachstum zu erzielen. Außerdem können dadurch die Personalausgaben steigen.

		• Der Erfolg von VMware hängt von ihrer Fähigkeit zur Entwicklung neuer Produkte und Dienstleistungen, der Integration erworbener Produkte und Dienstleistungen und der Weiterentwicklung ihrer bestehenden Produkte und Dienstleistungen sowie von der Entwicklung geeigneter Geschäfts- und Preismodelle ab. • Verstöße gegen die Cyber-Sicherheitssysteme der Gesellschaft könnten die Fähigkeit der Gesellschaft zur Führung ihres Geschäftsbetriebs und zur Auslieferung der Produkte und Dienstleistungen an ihre Kunden mindern, ihre Fähigkeit, Umsatzerlöse zu realisieren, verzögern, die Integrität ihrer Softwareprodukte gefährden, zu beträchtlichen Datenverlusten und Diebstahl ihres Geistigen Eigentums führen, ihren Ruf schädigen, sie der Haftung gegenüber Dritten aussetzen und für die Gesellschaft zu beträchtlichen Zusatzkosten für die Aufrechterhaltung der Sicherheit ihrer Netzwerke und Daten führen. • Bei den Produkten von VMware handelt es sich um technisch aufwändige Produkte. Enthalten sie Fehler, Mängel oder Sicherheitslücken könnte dies den Ruf der Gesellschaft beschädigen und negative Auswirkungen auf ihren Geschäftsbetrieb haben. • Durch ihre Geschäftstätigkeit im Ausland ist VMware zusätzlichen Risiken ausgesetzt. Dadurch könnte ihre Fähigkeit zur Steigerung oder Aufrechterhaltung ihrer internationalen Vertriebstätigkeit und Investitionen Schaden nehmen. • Gelingt es VMware nicht, den Lebenszyklus seiner Produkte und Dienstleistungen effektiv zu managen, könnte das wesentliche negative Auswirkungen auf die Geschäfts- und Finanzlage, das Betriebsergebnis und den Cash-Flow der Gesellschaft haben. • Verweigern Anbieter von Betriebssystemen und Hardware die Zusammenarbeit mit VMware oder erhält VMware nicht frühzeitig Zugang zu deren neuen Produkten bzw. zu bestimmten Informationen über diese neuen Produkte, um so sicherstellen zu können, dass die Lösungen der Gesellschaft und diese Produkte ineinander greifen, kann dies zu Verzögerungen oder zur Vereitelung der Bemühungen der Gesellschaft im Bereich Produktentwicklung führen. • Beim Verkauf ihrer Produkte und Dienstleistungen ist VMware von Vertriebspartnern, Wiederverkäufern, Systemanbietern sowie Systemintegratoren abhängig. Gelingt es der Gesellschaft nicht, ihre Vertriebskanäle sowie die Verfahren und Methoden zur Unterstützung der Vertriebskanäle effektiv zu entwickeln, zu verwalten oder Unterbrechungen zu verhindern, könnte sich dadurch die Anzahl der Endnutzer, die die Produkte und Dienstleistungen der Gesellschaft verwenden, reduzieren. • Die Konzentration der Verkäufe von VMware-Produkten auf eine beschränkte Anzahl von Vertriebspartnern führt zu einer Erhöhung des Kreditrisikos der Gesellschaft. Darüber hinaus könnte die Schwäche der Kreditmärkte dazu führen, dass Vertriebspartner, Wiederverkäufer und Kunden nicht mehr in der Lage sind, die Voraussetzungen für eine Kreditgewährung, die die Gesellschaft im Rahmen ihres gewöhnlichen Geschäftsbetriebs verlangt, zu erfüllen. Entsprechend könnte der Umsatz aus Produkten der Gesellschaft erheblichen Schwankungen unterliegen oder insgesamt zurückgehen, soweit Vertriebshändler, Wiederverkäufer und Kunden Schwierigkeiten bei der Kreditaufnahme oder der Erfüllung ihrer Kreditverpflichtungen haben. • VMware könnte in Rechtstreitigkeiten und aufsichtsbehördliche Untersuchungen und Verfahren verwickelt werden, die für sie nachteilige Auswirkungen haben könnten. • Der Geschäftsbetrieb von VMware unterliegt einer Vielzahl an US-

		amerikanischen und internationalen Gesetzen und Verordnungen im Bereich Datenschutz. • Falls VMware die mit ihren Kunden geschlossenen Verträge oder die Vorschriften für staatliche Aufträge nicht einhält, könnte dies nachteilige Auswirkungen auf ihren Geschäftsbetrieb haben. • Gelingt es VMware nicht, ihre gewerblichen Schutz- und Urheberrechte zu schützen, könnte dies der Wettbewerbsposition der Gesellschaft schaden bzw. zur Entstehung beträchtlicher Kosten für die Durchsetzung der Rechte der Gesellschaft führen. • VMware gewährt ihren Partnern Zugang zu ihrem Hypervisor und anderen ausgewählten Quellcodes. Dies birgt das zusätzliche Risiko, dass Wettbewerber der Gesellschaft Produkte entwickeln könnten, die den Produkten der Gesellschaft ebenbürtig oder überlegen sind. • VMware ist gegenwärtig und möglicherweise auch zukünftig Ansprüchen Dritter wegen Verletzung ihrer rechtlich geschützten Technologien ausgesetzt, die die Gesellschaft zu Schadensersatzzahlungen verpflichten oder dazu führen könnten, dass die Gesellschaft in ihren eigenen Produkten bestimmte Technologien nicht mehr verwenden darf. • VMwares Verwendung von „Open Source"-Software in ihren Produkten könnte nachteilige Auswirkungen auf ihre Fähigkeit zum Verkauf ihrer Produkte haben oder die Gesellschaft möglichen Rechtstreitigkeiten aussetzen. • VMware bietet eine Reihe von Produkten auf der Grundlage einer „Open Source"-Lizenz an, die die Gesellschaft zusätzlichen Risiken und Herausforderungen aussetzt und zu einem Anstieg der Entwicklungsausgaben, zu Verzögerungen oder Unterbrechungen bei der Freigabe oder dem Vertrieb dieser Softwarelösungen und zu stärkerem Wettbewerbsdruck führen könnte. • Unternehmenskäufe könnten sich auf die Geschäftstätigkeit der Gesellschaft störend auswirken, zur Verwässerung ihrer Aktien führen und den Geschäftsbetrieb, das Betriebsergebnis und die Finanzlage der Gesellschaft beeinträchtigen. • Für den Fall, dass VMwares Firmenwert oder abschreibbare immateriellen Vermögensgegenstände an Wert verlieren, kann dies zur buchhalterischen Belastung der Ertragsposition führen. • Gelingt es VMware nicht, ein effektives System interner Kontrollen aufrecht zu erhalten, könnte dies dazu führen, dass die Gesellschaft ihre Finanzergebnisse nicht korrekt veröffentlichen oder Betrug nicht verhindern kann. Das Vertrauen der Aktionäre der Gesellschaft in ihre Rechnungslegung könnte aus diesem Grund so stark leiden, dass ihre Geschäftstätigkeit beeinträchtigt wird und der Börsenkurs ihrer Stammaktie der Gattung A sinkt. • Probleme, die an den Informationssystemen von VMware auftreten, könnten zu Störungen ihres Geschäfts führen und den Geschäftsbetrieb der Gesellschaft nachteilig beeinträchtigen. • Höhere als die erwarteten Steuersätze können sich nachteilig auf die Finanzergebnisse von VMware auswirken und die Gesellschaft könnte zusätzlichen Steuerverbindlichkeiten ausgesetzt sein. • Der Geschäftsbetrieb der Gesellschaft unterliegt Risiken im Hinblick auf Erdbeben, Feuer, Überschwemmungen und andere Naturkatastrophen, wie etwa Pandemien sowie durch Menschenhand hervorgerufene Unterbrechungen, wie beispielsweise Computerviren, unvorhersehbare Störungen in der lokalen Infrastruktur oder Terrorismus. All dies könnte zu

		Verzögerungen oder Stornierungen von Kundenaufträgen oder bei der Inbetriebnahme der Produkte der Gesellschaft führen. • Änderungen der Buchführungsgrundsätze oder deren Auslegung könnten zu nachteiligen Buchungen oder Auswirkungen führen, bis hin zu Änderungen in bereits eingereichten Finanzabschüssen der Gesellschaft, was einen Kursverlust der VMware-Aktie zur Folge haben könnte. Risiken in Bezug auf das Verhältnis zwischen VMware und EMC • Solange VMware durch EMC beherrscht wird oder VMware-Stammaktien der Gattung B ausgegeben bleiben, sind andere Inhaber von VMware-Stammaktien der Gattung A nur eingeschränkt in der Lage, auf Angelegenheiten, die einer Zustimmung der Aktionäre bedürfen, Einfluss zu nehmen. • Bei den Geschäftsbereichen von VMware und EMC kommt es zu Überschneidungen, wodurch zwischen EMC und VMware eine Wettbewerbssituation entstehen kann. Dies könnte eine Verringerung des Marktanteils der Gesellschaft zur Folge haben. • Der Wettbewerb mit EMC in bestimmten Märkten kann die Fähigkeit der Gesellschaft beeinträchtigen, Partnerschaften zu begründen und aufrechtzuerhalten. • Das Investment von VMware in Pivotal Software, Inc. („Pivotal“, vormals bekannt als "GoPivotal, Inc.") könnte sich als nicht erfolgreich erweisen. • Damit EMC die Möglichkeit erhalten bleibt, ihre Anteile an den VMware-Stammaktien der Gattung B weiterhin steuerfrei zu veräußern, könnten der Gesellschaft Möglichkeiten zur Beschaffung von Kapital, zur Durchführung von Unternehmenskäufen oder zur Bereitstellung von Eigenkapital-Anreizen für ihre Mitarbeiter verwehrt bleiben. Dies könnte das Wachstumsvermögen der Gesellschaft beeinträchtigen. • Die Gesellschaft könnte von Seiten Dritter für Verbindlichkeiten von EMC verantwortlich gemacht werden. Dies könnte zu einer Minderung des Ertrages der Gesellschaft führen. • Obwohl VMware mit EMC eine Vereinbarung zur Aufteilung der Steuerverbindlichkeiten geschlossen hat, im Rahmen derer die Steuerverbindlichkeiten der Gesellschaft für die meisten Transaktionen so festgesetzt werden, als ob sie eigentlich nicht Teil einer konsolidierten, kombinierten oder vereinheitlichten Organschaft der EMC oder deren Tochterunternehmen ist, könnte VMware gleichwohl für Steuerverbindlichkeiten der anderen Unternehmen dieser Gruppe haftbar gemacht werden. • Gelingt es nicht, Streitigkeiten zwischen VMware und EMC im Zusammenhang mit deren früheren und gegenwärtigen Beziehungen erfolgreich beizulegen, kann dies zu einer beträchtlichen Verminderung der Umsätze und der Einnahmen der Gesellschaft führen. • VMwares Chief Executive Officer und einige Mitglieder ihres Verwaltungsrates besitzen EMC-Stammaktien oder Aktienprämien zum Erwerb von EMC-Stammaktien und bekleiden Managementpositionen bei EMC. Dies könnte zu Interessenskonflikten führen, so dass die Gesellschaft Gelegenheiten, die sie andernfalls ergreifen würde, möglicherweise nicht nutzt. • Es könnte sich für die Gesellschaft schwierig gestalten, unabhängige Verwaltungsratsmitglieder zu gewinnen, da EMC den Verwaltungsrat von VMware beherrscht. • Die Gesellschaft gilt im Sinne der Bestimmungen der New York Stock Exchange als „beherrschtes Unternehmen“ und beruft sich infolge dessen

		auf Ausnahmen von bestimmten Corporate-Governance-Vorschriften, die ansonsten die Aktionäre von Gesellschaften, die keine „beherrschten Unternehmen" sind, schützen. • Die historischen Finanzinformationen von VMware aus der Zeit, als sie noch eine mehrheitlich im Besitz von EMC befindliche Tochtergesellschaft war, sind möglicherweise nicht repräsentativ für die Ergebnisse einer vollständig unabhängigen börsennotierten Gesellschaft.
D.3	**Wertpapierbezogene Risiken**	• Der Kurs der VMware-Stammaktien der Gattung A unterlag in den letzten Jahren beträchtlichen Schwankungen, was sich auch in Zukunft fortsetzen kann. • Verändern Wertpapier- oder Branchenanalysten ihre Empfehlungen in Bezug auf die Aktien der Gesellschaft ins Negative, könnte dies zu einem Kursrückgang und zum Rückgang des Handelsvolumens führen. • Sowohl das Recht von Delaware als auch die Gründungsurkunde und die Satzung von VMware enthalten Bestimmungen zur Verhinderung von Unternehmensübernahmen, die dazu führen könnten, dass sich Unternehmensübernahmeversuche verzögern oder solche Versuche, die Aktionäre ansonsten befürworten würden, ganz verhindert werden.
Abschnitt E – Das Angebot		
E.1	**Nettoemissionserlöse und geschätzte Gesamtkosten der Emission**	Unter der Annahme, dass jeder teilnahmeberechtigte Mitarbeiter das Maximum seiner kumulierten Beiträge zum Kauf von Aktien einsetzt, beträgt der Bruttoemissionserlös von VMware in Verbindung mit dem Angebot im Rahmen des ESPP gemäß diesem Prospekt USD 259.218.501. Die Kosten dieses Angebots bestehen aus Rechtsberatungskosten in Höhe von ungefähr USD 40.000. Nach Abzug dieser Kosten beträgt der Nettoemissionserlös auf Basis der vorstehenden Annahmen ungefähr USD 259.178.501.
E.2a	**Gründe für das Angebot und Verwendung des Emissionserlöses**	Mit dem ESPP ist beabsichtigt, teilnahmeberechtigten Mitarbeitern der Gesellschaft und ihrer Tochtergesellschaften, die Möglichkeit zu geben, VMware-Stammaktien der Gattung A zu erwerben und sie so an der Zukunft der Gesellschaft zu beteiligen. Die Gesellschaft kann den Erlös aus der Ausübung der Kaufrechte für jegliche Geschäftszwecke verwenden.
E.3	**Beschreibung der Angebotsbedingungen**	VMware hat sich dazu entschlossen, teilnahmeberechtigten Mitarbeitern ausgewählter Tochtergesellschaften die Möglichkeit anzubieten, VMware-Stammaktien der Gattung A gemäß dem ESPP zu erwerben („Kaufrechte"). Der ESPP wird vom Verwaltungsrat von VMware (der „Verwaltungsrat") oder einem vom Verwaltungsrat bestimmten Ausschuss (der „Vergütungsausschuss") verwaltet. VMware hat die E*TRADE Securities Inc. („E*TRADE") als Service Provider für den ESPP benannt. E*TRADE unterstützt VMware bei der Verwaltung des ESPP. Stammaktien der Gattung A, die dem Teilnehmer gemäß dem ESPP geliefert werden, werden auf den Namen des Teilnehmers oder auf den auf dem Konto des Teilnehmers vermerkten Namen (*street name*) bei E*TRADE gebucht. *Angebotene Aktien* Bei den angebotenen Aktien handelt es sich um VMware-Stammaktien der Gattung A im Nennwert von USD 0,01 pro Aktie. Insgesamt sind im Rahmen des ESPP 14.300.000 Aktien zum Erwerb reserviert. Zum 31. Dezember 2014 standen davon noch 6.242.770 Aktien für den Kauf im Rahmen des ESPP zur Verfügung. *Angebotszeitraum*

		Aktienkäufe finden jeweils am Ende jedes Angebotszeitraumes statt, und zwar unter Verwendung der von der Vergütung der betreffenden Mitarbeiter während des Angebotszeitraumes einbehaltenen Beträge. Generell erstrecken sich die Angebotszeiträume über jeweils sechs Monate; es liegt jedoch im Ermessen des Verwaltungsrates bzw. des Vergütungsausschusses, diese Zeiträume zu ändern. Für den von diesem Prospekt abgedeckten Zeitraum beginnen die Angebotszeiträume jeweils am 2. Februar 2015, 3. August 2015 und 1. Februar 2016, wobei der erste Angebotszeitraum vor Billigung dieses Prospekts beginnt und von dem vom 19. März 2014 datierenden und am 19. März 2014 gebilligten Prospekt abgedeckt ist. Die Angebotszeiträume umfassen jeweils sechs Monate. Das Recht eines Teilnehmers zum Kauf von Stammaktien der Gattung A im Rahmen des ESPP wird automatisch am letzten Tag des Angebotszeitraumes für die dem ESPP-Konto des Teilnehmers gutgeschriebenen Beträge ausgeübt. *Beiträge* Die Teilnehmer verwenden einen bestimmten Prozentsatz ihrer Vergütung in Form von Gehaltseinbehalten für den Kauf von Aktien. Bei Abgabe des Registrierungsformulars legt der Teilnehmer den Prozentsatz seiner Vergütung fest, den er für den ESPP verwenden möchte; dieser Prozentsatz muss mindestens zwei Prozent (2%) und darf höchstens fünfzehn Prozent (15%) der maßgeblichen Vergütung des Mitarbeiters betragen. Pro sechsmonatigem Angebotszeitraum dürfen die Beiträge zum Kauf von Stammaktien der Gattung A einen Betrag von USD 7.500 (oder einen für einen längeren oder kürzeren Angebotszeitraum entsprechend anteilsmäßig berechneten Betrag) nicht übersteigen. Alle vom Teilnehmer genehmigten Beiträge werden im Rahmen des ESPP zu seinen Gunsten gutgeschrieben. Ein Teilnehmer kann den für den Gehaltseinbehalt vereinbarten Prozentsatz durch entsprechende schriftliche Mitteilung an VMware, spätestens einen Geschäftstag vor dem ersten Tag des Angebotszeitraums erhöhen oder verringern. Die Änderung des Prozentsatzes tritt sodann so schnell wie praktisch möglich in Kraft. *Berechtigung zur Teilnahme* Zur Teilnahme am ESPP sind nur solche Mitarbeiter von VMware oder ihren dazu bestimmten Tochtergesellschaften berechtigt, die mindestens drei (3) Monate vor Beginn eines Angebotszeitraums fortlaufend beschäftigt waren. Berechtigt zur Teilnahme am ESPP sind nur Mitarbeiter mit einer regelmäßigen Arbeitszeit von über 20 Wochenstunden (soweit anwendbare Gesetze nichts Anderslautendes vorschreiben) und einer regelmäßigen Beschäftigung von mehr als fünf Monaten in einem Kalenderjahr. Mitarbeiter entscheiden sich zur Teilnahme am ESPP durch Abgabe eines Registrierungsformulars bei VMware. Die Teilnahme ist freiwillig und kann von den Mitarbeitern jederzeit beendet werden. Teilnehmer, die nicht an einem bestimmten Angebotszeitraum teilnehmen möchten, können ihre Teilnahme jederzeit bis 15 Tage vor Ablauf des Zeitraums zurückziehen. Beendet ein Teilnehmer sein Beschäftigungsverhältnis mit VMware oder mit einer ihrer Tochtergesellschaften, gleich aus welchem Grund, so endet seine Teilnahme am ESPP sofort; alle ggf. im Rahmen der Teilnahme am ESPP aufgelaufenen Beiträge werden dem ausscheidenden Mitarbeiter zurückerstattet. *Kaufpreis* Der Kaufpreis beträgt fünfundachtzig Prozent (85%) des Marktwertes der Stammaktien am ersten oder letzten Handelstag des jeweiligen Angebotszeitraums (d.h. dem Kaufdatum), je nachdem, welcher Preis niedriger ist. Der Marktwert entspricht dem Schlusskurs der Aktie an der NYSE an dem betreffenden Tag oder, wenn an diesem Tag kein Handel stattfindet, dem entsprechenden Schlusskurs des letzten Handelstages, an dem ein Geschäft stattgefunden hat. *Änderungen und Beendigung des ESPP* Der Verwaltungsrat kann den ESPP jederzeit ändern oder beenden, allerdings

		darf dies die ausstehenden Kaufrechte der Teilnehmer während eines Kaufzeitraums ohne deren Zustimmung nicht einschränken. Bestimmte Änderungen erfordern ggf. die Genehmigung der Aktionäre. Ob eine Genehmigung der Aktionäre erforderlich ist entscheidet der Verwaltungsrat oder der Vergütungsausschuss in Einklang mit den Regelungen und Gesetzen, die zu dem Zeitpunkt anwendbar sind, zu dem die Änderung am ESPP wirksam wird. *Provision* Wenn Aktien, die gemäß ESPP erworben wurden, online verkauft werden, stellt E*TRADE in Deutschland und Frankreich eine Provision in Höhe von Euro 19,99 in Rechnung, im Großbritannien eine Provision in Höhe von £ 9,99.
E.4	**Beschreibung aller für das Angebot wesentlichen Interessen, einschließlich von Interessenskonflikten**	Entfällt, da bezüglich derartiger Interessen keine Informationen in diesem Prospekt enthalten sein müssen.
E.5	**Name des Unternehmens, das die Wertpapiere zum Verkauf anbietet**	VMware, Inc.
E.6	**Maximale Verwässerung**	Der Buchwert des Eigenkapitals der Gesellschaft (definiert als gesamtes Vermögen minus gesamte Verbindlichkeiten) wie im Konzernabschluss nach GAAP wiedergegeben betrug zum 31. Dezember 2014 ungefähr USD 7.585.923.000. Dies entspricht ungefähr USD 17,67 pro Aktie (errechnet auf Basis von insgesamt 429.359.318 zum 31. Dezember 2014 ausgegebenen Aktien der Gattungen A und B). Ausgehend von einem Nettoemissionserlös von USD 259.178.501 und dem Kauf von 3.656.630 Aktien würde die Durchführung des Angebots zu einer unmittelbaren Erhöhung des Eigenkapitals um USD 0,45 pro Aktie für die bestehenden Aktionäre führen und zu einer durchschnittlichen Verwässerung von ungefähr USD 52,77 pro Aktie für den teilnahmeberechtigten Arbeitnehmer, der Aktien erworben hat. Investoren, die Aktien zu einem Kaufpreis von USD 70,89 erwerben, werden daher zu ungefähr 74 % verwässert.
E.7	**Schätzung der dem Anleger vom Emittenten in Rechnung gestellten Ausgaben**	Entfällt. Es gibt keine derartigen Ausgaben.

RISK FACTORS

Before enrollment in the VMware, Inc. Amended and Restated 2007 Employee Stock Purchase Plan (the "ESPP"), employees should carefully consider the risks described below and other information contained in this prospectus, and take these factors into account in making their investment decision. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the business and financial condition of the Company and cause the market price of the Company's shares to decline. In such case, employees could lose all or part of their investment. The prospectus contains all risks which the Company deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which the Company is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of the Company. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.

References in this section to "VMware" or the "Company" means VMware, Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

The risk factors that appear below could materially affect VMware's business, financial condition and results of operations. The risks and uncertainties described below are not the only risks and uncertainties facing the Company. The Company's business is also subject to general risks and uncertainties that affect many other companies. Specific risk factors related to VMware's relationship with EMC are also included below.

Risks Related to VMware's Business

As the markets for its server and desktop virtualization products have matured, VMware has been increasingly developing and marketing products and services targeted toward the delivery, management and automation of information technology ("IT") infrastructure, platforms and services through cloud-based solutions. If businesses do not find its cloud computing solutions compelling, VMware's revenue growth and operating margins will decline.

VMware's products and services are based on server virtualization and related technologies that have primarily been used for virtualizing on-premise data center servers and form the foundation for private cloud computing. As the market for data center server virtualization has matured, the Company has increasingly directed its product development and marketing toward products and services that enable businesses to utilize virtualization as the foundation for cloud-based computing. The Company has extended the benefits of virtualization beyond servers to include network and storage, and coupled this with management and automated delivery of IT resources to create private cloud platforms. The Company has also extended its product portfolio beyond desktop virtualization to include mobile device management with its AirWatch offerings. The Company also offers hybrid cloud services through its vCloud Air platform.

VMware's success depends on its current and future customers perceiving technological and operational benefits and cost savings associated with the increasing adoption of its private and hybrid cloud solutions as well as its client virtualization and mobile device management solutions. As the market for the Company's server virtualization products matures and the scale of its business increases, its rate of revenue growth will depend largely upon the success of its newer product and service offerings. In addition, to the extent that the Company's newer private and hybrid cloud solutions, as well as its client virtualization and mobile device management solutions are adopted more slowly or less comprehensively than the Company expects, its revenue growth rates may slow materially or its revenue may decline substantially.

The large majority of VMware's revenues have come from its server virtualization products including its flagship VMware vSphere product line. Decreases in demand for its server virtualization products could adversely affect VMware's results of operations and financial condition.

The large majority of VMware's revenues have come from its server virtualization products. Although the Company continues to develop other applications for its virtualization technology such as its network virtualization solution, VMware NSX, end-user computing products and hybrid cloud services and expand its offerings into related areas such as its vRealize SDDC management products and vCloud product suites, the Company expects that its server virtualization products and related enhancements and upgrades will constitute a majority of its revenues for the foreseeable future. Declines and variability in demand for the Company's data center virtualization products could occur as a result of:

- improved products or product versions being offered by competitors in VMware's markets;
- competitive pricing pressures;
- failure to timely execute and implement the Company's product strategy, which could lead to quality issues, integration issues with ecosystem partners, and difficulties in creating and marketing suites of interoperable solutions;
- failure to release new or enhanced versions of the Company's server virtualization products on a timely basis, or at all;
- technological change that the Company is unable to address with its server virtualization and private cloud products or that changes the way enterprises utilize its products; and
- general economic conditions.

Also, as more and more businesses achieve the virtualization of their servers, certain markets for the Company's VMware vSphere product line have matured. The Company's sales of standalone VMware vSphere have declined as a portion of its overall business as the Company seeks to transition its customers to product suites, its newer products and infrastructure-as-a-service offerings. If the Company fails to introduce compelling new features in future upgrades to its VMware vSphere product line, manage the transition to hybrid cloud platforms, develop new applications for its virtualization technology or provide product suites based on the VMware vSphere platform that address customer requirements for integration, automation and management of their IT systems, overall demand for products and services based on VMware vSphere may decline.

Due to the Company's product concentration, its business, financial condition, results of operations, and cash flows would therefore be adversely affected by a decline in demand for its data center virtualization products.

VMware expects to face increasing competition that could result in a loss of customers, reduced revenues or decreased operating margins.

The virtualization, cloud computing, end-user computing and software-defined data center industries are inter-related and rapidly evolving. The Company experienced increased competition during 2014 and expects it to remain intense going forward. For example, Microsoft continues to improve its virtual infrastructure and virtual management products and is expected to release updated versions of its Hyper V virtualization product and CloudOS private cloud platform. Microsoft also offers IaaS capabilities in Azure with a similar hybrid cloud message. The Company also faces competition from other companies that have announced a number of new product initiatives, alliances and consolidation efforts. For example, Citrix Systems continues to enhance its end-user desktop and mobility offerings and their networking and cloud platform offerings. IBM, Google and Amazon have existing cloud computing offerings and announced new cloud computing initiatives. Additionally, open source technologies for virtualization, containerization, and cloud platforms such as Xen, KVM, Docker, Rocket, and OpenStack provide significant pricing competition, and enable competing vendors to leverage open source technologies like OpenStack to compete directly with the Company's SDDC initiative. Enterprises and service providers have also shown significant interest in building their own clouds based on open source projects such as OpenStack. Other companies have indicated their intention to expand offerings of virtual management and cloud computing solutions as well. Additionally, the Company's hybrid cloud computing offering, which allows enterprises to pool internal and external IT resources running on a common vSphere infrastructure, competes with low-cost public cloud infrastructure offerings such as Amazon Web Services, Microsoft Azure, IBM SoftLayer and Google Compute Engine.

Following VMware's acquisition of Nicira and the resulting release of its NSX product, a number of competitors announced software-defined networking offerings. For example, Cisco announced its Application Centric Infrastructure initiative.

The Company believes that the key competitive factors in the virtualization and cloud computing spaces include:

- the level of reliability, security and new functionality of product offerings;
- the ability to provide comprehensive and scalable solutions, including management and security capabilities;
- the ability to offer products and services that support multiple hardware platforms, operating systems, applications and application development frameworks;
- the ability to deliver an intuitive end-user experience for accessing data, applications and services from a wide variety of end-user devices;
- the ability to effectively run traditional IT applications and emerging applications;

- the proven track record of formulating and delivering a roadmap of virtualization and cloud computing capabilities;
- the ability to attract and preserve a large installed base of customers;
- pricing of products and services, individually and in bundles;
- the ability to attract and preserve a large number of application developers to develop to a given cloud ecosystem;
- the ability to create and maintain partnering opportunities with hardware vendors, infrastructure software vendors and cloud service providers;
- the ability to develop robust indirect sales channels; and
- the ability to attract and retain cloud, virtualization and systems experts as key employees.

Existing and future competitors may introduce products and services in the same areas the Company serves or intends to serve, and competing products and services may have better performance, lower prices, better functionality and broader acceptance than the Company's products and services. VMware's competitors may also add features to their virtualization, end-user and cloud computing products similar to features that presently differentiate the Company's product offerings from theirs. Many of the Company's current or potential competitors also have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than VMware does. This competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing the Company's operating margins, and could also prevent the Company's new products and services from gaining market acceptance, thereby harming the Company's ability to increase, or causing the Company to lose, market share.

Increased competition also may prevent the Company from entering into or renewing service contracts on terms similar to those that it currently offers and may cause the length of its sales cycle to increase. Additionally, some of the Company's competitors and potential competitors supply a wide variety of products and services to, and have well-established relationships with, the Company's 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 the Company's products and services less attractive to its end users. Other competitors have limited or denied support for their applications running in VMware virtualization environments. These distribution, licensing and support restrictions, as well as other business practices that may be adopted in the future by the Company's competitors, could materially impact VMware's prospects regardless of the merits of its products and services.

In addition, competitors with existing relationships with the Company's current or prospective end users could in the future 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, and Microsoft offers its own server virtualization software packaged with its Windows Server product and offers built-in virtualization in the client version of Windows. 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. Competitors may also leverage open source technologies to offer zero or low cost products and services capable of putting pricing pressure on the Company's own product offerings. By engaging in such business practices, VMware's competitors can diminish competitive advantages the Company may possess by incentivizing end users to choose products that lack some of the technical advantages of VMware's own offerings. In addition, even if customers find the Company's products and services to be technically superior, they may choose to employ a "multiple-vendor" strategy, where they purposely deploy multiple vendors in their environment in order to prevent any one vendor from gaining too much control over their IT operations.

VMware also faces potential competition from its partners. For example, third parties currently selling the Company's products and services could build and market their own competing products and services or market competing products and services of other vendors. If the Company is unable to compete effectively, its growth and its ability to sell products and services at profitable margins could be materially and adversely affected, which could materially and adversely impact the Company's financial condition and results of operations.

Industry alliances or consolidation may result in increased competition.

Some of the Company's competitors have made acquisitions and entered into or extended partnerships or other strategic relationships to offer more comprehensive virtualization and cloud computing solutions than they individually had offered. Citrix Systems continues to invest in desktop virtualization marketing by continuing its collaboration with Microsoft and has acquired smaller players like Zenprise, Virtual Computer and Framehawk. IBM acquired SoftLayer to increase their data center footprint and grow their cloud business. Moreover, information technology companies are increasingly seeking to deliver top-to-bottom IT solutions to end users that combine enterprise-level hardware and software solutions to provide an alternative to VMware's virtualization platform. For example, Oracle offers integrated hardware and software virtualization solutions, and Microsoft and Hewlett-Packard continue their collaboration based on Microsoft's cloud computing and virtualization platforms. In addition, Citrix offers an IaaS cloud services solution, and Red Hat continues to invest in the Open Virtualization Alliance ("OVA") to bolster KVM as a direct competitor to VMware vSphere.

A number of competitors are active in the emerging software-defined networking space. For example, in 2013, Cisco acquired Insieme. In June 2013, Oracle and Microsoft entered into a partnership pursuant to which Oracle now supports the use of Oracle products in Microsoft Hyper-V deployments as well as Windows Azure. In July 2014, Cisco and Microsoft announced an inititiative to integrate Cisco data centers solutions and networking switches to Microsoft cloud offerings and to jointly market and sell their data center and hybrid solutions. In September 2014, Cisco and RedHat announced a new integrated infrastructure solution for OpenStack-based cloud deployments. In addition, the companies announced an expansion of their relationship, accelerating collaboration around OpenStack, Application Centric Infrastructure and Intercloud.

The Company expects these trends to continue as companies attempt to strengthen or maintain their positions in the evolving virtualization infrastructure and enterprise IT solutions industry. Many of the companies driving this trend have significantly greater financial, technical and other resources than VMware does and may be better positioned to acquire and offer complementary products and technologies. The companies and alliances resulting from these possible combinations may create more compelling product and service offerings and be able to offer greater pricing flexibility than the Company can or may engage in business practices that make it more difficult for the Company to compete effectively, including on the basis of price, sales and marketing programs (such as providing greater incentives to the Company's channel partners to sell a competitor's product), technology or product functionality. This competition could result in a substantial loss of customers or a reduction in VMware's revenues, which could materially and adversely impact its financial condition and results of operations.

VMware's new product and technology initiatives subject it to additional business, legal and competitive risks.

Over the last several years, VMware has introduced new product and technology initiatives that aim to leverage its virtualization infrastructure software products into the emerging areas of cloud computing and end-user computing as alternatives to the provisioning of physical computing resources.

One of VMware's core strategies is to deliver the software-defined data center. In 2012, the Company acquired two companies that furthered its software defined data center ("SDDC") strategy—Dynamic Ops, a provider of cloud automation solutions that enable provisioning and management of IT services across heterogeneous environments, and Nicira, a developer of software-defined networking and a leader in network virtualization for open source initiatives. In 2013, the Company acquired Virsto Software, a developer of software that optimizes storage performance and utilization in virtual environments. These acquired technologies, combined with existing technologies, constitute the basis for VMware's SDDC private cloud offerings.

The Company also continues to expand and enhance its end-user computing offerings, such as VMware View and Horizon Suite, a solution that provides end users with a single place to get access to their applications, data and desktops and gives IT a single management console to manage entitlements, policies and security.

In the second quarter of 2013, VMware introduced its hybrid cloud service called vCloud Air (formerly, vCloud Hybrid Service). vCloud Air is designed to deliver a public cloud as a service offering that is interoperable with the Company's customers' existing VMware virtualized infrastructure, enabling customers to extend the same skills, tools, networking and security models across both on-premise and off-premise environments.

In the first quarter of 2014, the Company acquired AirWatch, a leader in enterprise mobility management and security solutions. The acquisition of AirWatch expands VMware's portfolio of mobile solutions within the enterprise mobility and security space.

In the third quarter of 2014, the Company announced that it had entered into a joint venture with the Softbank Group to expand its vCloud Air service to Japan. The Company is currently making significant investments in developing and introducing new technologies and product offerings related to its SDDC, vCloud Air and end-user and mobile computing initiatives.

The expansion of VMware's offerings to deliver the SDDC, address IT management and automation, add network and storage virtualization, and enhance its end-user computing capabilities and its hybrid cloud offerings subjects the Company to additional risks, such as the following:

These initiatives may present new and difficult technological challenges. Significant investments will be required to acquire and develop solutions to those challenges. Customers may choose not to adopt the Company's new product or service offerings and the Company may be unable to recoup or realize a reasonable return on its investments.

- Some of the Company's new initiatives are hosted by third parties whom the Company does not control but whose failure to prevent service disruptions, or other failures or breaches may require it to issue credits or refunds or indemnify or otherwise be liable to customers or third parties for damages that may occur. Any transition of the Company's services from a third party hosting service to its own data centers would also entail a risk of service disruption during a transition. The Company may be subject to claims if customers of these service offerings experience service disruptions or failures, security breaches, data losses or other quality issues.
- The success of these new offerings depends upon the cooperation of hardware, software and cloud hosting vendors to ensure interoperability with VMware's products and offer compatible products and services to end users. If the Company is unable to obtain such cooperation, it may be difficult and more costly for it to achieve functionality and service levels that would make its services attractive to end users.
- The Company will need to develop and implement appropriate go-to-market strategies and train its sales force in order to effectively market offerings in product categories in which it may have less experience than its competitors. Accordingly, end users could choose competing products and services over the Company's, even if such offerings are less advanced than VMware's.
- The Company's increasing focus on developing and marketing IT management and automation and infrastructure-as-a-service (including software-defined networking and vCloud Air) offerings that enable customers to transform their IT systems will require a greater focus on marketing and selling product suites and more holistic solutions, rather than selling on a product-by-product basis. Consequently, the Company will need to develop new strategies for marketing and selling its offerings, its customers' purchasing decisions may become more complex and require additional levels of approval and the duration of sales cycles for its offerings may increase.
- The Company will need to develop appropriate pricing strategies for its new product initiatives. For example, it has frequently been challenging for software companies to derive significant revenue streams from open source projects, such as certain of its offerings. Additionally, in some cases the Company's new product initiatives are predicated on converting free and trial users to paying customers of the premium tiers of these services, and therefore VMware must maintain a sufficient conversion ratio for such services to be profitable. Also, certain of the Company's new product initiatives have a subscription model. The Company may not be able to accurately predict subscription renewal rates or their impact on results, and because revenue is recognized for its services over the term of the subscription, downturns or upturns in sales may not be immediately reflected in its results. Moreover, as customers transition to VMware's hybrid cloud and SaaS products and services, its revenue growth rate may be adversely impacted, during the period of transition as the Company will recognize less revenue up-front than it would otherwise recognize as part of a multi-year license arrangement.
- The success of vCloud Air will depend on the successful global implementation of the offering and building effective go-to-market strategies. The Company will need to build sales expertise and infrastructure to support the new offering that is capable of meeting customer requirements for security, reliability and regulatory compliance. This hybrid cloud offering involves significant capital investment as well as technology risk, and may not be accepted by customers. Further, this offering may lead VMware's team to reduce the time spent on selling its existing product portfolio, which could have a material negative impact on revenues.
- As the Company expands its IaaS and SaaS offerings globally, it may rely more upon joint ventures with established providers of IT products and services in particular regions, such as its joint venture with the Softbank Group to expand its vCloud Air hybrid cloud service to Japan. Joint ventures require close ongoing cooperation and commitments from the joint venture partners, and the willingness to

devote adequate resources as required. If the Company is unable to continue its strategic alignment with joint venture partners or obtain the cooperation and commitments it is relying upon, its ability to successfully expand its IaaS and SaaS offerings globally will diminish.

- The Company's new products and services may compete with offerings from companies who are members of its developer and technology partner ecosystem. Consequently, the Company may find it more difficult to continue to work together productively on other projects, and the advantages VMware derives from its ecosystem could diminish.
- The virtualized end-user computing industry remains in an emerging stage of expansion. Other companies are entering, and are developing competing standards for the end-user computing space, such as Microsoft, Google, Amazon and Citrix, and such companies are likely to introduce their own initiatives that may compete with or not be compatible with VMware's end-user computing initiatives, which could limit the degree to which other vendors develop products and services around the Company's offerings and end users adopt its platforms.
- The cloud computing industry is in early stages of expansion. Other companies are entering, and are developing competing standards for the cloud computing space, such as Microsoft, IBM, Cisco, Google and Amazon, as well as numerous vendor offerings based on the OpenStack project. These companies are likely to introduce their own initiatives that may compete with or not be compatible with VMware's cloud initiatives, which could potentially limit the degree to which other vendors develop products and services around the Company's offerings and end users adopt its platforms.
- Emerging IT sectors, such as those within IaaS, are frequently subject to a "first mover" effect pursuant to which certain product and service offerings can rapidly capture a significant portion of market share and developer attention. Therefore, if competitive product and service offerings in these sectors gain broad adoption before VMware's, it may be difficult for the Company to displace such offerings regardless of the comparative technical merit, efficacy or cost of its products and services.
- Developing and launching new technologies in new areas, as the Company is continuing to do so with its VMware NSX virtual networking, Virtual SAN virtual storage and vCloud Air initiatives, requires significant investments of resources and often entails greater risk than incremental investments in existing industries. If these investments are not successful, the Company's rate of growth may decline or reverse and its operating results will be negatively affected.
- In connection with some of the Company's product initiatives, including its web-based services, mobile services and its vCloud Air offering, VMware expects that its customers may increasingly use its services to store and process personal information and other regulated data, increasing its potential exposure to cybersecurity breaches and data loss.
- Marketing and selling new technologies to enterprises requires significant investment of time and resources in order to educate customers on the benefits of the Company's new product offerings. These investments can be costly and the additional effort required to educate both customers and the Company's own sales force can distract from its efforts to sell existing products and services.

As the Company's vSphere-related products continue to mature, its future revenue growth is increasingly dependent on revenue from its new product and technology offerings. The Company's newer initiatives may be less profitable than its established products, and VMware may not be successful enough in these newer activities to recoup its investments in them. If any of these risks were to occur, it could damage the Company's reputation, limit its growth and negatively affect its operating results.

VMware's vCloud Air offering relies upon a number of third-party providers for data center space, equipment, maintenance and other colocation services, and the loss of, or problems with, one or more of these providers may impede the growth of the Company's vCloud Air offerings, adversely impact its plans to expand the service and damage its reputation.

The Company launched its vCloud Air service offerings in 2013 in the United States and began to expand the services globally in 2014. The Company's vCloud Air offerings rely upon third-party providers to supply data center space, equipment maintenance and other colocation services. While the Company has entered into various agreements for the lease of data center space, equipment maintenance and other services, third parties could fail to live up to the contractual obligations under those agreements. For example, a data center landlord may fail to adequately maintain its facilities or provide an appropriate data center infrastructure for which it is responsible. If that were to happen, the Company's ability to deliver services at levels acceptable to its customers and at levels that the Company has committed to could be impaired. Additionally, if the third parties that the Company relies on do fail to deliver on their obligations, its reputation could be damaged, its customers could lose confidence in it, and the Company's ability to maintain and expand its vCloud Air offerings would be impaired.

Ongoing uncertainty regarding global economic conditions and the stability of regional financial markets may reduce IT spending below current expectations and therefore adversely impact VMware's revenues, impede end-user adoption of new products and services and product and service upgrades, and adversely impact its competitive position.

VMware's business depends on the overall demand for IT and on the economic health of its current and prospective customers. The purchase of the Company's products and services is often discretionary and may involve a significant commitment of capital and other resources. Weak economic conditions or significant uncertainty regarding the stability of financial markets could adversely impact the Company's business, financial condition and results of operations in a number of ways, including by lengthening sales cycles, affecting the size of enterprise license agreements ("ELAs") that customers will commit to, reducing the level of the Company's non-ELA transactional sales, lowering prices for its products and services, reducing unit sales and reducing the rate of adoption of its products and services by new customers and the willingness of current customers to purchase upgrades to its existing products and services. For example, a recurrence of the sovereign debt crisis in Europe or that region's failure to recover from recession would threaten to suppress demand and the Company's customers' access to credit in that region, which is an important market for its products and services. Additionally, in response to sustained economic uncertainty, many national and local governments that are current or prospective customers for the Company's products and services, including the U.S. federal government, have made, or threatened to make, significant spending cutbacks which could reduce the amount of government spending on IT and the potential demand for its products and services from the government sector.

Regional economic uncertainty can also result in general and ongoing tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy and significant volatility in the credit, equity and fixed income markets. As a result, current or potential customers may be unable to fund software purchases, which could cause them to delay, decrease or cancel purchases of the Company's products and services. Even if customers are willing to purchase VMware's products and services, if they do not meet the Company's credit requirements, it may not be able to record accounts receivable or unearned revenues or recognize revenues from these customers until it receives payment, which could adversely affect the amount of revenues the Company is able to recognize in a particular period.

In addition, although the Company plans to continue making strategic investments in its business, many of its competitors have significantly greater financial, technical and other resources than the Company does, and to the degree that the economic recovery is anemic or not sustained, they may be better positioned to continue investment in competitive technologies.

VMware's revenues, unearned revenues, collection of accounts receivable and financial results may be adversely impacted by fluctuation of foreign currency exchange rates. Although foreign currency hedges can offset some of the risk related to foreign currency fluctuations, VMware will continue to experience foreign currency gains and losses in certain instances where it is not possible or cost effective to hedge VMware's foreign currency exposures.

VMware's revenues, unearned revenues, and its collection of accounts receivable may be adversely impacted as a result of fluctuations in the exchange rates between the U.S. dollar and foreign currencies. For example, the Company has distributors in foreign countries that may incur higher costs in periods when the value of the U.S. dollar strengthens against foreign currencies. One or more of these distributors could delay payments or default on credit extended to them as a result. Any significant delay or default in the collection of significant accounts receivable could result in an increased need for the Company to obtain working capital from other sources. If the Company determines that the amount of accounts receivable that is uncollectible is greater than its estimates, it would recognize an increase in bad debt expense, which would have a negative impact on the Company's results of operations. In addition, in periods when the value of the U.S. dollar strengthens, the Company may need to offer additional discounts, reduce prices or offer other incentives to mitigate the negative effect on demand.

The Company invoices and collects in certain non-U.S. dollar denominated currencies, thereby conducting a portion of its transactions in currencies other than the U.S. dollar. Although this practice may alleviate credit risk from the Company's distributors during periods when the U.S. dollar strengthens, it shifts the risk of currency fluctuations to the Company and may negatively impact its revenues, unearned revenues, anticipated cash flows and financial results due to fluctuations in foreign currency exchange rates, particularly the euro, the British pound, the Japanese yen, the Australian dollar and the Chinese renminbi relative to the U.S. dollar. While variability in operating margin may be reduced due to invoicing in certain of the local currencies in which the Company also recognizes expenses, increased exposure to foreign currency fluctuations will introduce additional risk for variability in revenue-related components of its consolidated financial statements. In 2014 approximately 30% of the Company's sales were invoiced and collected in certain non-U.S. dollar denominated currencies.

The Company enters into foreign currency forward contracts to hedge a portion of its net outstanding monetary assets and liabilities against movements in certain foreign exchange rates. Although the Company expects the gains and losses on its foreign currency forward contracts to generally offset the majority of the gains and losses associated with the underlying foreign-currency denominated assets and liabilities that the Company hedges, its hedging transactions may not yield the results it expects. Additionally, the Company expects to continue to experience foreign currency gains and losses in certain instances where it is not possible or cost effective to hedge its foreign currency exposures. For example, the Company experienced a measurable negative impact to its revenues in the fourth quarter of 2014 due to exchange rate fluctuations and the Company expects a further negative impact to 2015 revenues and unearned revenues even if currency exchange rates stabilize. The further weakening of foreign currency exchange rates against the U.S. dollar would likely result in additional adverse impact on the Company's revenues.

VMware may not be able to respond to rapid technological changes with new solutions and services offerings, which could have a material adverse effect on its sales and profitability.

The virtualization, cloud computing, end-user computing and SDDC industries are characterized by rapid technological changes, changing customer needs, frequent new software product introductions and evolving industry standards. The introduction of third-party solutions embodying new technologies and the emergence of new industry standards could make the Company's existing and future software solutions obsolete and unmarketable. Cloud computing is proving to be a disruptive technology that will alter the way that businesses consume, manage and provide physical IT resources, applications, data and IT services. VMware may not be able to establish or sustain its thought leadership in the cloud computing and enterprise software fields, and its customers may not view the Company's products and services as innovative and best-of-breed, which could result in a reduction in market share and the Company's inability to command a pricing premium over competitor products and services. VMware may not be able to develop updated products and services that keep pace with technological developments and emerging industry standards and that address the increasingly sophisticated needs of its customers or that interoperate with new or updated operating systems and hardware devices or certify the Company's products and services to work with these systems and devices. As a result, the Company may not be able to accurately predict the lifecycle of its software solutions, and they may become obsolete before the Company receives the amount of revenues that it anticipates from them. There is no assurance that any of its new offerings would be accepted in the marketplace. Significant reductions in server-related costs or the rise of more efficient infrastructure management software could also affect demand for its software solutions. As hardware and processors become more powerful, the Company will have to adapt its product and service offerings to take advantage of the increased capabilities. For example, while the introduction of more powerful servers presents an opportunity for the Company to provide better products for its customers, the migration of servers to microprocessors with an increasing number of multiple cores also allows an end user with a given number of licensed copies of the Company's software to multiply the number of virtualization machines run per server socket without having to purchase additional licenses from the Company. If the Company is unable to revise its solutions and offerings in response to new technological developments, its ability to retain or increase market share and revenues in the virtualization software space could be materially adversely affected.

VMware's operating results may fluctuate significantly, which makes its future results difficult to predict and may result in its operating results falling below expectations or its guidance and cause the price of VMware Class A common stock to decline.

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

In addition, factors that may affect the Company's operating results include, among others:

- general economic conditions in the Company's domestic and international markets and the effect that these conditions have on its customers' capital budgets and the availability of funding for software purchases;
- fluctuations in demand, adoption rates, sales cycles and pricing levels for the Company's products and services;
- fluctuations in foreign currency exchange rates;
- changes in customers' budgets for information technology purchases and in the timing of their purchasing decisions;
- the timing of recognizing revenues in any given quarter, which, as a result of software revenue recognition policies, can be affected by a number of factors, including product announcements, beta programs and product promotions that can cause revenue recognition of certain orders to be deferred until future products to which customers are entitled become available;
- the sale of the Company's products and services in the time frames the Company anticipates, including the number and size of orders in each quarter;
- the Company's ability to develop, introduce and ship in a timely manner new products and services and enhancements that meet customer demand, certification requirements and technical requirements;
- the introduction of new pricing and packaging models for the Company's product offerings;
- the timing of the announcement or release of upgrades or new products and services by the Company or by its competitors;
- the Company's ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- the Company's ability to control costs, including its operating expenses;
- changes to the Company's effective tax rate;
- the increasing scale of the Company's business and its effect on its ability to maintain historical rates of growth;
- the Company's ability to attract and retain highly skilled employees, particularly those with relevant experience in software development and sales;
- the Company's ability to conform to emerging industry standards and to technological developments by its competitors and customers;
- renewal rates and the amounts of the renewals for ELAs as original ELA terms expire;
- the timing and amount of software development costs that may be capitalized beginning when technological feasibility has been established and ending when the product is available for general release;
- unplanned events that could affect market perception of the quality or cost-effectiveness of the Company's products and solutions; and
- the recoverability of benefits from goodwill and acquired intangible assets, and the potential impairment of these assets.

The failure by customers to renew large license agreement transactions on a satisfactory basis could materially adversely affect the Company's business, financial condition, operating results and cash flow.

The Company's core customers are large enterprises with multi-year ELAs each of which involves substantial aggregate fee amounts. The failure to renew those transactions in the future, at a dollar value at least equal to the original agreement, or to replace those ELAs with new transactions of similar scope, on terms that are commercially attractive to the Company could materially adversely affect its business, financial condition, operating results and cash flow.

VMware's current research and development efforts may not produce significant revenues for several years, if at all.

Developing the Company's products and services is expensive. Its investment in research and development may not result in marketable products or services or may result in products and services that take longer to generate revenues, or may generate less revenues, than the Company anticipates. The Company's research and development expenses were approximately 21% of its total revenues during both 2014 and 2013. The Company's future plans include significant investments in software research and development and related product opportunities. VMware believes that it must continue to dedicate a significant amount of resources to its research and development efforts to maintain its competitive position. However, it may not receive significant revenues from these investments for several years, if at all.

VMware's products and services are sold using ELAs and through the Company's transactional business, and this strategy may not drive long-term sales and revenue growth.

VMware sells its products and services through two primary means, which it refers to as its ELA and its non-ELA, or transactional, sales.

ELAs are comprehensive long-term license agreements that provide for multi-year maintenance and support and constitute an increasing percentage of total overall sales. The Company believes that ELAs help it grow its business by building long-term relationships with its enterprise customers.

In recent periods, 25% to 40% of the Company's overall sales each quarter have been comprised of ELAs. These are generally larger size transactions, typically driven by its direct sales force and are primarily attractive to the Company's larger enterprise customers.

Transactional sales, in contrast, tend to be smaller in scope, shorter in duration with a standard one-year maintenance term, and are principally driven by the Company's sales channel partners. Historically, they have represented 60% to 75% of the Company's overall sales.

The Company's year-over-year overall sales, ELA sales and its transactional sales all increased in 2014 compared to 2013. Although the Company's transactional business has increased during 2014, as VMware develops and adds new product and service capabilities to its higher-end product offerings, and as its ELA volume continues to grow, the Company may not be successful in its strategy to increase the value of the products and services sold through the transactional business. Consequently, the Company may not be able to increase sales volumes in its transactional business or help attract new customers to its product ecosystem with its enhanced product features and capabilities.

If the Company's overall go-to-market strategy is not successful, its growth rates may decline further, and its business, financial condition and results of operations could be materially adversely affected.

VMware's sales cycles can be long and unpredictable, its sales efforts require considerable time and expense, and timing of sales is subject to changing purchasing behaviors of its customers. As a result, VMware's sales are difficult to predict and may vary substantially from quarter to quarter, which may cause its operating results to fluctuate significantly.

The timing of the Company's revenues is difficult to predict. Its sales efforts involve educating its customers about the use and benefit of its products and services, including their technical capabilities, potential cost savings to an organization and advantages compared to lower-cost products and services offered by the Company's competitors. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle which typically lasts several months, and may last a year or longer. VMware spends substantial time, effort and money on its sales efforts without any assurance that its efforts will produce any sales. In addition, product and service purchases are frequently subject to budget constraints, economic conditions, multiple approvals, and unplanned administrative, processing and other delays. Moreover, the greater number of competitive alternatives, as well as announcements by the Company's competitors that they intend to introduce competitive alternatives at some point in the future, can lengthen customer procurement cycles, cause VMware to spend additional time and resources to educate end users on the advantages of its product and service offerings and delay product and service sales. Economic downturns and uncertainty can also cause customers to add layers to their internal purchase approval processes, adding further time to a sales cycle. Additionally, as the Company sells more products and services to domestic and foreign governments, it may encounter lengthier sales cycles, complicated budgeting processes and complex procurement regulations. These factors can have a particular impact on the timing and length of the Company's ELA sales cycles and the Company's overall sales during any particular fiscal period may have greater variability as a greater portion of its sales is made utilizing ELAs.

Additionally, the Company's quarterly sales have historically reflected an uneven pattern in which a disproportionate percentage of a quarter's total sales occur in the last month, weeks and days of each quarter. Similarly, the Company's yearly sales have historically reflected a disproportionate percentage of the year's sales in the fourth fiscal quarter. These patterns make prediction of revenues, earnings and working capital for each financial period especially difficult and uncertain and increase the risk of unanticipated variations in financial condition and results of operations. VMware believes this uneven sales pattern is a result of many factors including the following:

- the tendency of customers to wait until late in a quarter to commit to a purchase in the hope of obtaining more favorable pricing;
- the fourth quarter influence of customers spending their remaining capital budget authorization prior to new budget constraints in the following year; and
- seasonal influences, such as holiday or vacation periods.

If sales expected from specific customers for a particular quarter are not realized in that quarter or at all, the Company's results could fall short of public expectations and its business, financial condition and results of operations could be materially adversely affected.

VMware is dependent on its management and its key development personnel, and the loss of key personnel may prevent the Company from implementing its business plan in a timely manner.

VMware's success depends largely upon the continued services of its existing management. The Company is also substantially dependent on the continued service of its key development personnel for product and service innovation and timely development and delivery of upgrades and enhancements to its existing products and services. The market for expert software developers upon whom the Company relies has become increasingly competitive. VMware generally does not have employment or non-compete agreements with its existing management or development personnel, and, therefore, they could terminate their employment with the Company at any time without penalty and could pursue employment opportunities with any of its competitors. Changes to management and key employees can also lead to additional unplanned losses of key employees. The loss of key employees could seriously harm the Company's ability to release new products and services on a timely basis and could significantly help its competitors.

Because competition for VMware's target employees is intense, the Company may not be able to attract and retain the highly skilled employees it needs to support its planned growth, and its compensation expenses may increase.

To execute on its strategy, VMware must continue to attract and retain highly qualified personnel. Competition for these personnel is intense, especially for senior sales executives and engineers with high levels of experience in designing and developing software. VMware may not be successful in attracting and retaining qualified personnel. The Company has from time to time in the past experienced, and it expects to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which it competes for experienced personnel have greater resources than the Company has. 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 the Company conducts product and service development. In addition, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the stock-based compensation they are to receive in connection with their employment. Declines in the value of the Company's stock could adversely affect its ability to attract or retain key employees and result in increased employee compensation expenses. If the Company fails to attract new personnel or fails to retain and motivate its current personnel, its business and future growth prospects could be severely harmed.

VMware's success depends upon its ability to develop new products and services, integrate acquired products and services and enhance its existing products and services and develop appropriate business and pricing models.

If VMware is unable to develop new products and services, integrate acquired products and services, enhance and improve its products and support services in a timely manner, or position or price its products and services to meet market demand, customers may not buy new software licenses from the Company, update to new versions of its software or renew product support. In addition, IT standards from both consortia and formal standards-setting forums as well as de facto marketplace standards are rapidly evolving. VMware cannot provide any assurance that the standards on which it chooses to develop new products and services will allow it to compete effectively for business opportunities in emerging areas such as cloud computing.

New product and service development and introduction involve a significant commitment of time and resources and is subject to a number of risks and challenges including:

- managing the length of the development cycle for new products and services and product and service enhancements, which has frequently been longer than the Company originally expected;

- increasing complexity of the Company's product offerings as the Company introduces product suites such as its vCloud Suite, which can significantly increase the development time and effort necessary to achieve the interoperability of product suite components while maintaining product quality;
- growth rates of the Company's emerging products and services may be negatively impacted despite their technical merit by the need to package such products and services in more complex product suite offerings that require more time for customer evaluation and purchase decisions;
- managing customers' transitions to new products and services, which can result in delays in their purchasing decisions;
- adapting to emerging and evolving industry standards and to technological developments by its competitors and customers;
- entering into new or unproven markets with which the Company has limited experience;
- reacting to trends and predicting which technologies will be successful and develop into industry standards;
- tailoring its business and pricing models appropriately as the Company enters new markets and responds to competitive pressures and technological changes;
- incorporating and integrating acquired products and technologies; and
- developing or expanding efficient sales channels.

In addition, if the Company cannot adapt its business models to keep pace with industry trends, its revenues could be negatively impacted. For example, if the Company increases its adoption of subscription-based pricing models for its products, it may fail to set pricing at levels appropriate to maintain its revenue streams or its customers may choose to deploy products from the Company's competitors that they believe are priced more favorably. Additionally, the Company may fail to accurately predict subscription renewal rates or their impact on results of operations, and because revenues from subscriptions are recognized for its services over the term of the subscription, downturns or upturns in sales may not be immediately reflected in the Company's results. As the Company offers more products that depend on converting users of free services to users of premium services and as such services grow in size, its ability to maintain or improve and to predict conversion rates will become more important.

Breaches of the Company's cybersecurity systems could degrade its ability to conduct its business operations and deliver products and services to its customers, delay its ability to recognize revenue, compromise the integrity of its software products, result in significant data losses and the theft of its intellectual property, damage its reputation, expose the Company to liability to third parties and require it to incur significant additional costs to maintain the security of its networks and data.

VMware increasingly depends upon its IT systems to conduct virtually all of the Company's business operations, ranging from its internal operations and product development activities to its marketing and sales efforts and communications with its customers and business partners. Unauthorized parties have attempted to penetrate the Company's network security and its website. Such cyberattacks threaten to misappropriate the Company's proprietary information and cause interruptions of its IT services. Because the techniques used by unauthorized persons to access or sabotage networks change frequently and may not be recognized until launched against a target, the Company may be unable to anticipate these techniques. Further, if unauthorized access or sabotage remains undetected for an extended period of time, the effects of such breach could be exacerbated. In addition, sophisticated hardware and operating system software and applications that the Company produces or procures from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The Company's exposure to cybersecurity threats and negative consequences of cybersecurity breaches will likely increase as the Company's vCloud Air business expands and it stores increasing amounts of customer data and hosts or manages parts of customers' businesses in cloud-based IT environments.

The Company has also outsourced a number of its business functions to third party contractors, and its business operations also depend, in part, on the success of its contractors' own cybersecurity measures. The Company also uses third parties to provide colocation services (i.e. data center services) for its hybrid cloud offering. Similarly, the Company relies upon distributors, resellers, system vendors and systems integrators to sell its products and its sales operations depend, in part, on the reliability of their cybersecurity measures. Additionally, the Company depends upon its employees to appropriately handle confidential data and deploy its IT resources in safe and secure fashion that does not expose its network systems to security breaches and the loss of data. Accordingly, if the Company's cybersecurity systems and those of its contractors, partners and vendors fail to protect against unauthorized access, sophisticated cyberattacks and the mishandling of data by its employees, contractors, partners or vendors, the Company's ability to conduct its business effectively could be damaged in a number of ways, including:

- sensitive data regarding the Company's business, including intellectual property and other proprietary data, could be stolen;
- its electronic communications systems, including email and other methods, could be disrupted, and its ability to conduct its business operations could be seriously damaged until such systems can be restored and secured;
- the Company's ability to process customer orders and electronically deliver products and services could be degraded, and its distribution channels could be disrupted, resulting in delays in revenue recognition;
- defects and security vulnerabilities could be exploited or introduced into the Company's software products or its hybrid cloud offering, thereby damaging the reputation and perceived reliability and security of the Company's products and services and potentially making the data systems of its customers vulnerable to further data loss and cyber incidents; and
- personally identifiable or confidential data of the Company's customers, employees and business partners could be stolen or lost.

Should any of the above events occur, the Company could be subject to significant claims for liability from its customers, regulatory actions from governmental agencies, its ability to protect its intellectual property rights could be compromised and the Company's reputation and competitive position could be significantly harmed. Also, the regulatory and contractual actions, litigations, investigations, fines, penalties and liabilities relating to data breaches that result in losses of personally identifiable or credit card information of users of its services can be significant in terms of fines and reputational impact, and necessitate changes to its business operations that may be disruptive to the Company. Additionally, the Company could incur significant costs in order to upgrade its cybersecurity systems and remediate damages. Consequently, the Company's financial performance and results of operations could be adversely affected.

VMware's products and services are highly technical and may contain errors, defects or security vulnerabilities which could cause harm to its reputation and adversely affect its business.

VMware's products and services are highly technical and complex and, when deployed, have contained and may contain errors, defects or security vulnerabilities. Some errors in its products or services may only be discovered after a product or service has been installed and used by customers. Any errors, defects or security vulnerabilities discovered in its products or services after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers and increased service and warranty cost, any of which could adversely affect the Company's business, financial condition and results of operations. Undiscovered vulnerabilities in the Company's products or services could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, worms, and other malicious software programs that could attack its products or services. In the past, VMware has been made aware of public postings by hackers of portions of the Company's source code. It is possible that the released source code could expose unknown security vulnerabilities in the Company's products and services that could be exploited by hackers or others. The Company may also inherit unknown security vulnerabilities when the Company integrates the products or services of companies that it acquires into existing and new VMware products or services.

Actual or perceived security vulnerabilities in its products or services could harm the Company's reputation and lead some customers to return products or services, to reduce or delay future purchases or to use competitive products or services. End users, who rely on the Company's products and services for the interoperability of enterprise servers and applications that are critical to their information systems, may have a greater sensitivity to product errors and security vulnerabilities than customers for software products generally. Any security breaches could lead to interruptions, delays and data loss and protection concerns. By their nature, security breaches are often difficult to detect and the failure to detect a breach for an extended period of time could significantly increase the damage it could cause. In addition, the Company could face claims for product liability, tort or breach of warranty, including claims relating to changes to its products and services made by the Company's channel partners. The Company's contracts with customers contain provisions relating to warranty disclaimers and liability limitations, which may not be upheld and customers and channel partners may seek indemnification from VMware for their losses and those of their customers. Defending a lawsuit, regardless of its merit, is costly and time-consuming and may divert management's attention and adversely affect the market's perception of VMware and its products and services. In addition, if the Company's business liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, its business, financial condition and results of operations could be adversely impacted.

Operating in foreign countries subjects VMware to additional risks that may harm its ability to increase or maintain its international sales operations and investments.

Revenues from customers outside the United States comprised approximately 52% of the Company's total revenues in the years ended 2014 and 2013. The Company has sales, administrative, research and development and technical support personnel in numerous countries worldwide. VMware expects to continue to add personnel in additional countries. Additionally, its investment portfolio includes investments in non-U.S. financial instruments and holdings in non-U.S. financial institutions, including European institutions. The Company's international operations subject it to a variety of risks, including:

- the difficulty of managing and staffing international offices and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- increased exposure to foreign currency exchange rate risk;
- difficulties in enforcing contracts and collecting accounts receivable, and longer payment cycles, especially in emerging markets;
- difficulties in delivering support, training and documentation in certain foreign markets;
- tariffs and trade barriers and other regulatory or contractual limitations on its ability to sell or develop its products and services in certain foreign markets;
- economic or political instability and security concerns in countries that are important to the Company's international sales and operations;
- macroeconomic disruptions, such as monetary and credit crises, that can threaten the stability of local and regional financial institutions and decrease the value of its international investments;
- the overlap of different tax structures or changes in international tax laws;
- reduced protection for intellectual property rights, including reduced protection from software piracy, in some countries;
- difficulties in transferring funds from certain countries; and
- difficulties in maintaining appropriate controls relating to revenue recognition practices.

Additionally, as the Company continues to expand its business globally, it will need to maintain compliance with legal and regulatory requirements covering the foreign activities of U.S. corporations, such as export control requirements and the Foreign Corrupt Practices Act, as well as with local regulatory requirements in non-U.S. jurisdictions. These risks will increase as the Company expands its operations to locations with a higher incidence of corruption and fraudulent business practices. The Company's success will depend, in large part, on its ability to anticipate and effectively manage these and other risks associated with its international operations. VMware expects a significant portion of its growth to occur in foreign countries, which can add to the difficulties in maintaining adequate management and compliance systems and internal controls over financial reporting, and increase challenges in managing an organization operating in various countries. In addition, potential fallout from recent disclosures related to the U.S. Internet and communications surveillance could also make foreign customers reluctant to purchase cloud computing products and services from U.S. based companies and impair the Company's growth rate in foreign markets.

The Company's failure to manage any of these risks successfully could negatively affect its reputation, limit the Company's growth, harm its operations and reduce its international sales.

Failure to effectively manage the Company's product and service lifecycles could materially adversely affect its business, financial condition, operating results and cash flow.

As part of the natural lifecycle of the Company's products and services, VMware 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, the Company offers to transition the customer to alternative products or services.

Failure to effectively manage the Company's product and service lifecycles could lead to customer dissatisfaction, and contractual liabilities, which could materially adversely affect its business, financial condition, operating results and cash flow.

If operating system and hardware vendors do not cooperate with VMware or VMware is unable to obtain early access to their new products, or access to certain information about their new products to ensure that its solutions interoperate with those products, the Company's product development efforts may be delayed or foreclosed.

The Company's products interoperate with Windows, Linux and other operating systems and the hardware devices of numerous manufacturers. Developing products that interoperate properly requires substantial partnering, capital investment and employee resources, as well as the cooperation of the vendors and developers of the operating systems and hardware. Operating system and hardware vendors may not provide the Company with early access to their technology and products, assist the Company in these development efforts or share with or sell to the Company any application programming interfaces, or "APIs", formats or protocols it may need. If they do not provide the Company with the necessary early access, assistance or proprietary technology on a timely basis, it may experience product development delays or be unable to expand its products into other areas. To the extent that software or hardware vendors develop products that compete with the Company's or those of its controlling stockholder, EMC Corporation ("EMC"), they may have an incentive to withhold their cooperation, decline to share access or sell to the Company their proprietary APIs, protocols or formats, or engage in practices to actively limit the functionality, compatibility and certification of its products. To the extent that VMware enters into collaborations or joint development and marketing arrangements with certain hardware and software vendors, vendors who compete with its collaborative partners may similarly choose to limit their cooperation with the Company. In addition, hardware or operating system vendors may fail to certify or support or continue to certify or support the Company's products for their systems. If any of the foregoing occurs, the Company's product development efforts may be delayed or foreclosed and its business and results of operations may be adversely affected.

VMware relies on distributors, resellers, system vendors and systems integrators to sell its products and services, and the Company's failure to effectively develop, manage or prevent disruptions to its distribution channels and the processes and procedures that support them could cause a reduction in the number of end users of the Company's products and services.

VMware's future success is highly dependent upon maintaining and increasing the number of its relationships with distributors, resellers, system vendors and systems integrators. Because the Company relies on distributors, resellers, system vendors and systems integrators, it may have little or no contact with the ultimate users of its products and services, thereby making it more difficult for it to establish brand awareness, ensure proper delivery and installation of its products and services, service ongoing customer requirements, estimate end-user demand and respond to evolving customer needs.

Recruiting and retaining qualified channel partners and training them in the use of the Company's technology and product offerings requires significant time and resources. In order to develop and expand its distribution channel, VMware must continue to expand and improve its processes and procedures that support its channel, including its investment in systems and training, and those processes and procedures may become increasingly complex and difficult to manage. The time and expense required for sales and marketing organizations of the Company's channel partners to become familiar with VMware's product and service offerings, including its new product and service developments, may make it more difficult to introduce those products and services to end users and delay end-user adoption of its product and service offerings.

VMware generally does not have long-term contracts or minimum purchase commitments with its distributors, resellers, system vendors and systems integrators, and its contracts with these channel partners do not prohibit them from offering products or services that compete with the Company's. Its competitors may be effective in providing incentives to existing and potential channel partners to favor products and services of the Company's competitors or to prevent or reduce sales of its products and services. Certain system vendors now offer competing virtualization products pre-installed on their server products and services. Additionally, the Company's competitors could attempt to require key distributors to enter into exclusivity arrangements with them or otherwise apply their pricing or marketing leverage to discourage distributors from offering the Company's products and services. Accordingly, its channel partners may choose not to offer the Company's products and services exclusively or at all. VMware's failure to maintain and increase the number of relationships with channel partners would likely lead to a loss of end users of its products and services which would result in the Company receiving lower revenues from its channel partners. Three of the Company's distributors each accounted for 10% or more of its consolidated revenues during the year ended of 2014. The Company's agreements with distributors are typically terminable 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 or services under the agreements. While the Company believes that it has in place, or would have in place by the date of any such termination, agreements with replacement distributors sufficient to maintain its revenues from distribution, if the Company were to lose the distribution services of a significant distributor, such loss could have a negative impact on its results of operations until such time as it arranges to replace these distribution services with the services of existing or new distributors.

The concentration of the Company's product sales among a limited number of distributors increases VMware's potential credit risk. Additionally, weakness in credit markets could affect the ability of its distributors, resellers and customers to comply with the terms of credit the Company provides in the ordinary course of business. Accordingly, if its distributors, resellers and customers find it difficult to obtain credit or comply with the terms of their credit obligations, it could cause significant fluctuations or declines in the Company's product revenues.

Three of the Company's distributors each accounted for 10% or more of its consolidated revenues during the year ended of 2014. VMware anticipates that sales of its products to a limited number of distributors will continue to account for a significant portion of its total product revenues for the foreseeable future. The concentration of product sales among certain distributors increases the Company's potential credit risks. For example, approximately 42% of its total accounts receivable as of December 31, 2014 was from these three distributors. Some of the Company's distributors may experience financial difficulties, which could adversely impact its collection of accounts receivable. One or more of these distributors could delay payments or default on credit extended to them. The Company's exposure to credit risks of its distributors may increase if its distributors and their customers are adversely affected by global or regional economic conditions. Additionally, VMware provides credit to distributors, resellers, and certain end-user customers in the normal course of business. Credit is generally extended to new customers based upon a credit evaluation. Credit is extended to existing customers based on ongoing credit evaluations, prior payment history, and demonstrated financial stability. The Company often allows distributors and customers to purchase and receive shipments of products in excess of their established credit limit. VMware is unable to recognize revenues from such shipments until the collection of those amounts becomes reasonably assured. Any significant delay or default in the collection of significant accounts receivable could result in an increased need for the Company to obtain working capital from other sources, possibly on worse terms than it could have negotiated if it had established such working capital resources prior to such delays or defaults. Any significant default could result in a negative impact on the Company's results of operations and delay its ability to recognize revenue.

VMware may become involved in litigation and regulatory inquiries and proceedings that could negatively affect it.

From time to time, VMware is involved in various legal, administrative and regulatory proceedings, claims, demands and investigations relating to its business, which may include claims with respect to commercial, product liability, intellectual property, employment, class action, whistleblower and other matters. In the ordinary course of business, VMware also receives inquiries from and has discussions with government entities regarding the compliance of its contracting and sales practices with laws and regulations. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. While no formal legal proceedings that the Company expects to have a material impact on its financial condition or results of operations have been commenced, there can be no assurance that actions will not be taken in the future and final resolution of such claims could be materially different from the Company's current estimates. Furthermore, because litigation and the outcome of regulatory proceedings are inherently unpredictable, it is possible that the Company's business, financial condition or results of operations could be negatively affected by an unfavorable resolution of one or more of such proceedings, claims, demands or investigations.

VMware's business is subject to a variety of U.S. and international laws and regulations regarding data protection.

VMware's business is subject to federal, state and international laws and regulations regarding privacy and protection of personal data. As Internet commerce continues to evolve, regulation by federal, state and foreign governments or agencies in the areas of data privacy and data security is likely to increase. Other nations have data privacy laws that, in some respects, are more stringent than privacy standards in the United States. As the Company expands its operations in these countries, its liability exposure and the complexity and cost of compliance with data and privacy requirements will likely increase. The Company collects contact and other personal or identifying information from its customers. Additionally, in connection with some of its product initiatives, including the Company's web-based services, mobile services and its vCloud Air offering, the Company expects that its customers may increasingly use its services to store and process personal information and other regulated data. The Company posts, on its websites, and, where appropriate, within its products, its privacy policies and practices concerning its treatment of personal data. The Company also often includes privacy commitments in its contracts. Any failure by the Company to comply with its posted privacy policies, other federal, state or international privacy-related or data protection laws and regulations, or the privacy commitments contained in its contracts could result in proceedings against the Company by governmental entities or others, which could have a material adverse effect on its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business.

It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with the Company's data practices. If so, in addition to the possibility of fines and penalties, a governmental order requiring that it changes its data practices could result, which in turn could have a material adverse effect on the Company's business. Compliance with such an order may involve significant costs or require changes in business practices that result in reduced revenues. Noncompliance could result in penalties being imposed on the Company or it could be ordered to cease conducting the noncompliant activity.

In addition to government regulation, privacy advocacy and industry groups or other third parties may propose new and different self-regulatory standards that either legally or contractually apply to the Company's customers or the Company. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and standards, could result in additional cost and liability to the Company, damage its reputation, reduce sales and harm its business.

Additionally, the Company's virtualization technology is used by cloud computing vendors, and VMware has expanded its involvement in the delivery and provision of cloud computing through business alliances with various providers of cloud computing services and software and expect to continue to do so in the future. The application of U.S. and international data privacy laws to cloud computing vendors is uncertain, and its existing contractual provisions may prove to be inadequate to protect the Company from claims for data loss or regulatory noncompliance made against cloud computing providers who the Company may partner with. Accordingly, the failure to comply with data protection laws and regulations by its customers and business partners who provide cloud computing services could have a material adverse effect on the Company's business.

Since some of the Company's products and services are web-based, the Company's customers store their data on its servers and the Company's vendors' servers. This data may include personal data. It may also include protected health information ("PHI") that may be subject to federal, state and international health care privacy, data privacy or security laws, including the Health Insurance Portability and Accountability Act ("HIPAA"). HIPAA has been amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") with the result of increased civil penalties. As a result of HIPAA and the HITECH Act, business associates who have access to PHI provided by covered entities and other business associates are now directly subject to HIPAA. When the Company's customers place PHI into its web-based services, including vCloud Air or its services hosted on its vCloud Air, the Company may be required to comply with HIPAA's data security requirements and may be liable for sanctions and penalties for failure to do so. Any systems failure or compromise of its security that results in the release of the Company's customers' data could (i) subject it to substantial damage claims from its customers, (ii) expose it to costly regulatory remediation, and (iii) harm its reputation and brand. The Company may also need to expend significant resources to protect against security breaches.

If VMware fails to comply with its customer contracts or government contracting regulations, its business could be adversely affected.

VMware's contracts with its customers may include unique and specialized performance requirements. In particular, its contracts with federal, state, local and non-U.S. governmental customers and its 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 the Company to comply with provisions in its customer contracts or any violation of government contracting regulations could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments and, in the case of the Company's government contracts, fines and suspension from future government contracting. Further, any negative publicity related to its customer contracts or any proceedings surrounding them, regardless of its accuracy, may damage the Company's business and affect its ability to compete for new contracts. In the ordinary course of business, VMware also receives inquiries from and has ongoing discussions with government entities regarding the compliance of its contracting and sales practices with laws and regulations. The Company is continuing to cooperate with the U.S. General Services Administration and the Department of Justice in their inquiries regarding the Company's government sales practices between 2006 and 2013. During the second quarter of 2014, the Company recognized a liability of approximately $11 million in connection with this matter as the loss was determined to be both probable and reasonably estimable. While no formal legal proceedings have been commenced, final resolution of the matter could result in liability materially different from the accrued amount, and there can be no assurance that actions will not be commenced in the future. If the Company's customer contracts are terminated, if the Company is suspended from government work or fines or other government sanctions are imposed, or if its ability to compete for new contracts is adversely affected, VMware's business, operating results or financial condition could be adversely affected.

If VMware is unable to protect its intellectual property rights, its competitive position could be harmed or it could be required to incur significant expenses to enforce its rights.

VMware depends on its ability to protect its proprietary technology. The Company relies 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 its efforts, the steps the Company has taken to protect its proprietary rights may not be adequate to preclude misappropriation of its proprietary information or infringement of its intellectual property rights, and its ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the United States. Further, with respect to patent rights, the Company does not know whether any of its pending patent applications will result in the issuance of patents or whether the examination process will require the Company to narrow its claims. To the extent that additional patents are issued from the Company's patent applications, which are not certain, they may be contested, circumvented or invalidated in the future. Moreover, the rights granted under any issued patents may not provide the Company with proprietary protection or competitive advantages, and, as with any technology, competitors may be able to develop similar or superior technologies to its own now or in the future. In addition, the Company relies on confidentiality or license agreements with third parties in connection with their use of its products and technology. There is no guarantee that such parties will abide by the terms of such agreements or that the Company will be able to adequately enforce its rights, in part because the Company relies on "click-wrap" and "shrink-wrap" licenses in some instances.

Detecting and protecting against the unauthorized use of the Company's products, technology proprietary rights, and intellectual property rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend the Company's intellectual property rights, to protect its trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm its business, financial condition and results of operations, and there is no guarantee that VMware would be successful. Furthermore, many of its current and potential competitors have the ability to dedicate substantially greater resources to protecting their technology or intellectual property rights than the Company does. Accordingly, despite its efforts, VMware may not be able to prevent third parties from infringing upon or misappropriating its intellectual property, which could result in a substantial loss of the Company's market share.

VMware provides access to its hypervisor and other selected source code to partners, which creates additional risk that its competitors could develop products that are similar to or better than the Company's.

VMware's success and ability to compete depend substantially upon its internally developed technology, which in some cases is incorporated in the source code for its products. The Company seeks to protect the source code, design code, documentation and other information relating to its software, under trade secret, copyright, and other applicable laws. However, the Company has chosen to provide access to its hypervisor and other selected source code to several dozen of its partners for co-development, as well as for open APIs, formats and protocols. Though the Company generally controls access to its source code and other intellectual property, and enters into confidentiality or license agreements with such partners, as well as with its employees and consultants, this combination of procedural and contractual safeguards may be insufficient to protect its trade secrets and other rights to its technology. The Company's protective measures may be inadequate, especially because the Company may not be able to prevent its partners, employees or consultants from violating any agreements or licenses it may have in place or abusing their access granted to its source code. Improper disclosure or use of its source code could help competitors develop products similar to or better than the Company's.

VMware is, and may in the future be, subject to claims by others that it infringes or contributes to the infringement of their proprietary technology, which could force the Company to pay damages or prevent it from using certain technology in its products.

Companies in the software and technology industries own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. This risk may increase as the number of products and competitors in the Company's market increases as computing, networking, storage, and software technologies increasingly converge. This risk may also increase as a result of the Company's increasing presence in the mobile enterprise management space. The threat of intellectual property infringement claims against the Company may increase in the future because of constant technological change in the segments in which it competes, extensive patent coverage of existing technologies and the rapid rate of issuance of new patents. Additionally, there is an increased risk that the Company's competitors will use their intellectual property rights to limit the Company's freedom to operate and exploit its products or to otherwise block the Company from taking full advantage of its markets.

In addition, as a well-known IT company, the Company risks of being the subject of an increasing number of intellectual property infringement claims, including claims by entities that do not have operating businesses of their own and therefore limit the Company's ability to seek counterclaims for damages and injunctive relief. Any claim of infringement by a third party, even one without merit, could cause the Company to incur substantial costs defending against the claim, and could distract its management from the Company's business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires VMware to pay substantial damages. A judgment could also include an injunction or other court order that could prevent VMware from offering its products. In addition, the Company 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. Alternatively, the Company may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any of these events could seriously harm VMware's business, operating results and financial condition. Third parties may also assert infringement claims against the Company's customers and channel partners. Any of these claims could require VMware to initiate or defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims, because VMware generally indemnifies its customers and channel partners from claims of infringement of proprietary rights of third parties in connection with the use of its products. If any of these claims succeed, the Company may be forced to pay damages on behalf of its customers or channel partners, which could negatively affect VMware's results of operations.

VMware's use of "open source" software in its products could negatively affect the Company's ability to sell its products and subject it to possible litigation.

A significant portion of the products, technologies or services acquired, licensed, developed or offered by VMware may incorporate so-called "open source" software, and VMware may incorporate open source software into other products in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, "Apache-style" licenses, "BSD-style" licenses and other open source licenses. VMware monitors its use of open source software in an effort to avoid subjecting its products to conditions the Company does not intend. Although VMware believes that it has complied with its obligations under the various applicable licenses for open source software that it uses, its processes used to monitor how open source software is used could be subject to error. In addition, there is little or no legal precedent governing the interpretation of terms in most of these licenses. Therefore, any improper usage of open source could result in unanticipated obligations regarding the Company's products and technologies. For example, VMware may be subjected to certain conditions, including requirements that it offers its products that use the open source software for no cost, that it makes available source code for modifications or derivative works it creates based upon incorporating, using or distributing the open source software, that it licenses such modifications or derivative works under the terms of the particular open source license, that it revises or modifies its product code to remove alleged infringing code or that the Company takes other steps to avoid or remedy an alleged infringement. Any of these obligations could have an adverse impact on the Company's intellectual property rights and its ability to derive revenues from products incorporating the open source software.

If an author or other third party that distributes such open source software were to allege that the Company had not complied with the conditions of one or more of these licenses, VMware could be required to incur significant legal expenses defending against such allegations. Although VMware has received inquiries regarding open source license compliance for software used in its products, no formal legal proceedings that would have a material impact on the Company's results of operations or financial condition have been filed. However, there can be no assurance that actions will not be taken in the future. If VMware's defenses were not successful, it could be subject to significant damages. The Company could also be enjoined from the distribution of its products that contained the open source software or be required to modify its products in order to comply with the conditions of the open source license(s) in question, thereby disrupting the distribution and sale of some of the Company's products. In addition, if VMware combines its proprietary software with open source software in a certain manner, under some open source licenses it could be required to release the source code of its proprietary software, which could substantially help VMware's competitors develop products that are similar to or better than the Company's.

In addition to risks related to license requirements, usage of open source software exposes VMware to risks that differ from the use of third-party commercial software because open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software such as the lack of warranties or assurances of title cannot be eliminated and could, if not properly addressed, negatively affect VMware's business. VMware has established processes to help address these risks, including a review process for screening requests from its development organizations for the use of open source and conducting appropriate due diligence of the use of open source software in the products developed by companies the Company acquires, but VMware cannot ensure that the Company's processes will be sufficient, all open source software will be submitted for approval prior to use in its products, or all open source software is discovered during due diligence.

VMware offers a number of products under open source licenses that subject the Company to additional risks and challenges, which could result in increased development expenses, delays or disruptions to the release or distribution of those software solutions, and increased competition.

Several of VMware's product offerings are distributed under open source licenses. Software solutions that are substantially or mostly based on open source software subject the Company to a number of risks and challenges:

- If open source software programmers, most of whom the Company does not employ, do not continue to develop and enhance open source technologies, the Company's development expenses could be increased and its product release and upgrade schedules could be delayed.
- One of the characteristics of open source software is that anyone can modify the existing software or develop new software that competes with existing open source software. As a result, competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. It is also possible for new competitors with greater resources than VMware's to develop their own open source solutions, potentially reducing the demand for, and putting price pressure on, the Company's solutions.
- It is possible that a court could hold that the licenses under which VMware's open source products and services are developed and licensed are not enforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under them. Any ruling by a court that these licenses are not enforceable, or that open source components of VMware's product or services offerings may not be liberally copied, modified or distributed, may have the effect of preventing the Company from distributing or developing all or a portion of its products or services. In addition, licensors of open source software employed in VMware's offerings may, from time to time, modify the terms of their license agreements in such a manner that those license terms may no longer be compatible with other open source licenses in the Company's offerings or its end-user license agreement or terms of service, and thus could, among other consequences, prevent VMware from continuing to distribute the software code subject to the modified license or terms of service.
- Actions to protect and maintain ownership and control over VMware's intellectual property could adversely affect its standing in the open source community, which in turn could limit its ability to continue to rely on this community, upon which the Company is dependent, as a resource to help develop and improve VMware's open source products and services.

If VMware is unable to successfully address the challenges of integrating offerings based upon open source technology into its business, its ability to realize revenues from such offerings will be negatively affected and its development costs may increase.

Acquisitions could disrupt the Company's business, cause dilution to its stockholders and harm its business, financial condition and results of operations.

VMware has acquired in the past and plan to acquire in the future other businesses, products or technologies. Acquisitions can involve significant risks and uncertainties, which include:

- disrupting the Company's ongoing operations, diverting management from day-to-day responsibilities, increasing the Company's expenses, and adversely impacting its business, financial condition and results of operations;
- failure of the acquired business to further the Company's business strategy;
- uncertainties in achieving the expected benefits of an acquisition, including enhanced revenues, technology, human resources, cost savings, operating efficiencies and other synergies;
- reducing cash available for operations, stock repurchase programs and other uses and resulting in potentially dilutive issuances of equity securities or the incurrence of debt;
- incurring amortization expense related to identifiable intangible assets acquired that could impact the Company's operating results;
- difficulty integrating the operations, systems, technologies, products and personnel of the acquired businesses effectively;
- retaining and motivating key personnel from acquired companies;
- assuming the liabilities of the acquired business, including acquired litigation-related liabilities, and potential litigation arising from a proposed or completed acquisition;
- maintaining good relationships with customers or business partners of the acquired business or the Company's own customers as a result of any integration of operations;
- product liability, customer liability or intellectual property liability associated with the sale of the acquired business's products;
- unidentified issues not discovered during the diligence process, including issues with the acquired business's intellectual property, product quality, security, privacy practices, accounting practices or legal contingencies;
- maintaining or establishing acceptable standards, controls, procedures or policies with respect to the acquired business; and
- risks relating to the challenges and costs of closing a transaction.

Additionally, the Company may not be able to find suitable acquisition candidates, and the Company may not be able to complete acquisitions on favorable terms, if at all. If the Company does complete acquisitions, it may not ultimately strengthen the Company's competitive position or achieve its goals, or they may be viewed negatively by customers, financial markets or investors. If the Company's acquisitions do not meet its expectations, or if the Company's strategic focus subsequently changes, it may choose to abandon certain acquired product lines and divest from acquired businesses. For example, in 2013, the Company divested certain business activities, including SlideRocket, Shavlik, and Zimbra. It is generally difficult for an acquirer to completely recover the cost of an acquisition which is subsequently divested. Accordingly, divestitures of acquired businesses and products may result in the Company taking charges for impairment of assets and goodwill, and result in cash expenditures in connection with headcount reductions.

The risks described above may be exacerbated as a result of managing multiple acquisitions at the same time. The Company may also face difficulties due to the lack of experience in new markets, products or technologies or the initial dependence on unfamiliar supply or distribution partners.

In addition to business acquisitions, the Company also seeks to invest in businesses such as venture financed companies and joint ventures that offer complementary products, services or technologies. These investments are accompanied by risks similar to those encountered in an acquisition of a business. Additionally, the Company does not control entities where it has a minority investment, and therefore cannot ensure that these investments and joint ventures will make decisions that promote or are complementary to the Company's business strategy.

If VMware's goodwill or amortizable intangible assets become impaired, the Company may be required to record a significant charge to earnings.

VMware may not realize all the economic benefit from its acquisitions of other companies, which could result in an impairment of goodwill or intangibles. During 2014, VMware's goodwill balance increased by $938 million or 31% primarily as a result of acquisitions made during the year. The Company reviews its amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The Company tests goodwill for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying value of its goodwill or amortizable intangible assets may not be recoverable, include a decline in stock price and market capitalization or cash flows, reduced future cash flow estimates, and slower growth rates in its industry. VMware may be required to record a significant charge in its financial statements during the period in which any impairment of its goodwill or amortizable intangible assets is determined, negatively impacting its results of operations.

If VMware fails to maintain an effective system of internal controls, the Company may not be able to accurately report its financial results or prevent fraud. As a result, the Company's stockholders could lose confidence in its financial reporting, which could harm the Company's business and the trading price of its Class A common stock.

In order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, VMware needs to maintain its processes and systems and adapt them to changes in the Company's business requirements and regulation. VMware may seek to automate certain processes to improve efficiencies and better ensure ongoing compliance but such automation may itself disrupt existing internal controls and introduce unintended vulnerability to error or fraud. This continuous process of maintaining and adapting the Company's internal controls and compliance with Section 404 is expensive and time-consuming, and requires significant management attention. VMware cannot be certain that its internal control measures will continue to provide adequate control over its financial processes and reporting and ensure compliance with Section 404. Furthermore, as VMware's business grows and changes and as it expands through acquisitions of other companies, its internal controls may become more complex and VMware will require significantly more resources to ensure its internal controls overall remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm VMware's operating results or cause it to fail to meet its reporting obligations. If VMware or its independent registered public accounting firm identify material weaknesses, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in its financial statements and harm its stock price. In addition, if the Company is unable to continue to comply with Section 404, its non-compliance could subject it to a variety of administrative sanctions, including the suspension or delisting of VMware's Class A common stock from the New York Stock Exchange ("NYSE") and the inability of registered broker-dealers to make a market in VMware's Class A common stock, which could reduce the Company's stock price.

Problems with the Company's information systems could interfere with its business and could adversely impact its operations.

VMware relies on its information systems and those of third parties for processing customer orders, delivery of products, providing services and support to its customers, billing and tracking its customers, fulfilling contractual obligations and otherwise running its business. If the Company's systems fail, its disaster recovery planning and capacity may prove insufficient to enable timely recovery of important functions and business records. Any disruption in VMware's information systems and those of the third parties upon whom the Company relies could have a significant impact on its business. In addition, VMware continuously works to enhance its information systems. The implementation of these types of enhancements is frequently disruptive to the underlying business of an enterprise, which may especially be the case for VMware due to the size and complexity of its business. Additionally, the Company's information systems may not support new business models and initiatives and significant investments could be required in order to upgrade them. Any disruptions relating to the Company's systems enhancements, particularly any disruptions impacting its operations during the implementation period, could adversely affect its business in a number of respects. Additionally, delays in adapting its information systems to address new business models could limit the success or result in the failure of such initiatives and impair the effectiveness of the Company's internal controls. Even if VMware does not encounter these adverse effects, the implementation of these enhancements may be much more costly than it anticipated. If VMware is unable to successfully implement the information systems enhancements as planned, its financial condition, results of operations and cash flows could be negatively impacted.

VMware's financial results may be adversely impacted by higher than expected tax rates, and the Company may have exposure to additional tax liabilities.

As a multinational corporation, VMware is subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. VMware's domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files and changes to tax laws. Significant judgment is required in determining VMware's worldwide provision for income taxes and other tax liabilities. From time to time, the Company is subject to income and non-income tax examinations. Currently, the EMC consolidated tax group is under federal income tax audit for 2009 and 2010 and the audit is not expected to be completed until 2015. While VMware believes it has complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess it with additional taxes. Should the Company be assessed with additional taxes, there could be a material adverse effect on its financial condition or results of operations.

VMware's future effective tax rate may be affected by such factors as changes in tax laws, its business, tax rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation, the impact of accounting for business combinations, and shifts in the amount of earnings in the U.S. compared with other regions in the world as well as the expiration of statute of limitations and settlements of audits, changes in the Company's international organization, and changes in overall levels of income before tax. For example, the U.S. federal research credit, which provided a significant reduction in VMware's effective tax rate, expired on December 31, 2014. Without the reinstatement of the U.S. federal research credit, the Company expects its 2015 effective tax rate to be higher than the 2014 effective tax rate.

In addition, in the ordinary course of VMware's global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Although VMware believes that its tax estimates are reasonable, it cannot ensure that the final determination of tax audits or tax disputes will not be different from what is reflected in its historical income tax provisions and accruals.

Additionally, VMware's rate of taxation in foreign jurisdictions is lower than the U.S. tax rate. The Company's international income is primarily earned by its subsidiaries organized in Ireland and as such, its effective tax rate can be impacted by the mix of its earnings in the U.S. and foreign jurisdictions.

During October 2014, Ireland announced revisions to its tax regulations that will require foreign earnings earned by the Company's subsidiaries organized in Ireland to be taxed at higher rates. The Company will be impacted by the changes in tax regulations in Ireland beginning in 2021. Additionally, the U.S. and other countries where the Company does business have been considering changes to existing tax laws. These potential changes could also adversely affect the Company's effective tax rate.

VMware's business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events such as pandemics, and to interruption by man-made problems, such as computer viruses, unanticipated disruptions in local infrastructure or terrorism, which could result in delays or cancellations of customer orders or the deployment of its products and services.

VMware's corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire, flood or other act of God, could have a material adverse impact on its business, financial condition and results of operations. As VMware continues to grow internationally, increasing amounts of its business will be located in foreign countries that may be more subject to political or social instability that could disrupt operations. Furthermore, some of VMware's new product initiatives and business functions are hosted and carried out by third parties that may be vulnerable to disruptions of these sorts, many of which may be beyond the Company's control. In addition, VMware's servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with its computer systems. Unanticipated disruptions in services provided through localized physical infrastructure, such as utility or telecommunication outages, can curtail the functioning of local offices as well as critical components of its information systems, and adversely affect the Company's ability to process orders, provide services, respond to customer requests and maintain local and global business continuity. Natural disasters that affect the manufacture of IT products can also delay customer spending on VMware's software, which is often coupled with customer purchases of new servers and IT systems. Furthermore, acts of terrorism or war could cause disruptions in VMware's or its customers' business or the economy as a whole, and disease pandemics could temporarily sideline a substantial part of VMware's or its customers' workforce at any particular time. To the extent that such disruptions result in delays or cancellations of customer orders, or the deployment or availability of the Company's products and services, its revenues would be adversely affected. Additionally, any such catastrophic event could cause the Company to incur significant costs to repair damages to its facilities, equipment and infrastructure.

Changes in accounting principles and guidance, or their interpretation, could result in unfavorable accounting charges or effects, including changes to the Company's previously-filed financial statements, which could cause its stock price to decline.

VMware prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States. These principles are subject to interpretation by the U.S. Securities and Exchange Commission (the "SEC") and various bodies formed to interpret and create appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant effect on VMware's reported results and retroactively affect previously reported results. For example, during May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The updated standard is effective for the Company in the first quarter of 2017. The Company has not selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

Risks Related to VMware's Relationship with EMC

As long as EMC controls VMware, or Class B common stock remains outstanding, other holders of the Company's Class A common stock will have limited ability to influence matters requiring stockholder approval.

As of December 31, 2014, EMC owned 43,025,000 shares of VMware's Class A common stock and all 300,000,000 shares of VMware's Class B common stock, representing 79.9% of the total outstanding shares of common stock or 97.2% of the voting power of outstanding common stock. The holders of the Company's Class A common stock and its Class B common stock have identical rights, preferences and privileges except with respect to voting and conversion rights, the election of directors, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in the Company's certificate of incorporation. Holders of VMware's Class B common stock are entitled to 10 votes per share of Class B common stock on all matters except for the election of the Company's Group II directors, in which case they are entitled to one vote per share, and the holders of VMware's Class A common stock are entitled to one vote per share of Class A common stock. The holders of Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on the Company's board of directors ("Board") that the Company would have if there were no vacancies on its board of directors at the time. These are VMware's Group I directors. Subject to any rights of any series of preferred stock to elect directors, the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect VMware's remaining directors, which at no time will be less than one director - its Group II director(s). Accordingly, the holders of VMware's Class B common stock currently are entitled to elect 8 of its 9 directors.

VMware's amended and restated certificate of incorporation provides that, if EMC transfers shares of VMware's Class B common stock to any party other than a successor-in-interest or a subsidiary of EMC prior to a distribution to its stockholders under Section 355 of the Internal Revenue Code of 1986, as amended (a "355 distribution"), those shares will automatically convert into Class A common stock. Additionally, if, prior to a 355 distribution, EMC's ownership falls below 20% of the outstanding shares of VMware's common stock, all outstanding shares of Class B common stock will automatically convert to Class A common stock. Following a 355 distribution, shares of Class B common stock may convert to Class A common stock if such conversion is approved by VMware stockholders after the 355 distribution and the Company has obtained a private letter ruling from the Internal Revenue Service. In January 2014, the IRS announced in Revenue Procedure 2014-3 that, generally, it would no longer issue private letter rulings on 355 distributions. For so long as EMC or its successor-in-interest beneficially owns shares of VMware's common stock representing at least a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC will be able to elect all of the members of the Company's board of directors. To the extent that shares of VMware's Class B common stock remain outstanding following a 355 distribution, these shares will remain entitled to 10 votes per share and the holders of VMware's Class A common stock will continue to have limited ability to influence matters requiring stockholder approval. Furthermore, to the extent that shares of VMware's Class B common stock remain outstanding following a 355 distribution, holders of these shares will remain entitled to elect 80% of the total number of directors on VMware's board of directors and the holders of VMware's Class A common stock will continue to have limited ability to elect members of the Company's board of directors.

In addition, until such time as EMC or its successor-in-interest beneficially owns shares of VMware's common stock representing less than a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC will have the ability to take stockholder action without the vote of any other stockholder and without having to call a stockholder meeting, and holders of VMware's Class A common stock will not be able to affect the outcome of any stockholder vote during this period. As a result, EMC will have the ability to control all matters affecting the Company, including:

- the composition of VMware's board of directors and, through its board of directors, any determination with respect to the Company's business plans and policies;
- any determinations with respect to mergers, acquisitions and other business combinations;
- VMware's acquisition or disposition of assets;
- VMware's financing activities;
- certain changes to VMware's certificate of incorporation;
- changes to the agreements the Company entered into in connection with its transition to becoming a public company;
- corporate opportunities that may be suitable for the Company and EMC;
- determinations with respect to enforcement of rights VMware may have against third parties, including with respect to intellectual property rights;
- the payment of dividends on VMware's common stock; and
- the number of shares available for issuance under VMware's stock plans for its prospective and existing employees.

VMware's certificate of incorporation and the master transaction agreement entered into between it and EMC in connection with VMware's initial public offering ("IPO") also contain provisions that require that as long as EMC beneficially owns at least 20% or more of the outstanding shares of VMware's common stock, the prior affirmative vote or written consent of EMC (or its successor-in-interest) as the holder of the Class B common stock is required (subject in each case to certain exceptions) in order to authorize the Company to:

- consolidate or merge with any other entity;
- acquire the stock or assets of another entity in excess of $100 million;
- issue any stock or securities except to VMware's subsidiaries or pursuant to VMware's employee benefit plans;
- establish the aggregate annual amount of shares the Company may issue in equity awards;
- dissolve, liquidate or wind the Company up;
- declare dividends on VMware's stock;
- enter into any exclusive or exclusionary arrangement with a third party involving, in whole or in part, products or services that are similar to EMC's; and
- amend, terminate or adopt any provision inconsistent with certain provisions of VMware's certificate of incorporation or bylaws.

If EMC does not provide any requisite consent allowing the Company to conduct such activities when requested, VMware will not be able to conduct such activities and, as a result, its business and its operating results may be harmed. EMC's voting control and its additional rights described above may discourage transactions involving a change of control of VMware, including transactions in which holders of its Class A common stock might otherwise receive a premium for their shares over the then-current market price. EMC is not prohibited from selling a controlling interest in the Company to a third party and may do so without the approval of the holders of its Class A common stock and without providing for a purchase of any shares of Class A common stock held by persons other than EMC. Accordingly, shares of Class A common stock may be worth less than they would be if EMC did not maintain voting control over the Company or if EMC did not have the additional rights described above.

In the event EMC is acquired or otherwise undergoes a change of control, any acquirer or successor will be entitled to exercise the voting control and contractual rights of EMC, and may do so in a manner that could vary significantly from EMC's historic practice.

By becoming a stockholder in the Company, holders of VMware's Class A common stock are deemed to have notice of and have consented to the provisions of its certificate of incorporation and the master transaction agreement with respect to the limitations that are described above.

VMware's business and that of EMC overlap, and EMC may compete with the Company, which could reduce its market share.

VMware and EMC are both IT infrastructure companies providing products and services related to storage management, back-up, disaster recovery, security, system management and automation, provisioning and resource management. There can be no assurance that EMC will not engage in increased competition with the Company in the future. In addition, the intellectual property agreement that VMware has entered into with EMC provides EMC the ability to use the Company's source code and intellectual property, which, subject to limitations, it may use to produce certain products that compete with the Company's. EMC's rights in this regard extend to its majority-owned subsidiaries, which could include joint ventures where EMC holds a majority position and one or more of VMware's competitors hold minority positions.

EMC could assert control over the Company in a manner which could impede the Company's growth or its ability to enter new markets or otherwise adversely affect VMware's business. Further, EMC could utilize its control over the Company to cause it to take or refrain from taking certain actions, including entering into relationships with channel, technology and other marketing partners, enforcing its intellectual property rights or pursuing business combinations, other corporate opportunities or product development initiatives that could adversely affect VMware's competitive position, including its competitive position relative to that of EMC in markets where the Company competes with them. In addition, EMC maintains significant partnerships with certain of the Company's competitors, including Microsoft.

EMC's competition in certain markets may affect the Company's ability to build and maintain partnerships.

VMware's existing and potential partner relationships may be affected by its relationship with EMC. VMware partners with a number of companies that compete with EMC in certain markets in which EMC participates. EMC's majority ownership in the Company might affect the Company's ability to effectively partner with these companies. These companies may favor the Company's competitors because of VMware's relationship with EMC.

EMC competes with certain of VMware's significant channel, technology and other marketing partners, including IBM and Hewlett-Packard. Pursuant to VMware's certificate of incorporation and other agreements that it has with EMC, EMC may have the ability to impact the Company's relationship with those of VMware's partners that compete with EMC, which could have a material adverse effect on VMware's results of operations or its ability to pursue opportunities which may otherwise be available to the Company.

VMware's investment in Pivotal Software, Inc. ("Pivotal", previously known as "GoPivotal, Inc.") may not prove successful.

In April 2013, VMware contributed technology and transferred employees to Pivotal, a subsidiary of EMC, established to focus on Big Data and Cloud Application Platforms. Pivotal is led by Paul Maritz, its Chief Executive Officer and the Company's former Chief Executive Officer, and includes most employees and resources formerly working within EMC's Greenplum and Pivotal Labs organizations, and its former vFabric (including Spring and Gemfire), Cloud Foundry and Cetas organizations, as well as related efforts. Pivotal's ability to operate successfully will require, among other factors:

- successfully integrating technology from both the Company and EMC;
- creating offerings for which there is suitable demand in the marketplace;
- developing an effective go-to-market strategy;
- successfully competing and differentiating its offerings from those of its competitors; and
- having access to adequate financial resources to fund its operations.

In the event that Pivotal is unable to operate successfully, the Company may be asked to contribute capital resources to Pivotal or accept dilution in its ownership interest, and the Company may be unable to realize any value from the technology and resources that the Company contributed to Pivotal.

In order to preserve the ability for EMC to distribute its shares of VMware's Class B common stock on a tax-free basis, the Company may be prevented from pursuing opportunities to raise capital, to effectuate acquisitions or to provide equity incentives to its employees, which could hurt the Company's ability to grow.
Beneficial ownership of at least 80% of the total voting power is required in order for EMC to affect a tax-free spin-off of VMware or certain other tax-free transactions. VMware has agreed that for so long as EMC or its successor-in-interest continues to own greater than 50% of the voting control of VMware's outstanding common stock, it will not knowingly take or fail to take any action that could reasonably be expected to preclude EMC's or its successor-in-interest's ability to undertake a tax-free spin-off. Additionally, under VMware's certificate of incorporation and the master transaction agreement the Company entered into with EMC, the Company must obtain the consent of EMC or its successor-in-interest, as the holder of VMware's Class B common stock, to issue stock or other VMware securities, except pursuant to employee benefit plans (provided that the Company obtains Class B common stockholder approval of the aggregate annual number of shares to be granted under such plans), which could cause VMware to forgo capital raising or acquisition opportunities that would otherwise be available to the Company. As a result, the Company may be precluded from pursuing certain growth initiatives.

Third parties may seek to hold the Company responsible for liabilities of EMC, which could result in a decrease in its income.

Third parties may seek to hold the Company responsible for EMC's liabilities. Under VMware's master transaction agreement with EMC, EMC will indemnify the Company for claims and losses relating to liabilities related to EMC's business and not related to the Company's business. However, if those liabilities are significant and the Company is ultimately held liable for them, VMware cannot be certain that it will be able to recover the full amount of its losses from EMC.

Although VMware has entered into a tax sharing agreement with EMC under which its tax liabilities for most transactions will effectively be determined as if the Company were not part of any consolidated, combined or unitary tax group of EMC or its subsidiaries, VMware nonetheless could be held liable for the tax liabilities of other members of these groups.

VMware has historically been 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. Pursuant to its tax sharing agreement with EMC, VMware and EMC generally will make payments to each other such that, with respect to tax returns for any taxable period in which the Company or any of its subsidiaries are included in EMC's consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of EMC or its subsidiaries, the amount of taxes to be paid by VMware will be determined, subject to certain adjustments, as if VMware and each of its subsidiaries included in such consolidated, combined or unitary group filed its own consolidated, combined or unitary tax return.

VMware has been included in the EMC consolidated group for U.S. federal income tax purposes since its acquisition by EMC, and expects to continue to be included in such consolidated group for periods in which EMC owns at least 80% of the total voting power and value of VMware's outstanding stock. 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 the consolidated, combined or unitary group. Accordingly, for any period in which VMware is included in the EMC consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of EMC and/or its subsidiaries, VMware could be liable in the event that any income tax liability was incurred, but not discharged, by any other member of any such group.

Any inability to resolve favorably any disputes that arise between the Company and EMC with respect to its past and ongoing relationships may result in a significant reduction of the Company's revenues and earnings.

Disputes may arise between EMC and the Company in a number of areas relating to the Company's ongoing relationships, including:

- labor, tax, employee benefit, indemnification and other matters arising from VMware's separation from EMC;
- the Company's reseller arrangements with EMC;
- employee retention and recruiting;
- business combinations involving VMware;
- the Company's ability to engage in activities with certain channel, technology or other marketing partners;
- sales or dispositions by EMC of all or any portion of its ownership interest in the Company;
- the nature, quality and pricing of services EMC has agreed to provide VMware or the Company has agreed to provide to EMC;
- arrangements with third parties that are exclusionary to EMC;
- arrangements with EMC for collaborative product or technology development, marketing and sales activities involving the Company's technology, employees and other resources;
- business opportunities that may be attractive to both EMC and VMware; and
- product or technology development or marketing activities or customer agreements which may require the consent of EMC.

VMware may not be able to resolve any potential conflicts, and even if it does, the resolution may be less favorable than if the Company were dealing with an unaffiliated party.

The agreements VMware enters into with EMC may be amended upon agreement between the parties. While the Company is controlled by EMC, it may not have the leverage to negotiate amendments to these agreements if required on terms as favorable to the Company as those it would negotiate with an unaffiliated third party.

VMware's CEO (Chief Executive Officer) and some of its directors own EMC common stock or equity awards to acquire EMC common stock, and some of the Company's directors hold management positions with EMC, which could cause conflicts of interests that result in the Company not acting on opportunities it otherwise may have.

VMware's CEO and some of its directors own EMC common stock or equity awards to purchase EMC common stock. In addition, some of VMware's directors are executive officers or directors of EMC, and EMC, as the sole holder of the Company's Class B common stock, is entitled to elect 8 of VMware's 9 directors. Ownership of EMC common stock, restricted shares of EMC common stock and equity awards to purchase EMC common stock by VMware's directors and the presence of executive officers or directors of EMC on its Board could create, or appear to create, conflicts of interest with respect to matters involving both the Company and EMC that could have different implications for EMC than they do for the Company. Provisions of VMware's certificate of incorporation and the master transaction agreement between EMC and the Company address corporate opportunities that are presented to VMware's directors or officers that are also directors or officers of EMC. There can be no assurance that the provisions in VMware's certificate of incorporation or the master transaction agreement will adequately address potential conflicts of interest or that potential conflicts of interest will be resolved in the Company's favor, or that the Company will be able to take advantage of corporate opportunities presented to individuals who are officers or directors of both VMware and EMC. As a result, VMware may be precluded from pursuing certain growth initiatives.

EMC's ability to control VMware's board of directors may make it difficult for the Company to recruit independent directors.

So long as EMC beneficially owns shares of VMware's common stock representing at least a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC can effectively control and direct VMware's board of directors. Further, the interests of EMC and the Company's other stockholders may diverge. Under these circumstances, persons who might otherwise accept VMware's invitation to join its board of directors may decline.

VMware is a "controlled company" within the meaning of the NYSE rules and, as a result, is relying on exemptions from certain corporate governance requirements that provide protection to stockholders of companies that are not "controlled companies."

EMC owns more than 50% of the total voting power of VMware's common stock and, as a result, the Company is a "controlled company" under the NYSE corporate governance standards. As a controlled company, VMware is exempt under the NYSE standards from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

- that a majority of its board of directors consists of independent directors;
- that it has a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- that it has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- for an annual performance evaluation of the nominating and governance committee and compensation committee.

While VMware has voluntarily caused its Compensation and Corporate Governance Committee to currently be composed entirely of independent directors reflecting the requirements of the NYSE, the Company is not required to maintain the independent composition of the committee. As a result of the Company's use of the "controlled company" exemptions, holders of VMware's Class A common stock will not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

VMware's historical financial information as a majority-owned subsidiary of EMC may not be representative of the results of a completely independent public company.

The financial information covering the periods included in this prospectus does not necessarily reflect what its financial condition, results of operations or cash flows would have been had the Company been a completely independent entity during those periods. In certain geographic regions where the Company does not have an established legal entity, it contracts with EMC subsidiaries for support services and EMC personnel who are managed by VMware. The costs incurred by EMC on VMware's behalf related to these employees are passed on to the Company and it has charged a mark-up intended to approximate costs that would have been charged had the Company contracted for such services with an unrelated third party. These costs are included as expenses in the Company's consolidated statements of income. Additionally, VMware and EMC engage in intercompany transactions, including agreements regarding the use of EMC's and VMware's intellectual property and real estate, agreements regarding the sale of goods and services to one another and to Pivotal, and an agreement for EMC to resell the Company's products and services to third party customers. If EMC were to distribute its shares of VMware's common stock to its stockholders or otherwise divest itself of all or a significant portion of its VMware shares, there would be numerous implications to VMware, including the fact that VMware would lose the benefit of these arrangements with EMC. There can be no assurance that VMware would be able to renegotiate these arrangements with EMC or replace them on the same or similar terms. Additionally, the Company's business could face significant disruption and uncertainty as it transitions from these arrangements with EMC. Moreover, the Company's historical financial information is not necessarily indicative of what its financial condition, results of operations or cash flows will be in the future if and when the Company contracts at arm's length with independent third parties for the services it has received and currently receives from EMC. During the year ended December 31, 2014, the Company recognized revenues of $318 million, and as of December 31, 2014, $317 million of sales were included in unearned revenues from such transactions with EMC.

Risks Related to Owning VMware's Class A Common Stock

The price of VMware's Class A common stock has fluctuated substantially in recent years and may fluctuate substantially in the future.

The trading price of VMware's Class A common stock has fluctuated significantly since its IPO in August 2007. For example, between January 1, 2014 and December 31, 2014, the closing trading price of VMware's Class A common stock was volatile, ranging between $76.43 and $111.80 per share. VMware's trading price could fluctuate substantially in the future due to the factors discussed in this Risk Factors section and elsewhere in this prospectus.

Substantial amounts of Class A common stock are held by VMware's employees and EMC, and all of the shares of the Company's Class B common stock, which may be converted to Class A common stock upon request of the holder, are held by EMC. Shares of Class A common stock held by EMC (including shares of Class A common stock that might be issued upon the conversion of Class B common stock) are eligible for sale subject to the volume, manner of sale and other restrictions of Rule 144 of the Securities Act of 1933, as amended (the "1933 Act"), which allows the holder to sell up to the greater of 1% of VMware's outstanding Class A common stock or its four-week average weekly trading volume during any three-month period and following the expiration of their contractual restrictions. Additionally, EMC possesses registration rights with respect to the shares of the Company's common stock that it holds. If EMC chooses to exercise such rights, its sale of the shares that are registered would not be subject to the Rule 144 limitations. Additionally, the provisions of the Company's charter documents and the agreements that it entered into with EMC prior to its IPO enable EMC to elect to distribute all of its holdings of VMware's Class A and Class B common stock to EMC stockholders and require the Company to register the shares so they could be resold in the public trading markets. If a significant amount of the shares that become eligible for resale enter the public trading markets in a short period of time, the market price of VMware's Class A common stock may decline. Additionally, if VMware's Class B common stock is distributed to EMC stockholders and remains outstanding, it would trade separately from and potentially at a premium to VMware's Class A common stock, and could thereby contribute additional volatility to the price of VMware's Class A common stock.

Additionally, broad market and industry factors may decrease the market price of VMware's Class A common stock, regardless of the Company's actual operating performance. The stock market in general and technology companies in particular have often experienced extreme price and volume fluctuations. In addition, 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 the Company, and, if not resolved swiftly, can result in substantial costs and a diversion of management's attention and resources.

If securities or industry analysts change their recommendations regarding the Company's stock adversely, its stock price and trading volume could decline.

The trading market for VMware's Class A common stock is influenced by the research and reports that industry or securities analysts publish about the Company, its business, its market or its competitors. If any of the analysts who cover the Company change their recommendation regarding VMware's stock adversely, or provide more favorable relative recommendations about its competitors, its stock price would likely decline.

Delaware law and VMware's certificate of incorporation and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Provisions in VMware's certificate of incorporation and bylaws will have the effect of delaying or preventing a change of control or changes in the Company's management. These provisions include the following:

- the division of VMware's 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;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- following a 355 distribution of Class B common stock by EMC to its stockholders, the restriction that a beneficial owner of 10% or more of VMware's Class B common stock may not vote in any election of directors unless such person or group also owns at least an equivalent percentage of Class A common stock or obtains approval of VMware's board of directors prior to acquiring beneficial ownership of at least 5% of Class B common stock;
- 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
- in the event that EMC or its successor-in-interest no longer owns shares of VMware's common stock representing at least a majority of the votes entitled to be cast in the election of directors, stockholders may not act by written consent and may not call special meetings of the stockholders.

Until such time as EMC or its successor-in-interest ceases to beneficially own 20% or more of the outstanding shares of VMware's common stock, the affirmative vote or written consent of the holders of a majority of the outstanding shares of the Class B common stock will be required to:

- amend certain provisions of VMware's bylaws or certificate of incorporation;
- make certain acquisitions or dispositions;
- declare dividends, or undertake a recapitalization or liquidation;
- adopt any stockholder rights plan, "poison pill" or other similar arrangement;
- approve any transactions that would involve a merger, consolidation, restructuring, sale of substantially all of VMware's assets or any of its subsidiaries or otherwise result in any person or entity obtaining control of the Company or any of its subsidiaries; or
- undertake certain other actions.

In addition, VMware has elected to apply the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"). These provisions may prohibit large stockholders, in particular those owning 15% or more of the Company's outstanding voting stock, from merging or combining with the Company. These provisions in VMware's certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of VMware's common stock.

GENERAL INFORMATION

Responsibility for Contents of the Prospectus

VMware, a corporation incorporated in the U.S. State of Delaware with principal executive offices located at 3401 Hillview Avenue, Palo Alto, California 94304, USA, assumes responsibility for the contents of this prospectus pursuant to section 5, paragraph 4 of the German Securities Prospectus Act ("*Wertpapierprospektgesetz*") and declares that to the best of its knowledge the information given in this prospectus is correct and that no essential circumstances have been omitted.

Subject Matter of the Offering

This prospectus relates to the offering of VMware shares of Class A common stock, par value US$0.01 per share, under its ESPP. The total number of shares made available for purchase under the ESPP is 14,300,000.

Forward-Looking Statements

This prospectus contains forward-looking statements about VMware's business and prospects. The forward-looking statements do not include the potential impact of future events, including any mergers, acquisitions, divestitures, securities offerings or business combinations or other developments in VMware's business that may be announced or consummated after the date hereof. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "outlook", "believes," "plans," "intends," "expects," "goals," "potential," "continues," "may," "will," "should," "seeks," "predicts," "estimates," "anticipates," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. VMware's future results may differ materially from its past results and from those projected in the forward-looking statements due to various uncertainties and risks, including those described in the section "Risk Factors" starting on page 30. The forward-looking statements speak only as of the date of this prospectus and undue reliance should not be placed on these statements. VMware disclaims any obligation to update any forward-looking statements contained herein after the date of this prospectus.

Currency References

In this prospectus and any documents included herein, unless otherwise indicated, all dollar amounts and references to "US$" or "$" are to U.S. Dollars.

Documents Available for Inspection

The Company's internet address is http://www.vmware.com. The following documents, along with all other reports and amendments filed with or furnished to the SEC, are publicly available free of charge during the entire validity period of this prospectus on the Investor Relations section of VMware's website at http://ir.vmware.com/:

- the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 including its audited consolidated financial statements;

- the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 including its audited consolidated financial statements; and

- the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 including its audited consolidated financial statements.

These documents are also available on the SEC website at www.sec.gov. This prospectus can be downloaded on VMware's website at: www.vmware.com/de/help/ESPP_Prospectus.html.

The Company's amended and restated Certificate of Incorporation and amended and restated Bylaws are on file at the Company's headquarters in Palo Alto, California. Copies of the Company's amended and restated Certificate of Incorporation and its amended and restated Bylaws will be furnished to investors without charge upon written request to: Jodi Schwartz, Legal Department, VMware, Inc., 3401 Hillview Avenue, Palo Alto, California 94304, USA.

THE OFFERING

VMware has decided to offer employees of its designated subsidiaries the opportunity to buy shares of VMware Class A common stock under the ESPP.

Information Concerning the Shares to be Offered

The shares offered under the ESPP are shares of VMware's Class A common stock, which is regulated by the 1933 Act and the U.S. Securities Exchange Act of 1934 (the "1934 Act"). The Class A common stock par value is US$0.01. When issued, Class A common stock must be fully paid. VMware's Class A common stock is listed on the NYSE and is quoted in U.S. Dollars. The International Securities Identification Number (ISIN) for VMware Class A common stock is US 9285634021, the U.S. security identification (CUSIP) number is 928563402, and its trading symbol at the NYSE is "VMW." In Germany, the stock is traded on the unofficial market segment ("*Freiverkehr*") on the exchanges in Frankfurt, Stuttgart, Munich and Berlin as well as on Tradegate. There are no plans that the shares offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market in the EU.

All of the outstanding shares of VMware Class A common stock are registered under the 1933 Act and the 1934 Act and freely transferable. As of the date of issuance, each share of Class A common stock entitles the holder to one vote on all matters for which Class A stockholders are entitled to vote in annual or special meetings of the Company. It should be noted that VMware also issues Class B common stock, although those shares are not the subject to the offer under this prospectus. Except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to 10 votes per share on all matters for which VMware's Class A stockholders are entitled to vote and except with respect to the election of directors, conversion, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this prospectus, the holders of Class A common stock and Class B common stock have identical rights.

VMware is authorized to issue up to 3,500,000,000 shares of common stock. As of December 31, 2014, the number of shares of VMware's common stock, par value US$0.01 per share, outstanding was 429,359,318, of which 129,359,318 shares were Class A common stock and 300,000,000 were Class B common stock.

The total number of shares reserved for purchase under the ESPP is 14,300,000. As of December 31, 2014, the total number of shares available for purchase under the ESPP was 6,242,770. This is also the number of shares offered under this prospectus.

A participant will have no interest or voting right in the shares covered by his or her purchase rights under the ESPP (referred to as "Options to Purchase Stock" in the ESPP) until such purchase right has been exercised.

Transferability

No purchase right granted under the ESPP will be assignable or transferable by a participant other than by will or by the laws of descent and distribution. The shares issued upon exercise of the purchase right are freely transferable so long as the shares so issued are registered pursuant to an effective registration statement under the 1933 Act.

Administration of the Plans

The ESPP is administered by VMware's Board or a committee appointed by VMware's Board ("the Compensation Committee"). The Board and/or the Compensation Committee has full power and authority, subject to the express provisions in the ESPP, to interpret the ESPP, to decide all questions and to resolve all disputes which may arise in relation to the ESPP. The Compensation Committee or the Board may establish rules or regulations necessary for the administration of the ESPP.

The ESPP's service provider assists the Company with administration of the ESPP. VMware has engaged E*TRADE Securities Inc. ("E*TRADE"), P.O. Box 1542, Merrifield, Virginia 22116-1542, USA, as the service provider for the ESPP. Individual participants will be notified if VMware selects a different service provider to help administer the participant's account.

The Offering under the ESPP

General Information

On June 5, 2007, the Company's Board adopted the ESPP. The ESPP was subsequently amended on December 10, 2007, February 4, 2009, February 24, 2010, December 17, 2012, May 29, 2013 and November 14, 2013. The ESPP is intended to provide a method by which eligible employees of VMware and its subsidiaries may use voluntary, systematic payroll deductions to purchase VMware's Class A common stock and thereby acquire an interest in the future of VMware.

Currently, 14,300,000 shares of the Company's Class A common stock are authorized to be issued to VMware's employees under the ESPP.

As of December 31, 2014, approximately 6,242,770 common shares of Class A common stock remained available for issuance under the ESPP.

Eligibility to Participate and Subscription

Only employees of VMware or its eligible subsidiaries that are employed on the first day of the applicable offering period (referred to as "Option Period" in the ESPP) and who were continuously employed by VMware or one of its eligible subsidiaries for three months prior to the first day of the offering period (or any lesser number of months established by the Compensation Committee (if required under local law)) are eligible to participate in the ESPP. Only employees whose customary employment is more than 20 hours per week are eligible to participate in the ESPP (unless otherwise required under applicable law) and whose customary employment is for more than five months in any calendar year. Employees elect to participate in the ESPP by filing an enrollment form with VMware. The enrollment form must be submitted no later than one day before the offering period begins.

Contributions

Participants contribute a percentage of their compensation (subject to a maximum of US$7,500 per six-month offering period, and pro-rated for longer or shorter periods, at the Compensation Committee's discretion) towards the purchase of shares by way of payroll deductions. The maximum amount of contribution per offering may be reduced by any amount remaining in a participant's account that was rolled-over from the prior offering period (related to fractional share amounts that were not used to purchase shares). At the time a participant files his or her enrollment form, he or she indicates the percentage of compensation to be contributed to the ESPP between two (2%) and fifteen percent (15%) of the employee's compensation (subject to the maximum described above). All payroll deductions authorized by a participant will be credited to his or her account under the ESPP. A participant may discontinue participation in the ESPP, and may decrease or increase the rate of contributions by completing and filing with VMware (or its designated agent) a written notice at least one business day prior to the first day of the offering period. Following delivery to VMware of any enrollment form or any election to change the contribution rate, appropriate payroll deductions or changes thereto will commence as soon as reasonably practicable.

Offering Periods

Shares are purchased at the end of each offering period using employee contributions made by way of payroll deductions during the offering period. New offering periods generally begin on February 1 and August 1 each year, however, the offering periods are subject to change at the discretion of the Board. For the period covered by this prospectus, the offering periods will begin February 2, 2015, August 3, 2015 and February 1, 2016, whereby the first offering period begins prior to the approval of this prospectus and is covered by the prospectus dated March 19, 2014 and approved on March 19, 2014. The participant's right to purchase shares under the ESPP will be exercised automatically on the last trading day of the offering period, with respect to the amounts credited to the participant's plan account. No fractional shares will be issued. Therefore, if any amount remains in a participant's contribution account after purchase at the end of an offering period, these funds are rolled over to the opening balance in a participant's contribution account for the next offering period.

Purchase Price

The purchase price of each share is eighty-five percent (85%) of the Class A common stock's fair market value on either the first or last trading day of the offering period, whichever price is lower. The fair market value will generally be the closing price on the NYSE for the applicable date or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported.

Purchase Limitations

Participants may contribute no more than fifteen percent (15%) of their eligible compensation toward the purchase of stock under the ESPP. In addition, participants may purchase no more than US$25,000 worth of stock (determined at the time the purchase rights are granted) per calendar year and any purchase right granted to an employee will be limited so that immediately after the grant, such employee would not own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of VMware or of any participating subsidiary of VMware (including shares which the employee may purchase under outstanding purchase rights and shares, the ownership of which is attributed to the employee under Section 424(d) of the U.S. Internal Revenue Code of 1986).

In no event will the number of shares that a participant may purchase during any six-month offering period exceed 750 shares of Class A common stock (as prorated for longer and shorter periods, at the Compensation Committee's discretion). Further, no purchase right may be granted that would permit a participant to withhold more than $7,500 in each six month offering period (as prorated for longer or shorter periods at the Compensation Committee's discretion).

If the number of shares available under the ESPP is not sufficient to satisfy the participation in any offering period, the Company will make a pro rata allocation of the shares remaining.

Delivery

At the end of each offering period, the purchase of shares of Class A common stock will be exercised automatically for the number of whole shares which the accumulated contributions in each participant's account could purchase at the applicable purchase price. The first purchase date under this prospectus will be as soon as practicable following the last day of the offering period ending on July 31, 2015. As promptly as practicable after the last day of each offering period the purchased shares will be delivered to and will be registered in the street name in the participant's account at E*TRADE.

The account information is given to each employee via an email from E*TRADE after the account is established. Once the shares are purchased and posted to the participants' E*TRADE account, the employee can then log into the E*TRADE system to view the shares. Shares of Class A common stock are generally available to the employees on the ninth (9th) or tenth (10th) business day following the end of the offering period, although the timing may vary.

Termination of Participation

Participation is voluntary and employees may withdraw from participation in the ESPP at any time but no later than by 15 days before the last day of the offering period by submitting a written notice to VMware (or such other date as specified by the Compensation Committee). All of the participant's funds credited to his or her ESPP account will be returned as soon as reasonably possible upon receipt of notice of withdrawal and no shares will be purchased. No further payroll deductions will be made until such employee re-enrolls in the ESPP by submitting a new subscription agreement for a subsequent offering period. Withdrawal from an offering period will not affect an employee's ability to participate in future offering periods under the ESPP.

Termination of Eligibility

If a participant terminates employment with VMware or its eligible subsidiaries for any reason, his or her participation in the ESPP will be immediately terminated and any accumulated contributions to the ESPP will be returned to the terminated employee.

Amendment and Termination of the ESPP

The Board may at any time amend or terminate the ESPP, provided that no amendment will adversely affect a participant's outstanding purchase rights during an offering period without his or her consent. Stockholder approval may be required for certain amendments. Whether stockholder approval is required will be determined by the Board or the Compensation Committee and consistent with the rules and laws in effect at the time the ESPP amendment becomes effective. In case of termination, all of the participant's funds credited to his or her ESPP account will be returned promptly and no shares will be purchased. No further contributions will be made.

The ESPP has no set termination date, but will terminate automatically upon termination by the Board or upon purchase of all the shares authorized for purchase under the ESPP.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Purpose of the ESPP

The ESPP is intended to provide a method by which eligible employees of the Company and its subsidiaries may purchase shares of VMware's Class A common stock and therefore acquire an interest in the future of the Company.

Proceeds and Use of Proceeds

As of December 31, 2014, shares under the ESPP are offered to approximately 17,330 eligible employees worldwide. The maximum amount of accumulated contributions for which employees may purchase shares may not exceed US$7,500 per six-month offering period. Assuming that each of the approximately 17,330 eligible employees purchased the maximum amount of shares under the ESPP offered pursuant to this prospectus, that is, a total of US$15,000 each, and on the basis of whole shares, then the gross proceeds of VMware in connection with the offer under the ESPP pursuant to this prospectus would be US$259,218,501.

Please note that there are other limits on contributions including a 15% maximum of each employee's eligible compensation, a 750 maximum share purchase limit and a US$25,000 purchase limit for each calendar year in which the purchase right is outstanding. This calculation assumes that none of these other limitations are triggered.

The costs of this offering consist of legal expenses in an amount approximately US$40,000. After deduction of such costs the net proceeds, based on the above assumptions, would be approximately US$259,178,501.

The Company may use the proceeds from the exercise of the purchase rights for any corporate purpose.

DILUTION

The book value of the stockholders' equity of the Company (defined as total assets less total liabilities) as reflected in the consolidated financial statements in accordance with the accounting principles generally accepted in the United States ("GAAP") amounted to approximately US$7,585,923,000 as of December 31, 2014. This is equivalent to approximately US$17.67 per share (calculated on the basis of Class A and Class B shares totaling 429,359,318 outstanding shares as of December 31, 2014).

If the Company had obtained net proceeds in the amount of US$259,178,501 as of December 31, 2014, the book value of the shareholders' equity at that time would have been approximately US$7,845,101,501 or US$18.12 per share (based on the increased number of shares after the purchase of 3,656,630 shares and assuming a purchase price of US$70.89, which is eighty-five percent of the stock's fair market value (US$83.40) as of February 24, 2015. Consequently, under the above-mentioned assumptions, the implementation of the offering would lead to a direct increase in the book value of shareholders' equity of approximately US$259,178,501 or US$0.45 per share for the existing shareholders and an average dilution of approximately US$52.77 per share for the eligible employee who purchased the shares and, thus, investors who acquire shares at the purchase price of US$70.89 are diluted by about 74%.

DIVIDEND POLICY

Subsequent to VMware's IPO in August 2007, the Company has not declared or paid cash dividends on its common stock. VMware currently does not anticipate declaring any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of the Company's Board, subject to the consent of the holders of VMware Class B common stock pursuant to its certificate of incorporation. Holders of VMware Class A common stock and VMware Class B common stock will share equally on a per share basis in any dividend declared on VMware's common stock by the Company's Board.

CAPITALIZATION

Capitalization and Indebtedness

As of December 31, 2014, the Company's indebtedness was as follows (in thousands, except per share amounts):

Total current debt	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	$3,995,981
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	0
Secured	0
Unguaranteed/Unsecured	$3,633,980
Stockholders' equity:	
Class A common stock, par value $.01; authorized 2,500,000 shares; issued and outstanding 129,359 and 130,349 shares	$1,294
Class B convertible common stock, par value $.01; authorized 1,000,000 shares; issued and outstanding 300,000 shares	$3,000
Additional paid-in capital	$3,379,962
Accumulated other comprehensive income	$(1,016)
Retained earnings	$4,198,059
Total stockholders' equity	$7,585,923

Net indebtedness in the short term and the medium-long term as of December 31, 2014 (in thousands of US$):

A. Cash	$ 885,014
B. Cash equivalents	1,185,574
C. Short-term investments	5,004,048
D. Liquidity (A)+(B)+(C)	**7,074,636**
E. Current financial receivable	**1,519,563**
F. Current bank debt	0
G. Current portion of non-current debt	3,995,981
H. Other current financial debt	0
I. Current financial debt (F)+(G)+(H)	**3,995,981**
J. Net current financial indebtedness (I)-(E)-(D) (1)	**(4,598,218)**
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	3,633,980
N. Non-current financial indebtedness (K)+(L)+(M)	**3,633,980**
O. Net financial indebtedness (J)+(N)(1)	**$ (964,238)**

(1) Amount in brackets indicates negative indebtedness, i.e. positive capitalization.

Commitments and Contingencies

Litigation

Regarding commitments and contingencies in relation to legal and arbitration proceedings please refer to "Legal, Arbitration and Administrative Proceedings."

Operating Lease and Other Contractual Commitments

VMware leases office facilities and equipment under various operating leases. Facility leases generally include renewal options. Rent expense for the years ended December 31, 2014, 2013 and 2012 was $85 million**,** $67 million and $62 million, respectively. VMware's minimum future lease commitments at December 31, 2014 were as follows (table in millions):

	Future Lease Commitments	Purchase Obligations	Other Contractual Commitments [(1)]	Total
2015	$ 81	$ 47	$ 8	$ 136
2016	72	48	9	129
2017	60	—	7	67
2018	46	—	7	53
2019	37	—	3	40
Thereafter	602	—	15	617
Total minimum lease payments	$ 898	$ 95	$ 49	$ 1,042

[(1)] Consisting of various contractual agreements, which include commitments on the lease for VMware's Washington data center facility and asset retirement obligations.

The amount of the future lease commitments after 2019 is primarily for the ground leases on VMware's Palo Alto, California headquarter facilities, which expire in 2046. 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.

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, and/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.

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 service with respect to employee benefits plans, including 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 Company's limited history with prior indemnification claims and the unique facts and circumstances involved in each particular agreement. 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.

Working Capital Statement

VMware believes that its working capital (i.e. its ability to access cash and other available liquid resources in order to meet its liabilities as they fall due) is sufficient to meet its present requirements for at least the next twelve months.

SELECTED CONSOLIDATED FINANCIAL DATA

Selected Consolidated Financial Data

The following selected financial data is derived from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 as published in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 which can be accessed as described in the section "Documents Available for Inspection" of this prospectus. The Company's consolidated financial statements were prepared in accordance with GAAP. The amounts in the table are in millions, except per share amounts, and shares in thousands.

	For the Year Ended December 31,		
	2014	**2013**	**2012**
Summary of Operations:			
Revenues:			
License	$ 2,591	$ 2,270	$ 2,087
Services	3,444	2,937	2,518
Total revenues	$ 6,035	$ 5,207	$ 4,605
Operating income	1,027	1,093	872
Net income	886	1,014	746
Net income per weighted average share, basic, for Class A and Class B	$ 2.06	$ 2.36	$ 1.75
Net income per weighted average share, diluted, for Class A and Class B	$ 2.04	$ 2.34	$ 1.72
Weighted average shares, basic, for Class A and Class B	430,355	429,093	426,658
Weighted average shares, diluted, for Class A and Class B	434,513	433,415	433,974

	December 31,		
	2014	**2013**	**2012**
Balance Sheet Data:			
Cash, cash equivalents and short-term investments(1)	$ 7,075	$ 6,175	$ 4,631
Working capital(1)	5,134	4,388	3,160
Total assets	15,216	12,327	10,596
Total unearned revenues	4,833	4,092	3,461
Long-term obligations(2)	1,500	450	450
Stockholders' equity	7,586	6,816	5,740
Cash Flow Data:			
Net cash provided by operating activities	$ 2,180	$ 2,535	$ 1,897

(1) In 2012, the Company acquired all of the outstanding capital stock of Nicira, Inc. ("Nicira") for $1,100 million, net of cash acquired, consisting of $1,083 million in cash and $17 million for the fair value of assumed equity attributed to pre-combination services.

(2) On January 21, 2014, in connection with the Company's agreement to acquire A.W.S. Holding, LLC ("AirWatch Holding"), the sole member and equity holder of AirWatch LLC ("AirWatch"), VMware and EMC entered into a note exchange agreement providing for the issuance of three promissory notes in the aggregate principal amount of $1,500 million. The total debt of $1,500 million includes $450 million that was exchanged for the $450 million promissory note outstanding in prior years.

LEGAL, ARBITRATION AND ADMINISTRATIVE PROCEEDINGS

VMware and the U.S. General Services Administration ("GSA") and the Department of Justice ("DOJ") are in ongoing discussions regarding VMware's government sales practices covering the period between 2006 and 2013. A total of $11 million was accrued for this matter during the second quarter of 2014 and the amount is included in accrued expenses and other in the consolidated balance sheets. VMware has continued discussions on this matter with both the GSA and DOJ. VMware believes a loss in excess of the estimated $11 million liability is currently not determinable but final resolution of the matter could be materially different from VMware's current estimate.

VMware is also subject to other legal, administrative and regulatory proceedings, claims, demands and investigations , including claims with respect to commercial, product liability, intellectual property, employment, class action, whistleblower and other matters. From time to time, VMware also receives inquiries from and has ongoing discussions with government entities on various matters. VMware accrues for a liability when a determination has been made that a loss is both probable of occurrence and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss 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. As of December 31, 2014 and December 31, 2013, amounts accrued relating to these other matters arising as part of the ordinary course of business were considered immaterial. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, VMware believes that the amount of any such additional loss would also be immaterial to VMware's consolidated financial position, results of operations and cash flows.

SHAREHOLDINGS AND STOCK OPTIONS OF MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The following table sets forth information, as of March 1, 2015, about the beneficial ownership of Class A common stock and Class B common stock by (i) EMC, (ii) each person who is known by us to own beneficially more than 5% of either class of our common stock, (iii) each of our directors and nominees for director, (iv) each of our executive officers and (v) all directors and executive officers of VMware as a group.

Applicable percentage ownership is based on 127,046,375 shares of Class A common stock and 300,000,000 shares of Class B common stock outstanding at March 1, 2015. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options, warrants, rights or conversion privileges held by that person that are currently exercisable or exercisable within 60 days of March 1, 2015. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Only EMC, its successor-in-interest or its majority owned or controlled subsidiaries may hold shares of Class B common stock unless and until such time as EMC distributes its shares of Class B common stock in a distribution under section 355 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), following which distribution the Class B common stock may be held by EMC, the distributees and their transferees. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, the election of directors, conversion and certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in our certificate of incorporation. Each share of Class B common stock is convertible into one share of Class A common stock at any time, at EMC's election. However, if EMC distributes its shares of Class B common stock in a distribution under section 355 of the Code (a "Distribution"), such right to convert Class B common stock into Class A common stock will terminate upon such distribution.

Name and Address of Beneficial Owner	Number of Class B Shares Beneficially Owned (1)	Percent of Outstanding Class B Shares	Percentage of Total Vote (2)
Five Percent Beneficial Owner .... EMC Corporation 176 South Street Hopkinton, MA 01748	300,000,000	100%	95.9%

Five Percent Beneficial Owners	Number of Class A Shares Beneficially Owned (1)	Percent of Outstanding Class A Shares	Percentage of Total Vote (2)
EMC Corporation(3)	43,025,308	33.9%	1.4%

Name of Beneficial Owner Directors and Executive Officers	Number of Class A Shares Beneficially Owned (1)	Percent of Outstanding Class A Shares	Percentage of Total Vote (2)
Michael W. Brown(4)	50,394	**	**
Pamela J. Craig*	5,010	**	**
Jonathan C. Chadwick(5)	40,574	**	**
John R. Egan*(6)	11,256	**	**
Carl M. Eschenbach(7)	58,086	**	**
Patrick P. Gelsinger(8)	130,018	**	**
Paul A. Maritz(9)	1,367,227	1.1%	**
Dennis D. Powell(10)	17,894	**	**
Sanjay Poonen(11)	82,191	**	**
Rangarajan (Raghu) Raghuram(12)	91,930	**	**
Paul Sagan(13)	1,817	**	**
S. Dawn Smith(14)	15,293	**	**

Name of Beneficial Owner Directors and Executive Officers	Number of Class A Shares Beneficially Owned (1)	Percent of Outstanding Class A Shares	Percentage of Total Vote (2)
David N. Strohm(15)	30,994	**	**
Joseph M. Tucci*(16)	—	**	**
All directors and executive officers as a group (14 persons)(17)	1,902,684	1.5%	**

* Nominee for director
** Represents holdings of less than 1%

(1) All amounts shown in this column include shares obtainable upon exercise of stock options currently exercisable or exercisable within 60 days of the date of this table and shares underlying restricted stock units vesting within 60 days of the date of this table. In addition to the amounts shown, each share of Class B common stock may be converted to one share of Class A common stock upon election of the holder.
(2) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class, calculated on the basis of 10 votes per share of Class B common stock and one vote per share of Class A common stock. Each holder of Class B common stock is entitled to 10 votes per share of Class B common stock, and each holder of Class A common stock is entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote, with the exception of the election of Group II directors, in which Class A common stock and Class B shares are each entitled to one vote per share. Additionally, following a Distribution, (i) Class B stockholders are entitled to only one vote per share on any proposal to require the conversion of all then-outstanding shares of Class B common stock to Class A common stock; and (ii) they may not vote in elections for our Board of Directors without obtaining the prior consent of our Board of Directors if they have acquired 10% or more of the then-outstanding shares of Class B common stock other than through the Distribution and do not also hold an equivalent percentage of shares of our then-outstanding Class A common stock, in each case as further set forth in our certificate of incorporation.
(3) Based solely upon a Schedule 13G filed with the SEC on February 13, 2015 by EMC. Does not include 300,000,000 shares of Class A common stock issuable upon conversion of the shares of Class B common stock held by EMC listed in the above table. Such shares of Class B common stock are convertible into Class A common stock at the election of EMC.
(4) Includes 18,000 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015. Excludes 127,600 shares of EMC common stock beneficially owned by Mr. Brown of which 50,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.
(5) Includes 24,301 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 3,953 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015
(6) Excludes 1,132,817 shares of EMC common stock beneficially owned by Mr. Egan. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.
(7) Includes 43,790 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 10,940 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.
(8) Includes 66,295 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 9,884 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 930,372 shares of EMC common stock beneficially owned by Mr. Gelsinger of which 589,667 shares are subject to options exercisable within 60 days of March 1, 2015.
(9) Includes 1,340,006 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015.
(10) Includes 1,500 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015.
(11) Includes 76,239 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 2,372 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.
(12) Includes 23,451 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 3,162 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 47,052 shares of EMC common stock beneficially owned by Mr. Raghuram.
(13) Excludes 87,600 shares of EMC common stock beneficially owned by Mr. Sagan of which 30,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.
(14) Includes 2,598 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 1,383 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.
(15) Excludes 297,601 shares of EMC common stock beneficially owned by Mr. Strohm of which 40,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.
(16) Excludes 2,724,077 shares of EMC common stock beneficially owned by Mr. Tucci of which 1,557,743 shares are subject to options exercisable within 60 days of March 1, 2015.
(17) Includes 1,598,777 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 that are held by all executive officers and directors as a group and 31,694 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 5,347,119 shares of EMC common stock beneficially owned by such individuals, of which 2,267,410 shares are subject to options exercisable within 60 days of March 1, 2015; and 37,200 shares subject to RSUs that will vest on April 30, 2015.

GENERAL INFORMATION ON VMWARE

Company Name

The Company's legal and commercial name is VMware, Inc.

General Information about VMware, Inc. and its Business

VMware, Inc. provides virtualization infrastructure solutions utilized by organizations to help transform the way they build, deliver and consume information technology ("IT") resources. The Company develops and markets its product and service offerings within three main product groups, and it also seeks to leverage synergies across these three product areas: SDDC or Software-Defined Data Center, Hybrid Cloud Computing and End-User Computing.

The Company pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware. The benefits to the Company's customers include lower IT costs and a more automated and resilient systems infrastructure capable of responding dynamically to variable business demands. The Company's broad and proven suite of virtualization technologies are designed to establish secure and reliable IT environments and address a range of complex IT challenges that include cost reduction, operational inefficiencies, access to cloud computing capacity, business continuity and corporate end-user computing device management. The Company's solutions enable organizations to aggregate multiple servers, storage infrastructure and networks together into shared pools of capacity that can be allocated dynamically, securely and reliably to applications as needed. Once created, these internal computing infrastructures, or "clouds," can be dynamically extended by the Company's customers to the public cloud environment. When linked, this results in a "hybrid" computing cloud of highly available internal and external computing resources that organizations can access on demand. The Company's customers' deployments range in size from a single virtualized server for small businesses to thousands of virtual machines for its Fortune 1000 enterprise customers.

The Company believes that its solutions enable organizations to realize significant operational and cost efficiencies as they transition their underlying legacy IT infrastructure. The Company works closely with more than 1,100 technology partners, including leading server, microprocessor, storage, networking, software and security vendors. The Company has shared the economic opportunities surrounding virtualization with its partners by facilitating solution development through open application programming interface ("APIs") formats and protocols and providing access to its source code and technology. The endorsement and support of its partners further enhances the awareness, reputation and adoption of its virtualization solutions.

In 2014, the Company acquired AirWatch, a provider of enterprise mobile management and security, which expands its solutions within the enterprise mobile management and security spaces.

The Company has developed a multi-channel distribution model to expand its presence and reach various segments of the market. The Company derives the majority of its revenues from its indirect sales channel, which includes distributors, resellers, system vendors and systems integrators. The Company believes that its partners benefit greatly from the sale of its solutions through additional services, software and hardware sales opportunities. The Company has trained a large number of partners and end users to deploy and leverage its solutions.

Revenues by geographic area for the years ended December 31, 2014, 2013 and 2012 were as follows (table in millions):

	For the Year Ended December 31,		
	2014	2013	2012
United States	$ 2,912	$ 2,485	$ 2,229
International	3,123	2,722	2,376
Total	$ 6,035	$ 5,207	$ 4,605

The Company was acquired by EMC in 2004 and conducted its IPO of its Class A common stock in August 2007. EMC holds approximately 79.9% of the Company's outstanding common stock, including 43,025,000 shares of its Class A common stock as of December 31, 2014, and all of its Class B common stock, and the Company is considered a "controlled company" under the rules of the NYSE.

VMware is a corporation incorporated and existing under the laws of Delaware and is registered with the Delaware Department of State, under registration number 2853894. The mailing address of the Company's principal executive offices is 3401 Hillview Avenue, Palo Alto, California 94304, USA, and the Company's telephone number is (001) 650-427-5000. The IRS Employer Identification Number is 94-3292913.

Auditors

The Company's independent registered public accounting firm is PricewaterhouseCoopers LLP ("PwC"), 488 Almaden Boulevard, Suite 1800, San Jose, California 95110, USA.

PwC is an independent registered public accounting firm with the U.S. Public Company Accounting Oversight Board (PCAOB). PwC has been the Company's independent auditors since December 2002. PwC audited the consolidated financial statements for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The audits were performed by auditors licensed with the California Board of Accountancy who qualify as certified public accountants.

DESCRIPTION OF THE SECURITIES

Type and the Class of the Securities being Offered, including the Securities Identification Code

As of December 31, 2014, VMware's authorized capital stock consisted of 2,500,000,000 shares of Class A common stock, par value of $0.01 and 1,000,000,000 shares of Class B common stock, par value of $0.01 per share.

VMware common stock is listed on the NYSE under the symbol "VMW." The U.S. security identification (CUSIP) number of the shares is 928563402. The CUSIP number is the U.S. equivalent of the international security identification number (ISIN).

Stock Repurchase Programs

On January 27, 2015, VMware's Board of Directors authorized the repurchase of up to an additional one billion dollars of VMware's Class A common stock through the end of 2017. Stock will be purchased from time to time, in the open market or through private transactions, subject to market conditions. The new stock repurchase authorization is in addition to VMware's ongoing one-billion-dollar stock repurchase program, originally announced on August 6, 2014. 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 and regulatory requirements and other market and economic conditions. VMware is not obligated to purchase any shares under its stock repurchase programs. Purchases can be discontinued at any time that VMware feels additional purchases are not warranted. All shares repurchased under VMware's stock repurchase programs are retired.

The following table summarizes stock repurchase authorizations during the years ended December 31, 2014, 2013 and 2012 (amounts in table in millions):

Authorization Date	Amount Authorized	Expiration Date	Status
August 6, 2014	$1,000	December 31, 2016	Open
August 7, 2013	700	December 31, 2015	Completed in Q4'14
November 28, 2012	250	December 31, 2014	Completed in Q4'13
February 29, 2012	600	December 31, 2013	Completed in Q2'13

As of December 31, 2014, the cumulative authorized amount remaining for repurchase was $960 million.

The following table summarizes stock repurchase activity during the years ended December 31, 2014, 2013 and 2012 (aggregate purchase price in millions, shares in thousands):

	For the Year Ended December 31,		
	2014	2013	2012
Aggregate purchase price	$ 700	$ 508	$ 467
Class A common shares repurchased	7,642	6,636	5,132
Weighted-average price per share	$ 91.61	$ 76.58	$ 91.10

The amount of repurchased shares includes commissions and is classified as a reduction to additional paid-in capital.

VMware Shares Repurchased for Tax Withholdings

During the years ended December 31, 2014, 2013 and 2012, VMware repurchased and retired or withheld 1.8 million, 1.9 million and 1.7 million shares, respectively, of Class A common stock, for $162 million, $126 million and $136 million, respectively, to cover tax withholding obligations. 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 repurchased or withheld in conjunction with the net share settlement upon the vesting of restricted stock and restricted stock units during the period. The value of the repurchased or withheld shares, including restricted stock units, was classified as a reduction to additional paid-in capital.

Legislation under which the Securities have been Created/Regulation of the Shares

The shares of stock were established in accordance with the DGCL. Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder will be governed by and construed in accordance with the laws of the U.S. State of Delaware.

VMware's common stock is regulated by the 1934 Act.

Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, shareholders hold shares of the Company's common stock in book-entry form. The records are kept by the Company's transfer agent, American Stock Transfer & Trust Company, who serves as the depository agent for the purpose of this offer if the shareholders decide to register as record holder and hold physical certificates. The address of the depository agent is 59 Maiden Lane, Plaza Level, New York 10038, USA and the telephone number is +1-212-936-5100.

The Company's designated ESPP service provider is E*TRADE. The shares issuable under the ESPP to Eligible Employees participating in the ESPP are deposited into a designated brokerage account at E*TRADE. Participants may obtain information about their accounts online at http://www.etrade.com/stockplans or by calling an E*TRADE ESPP representative at +1(800) 838-0908 (from within the U.S.) or +1(650) 599-0125 (from outside the U.S.). Individual participants will be notified if VMware selects a different service provider to help administer the participant's account.

VMware does not currently engage a paying agent as it has not declared a cash dividend since its IPO and it does not anticipate declaring dividends in the foreseeable future.

Commission

E*TRADE has a commission fee of Euro 19.99 per online transaction in Germany and France and of £ 9.99 in the UK upon a sale of shares purchased under the ESPP.

Currency of the Securities Issue

The United States Dollar is the currency of the security issue.

Rights attached to the Securities

No participating employee will have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the purchase rights or the options have been exercised and the shares have been purchased and delivered to the participating employee. Following such purchase and delivery, the participating employee will be entitled to the rights attached to the shares, as further described below:

Classes of Common Stock

VMware has two classes of authorized common stock: Class A common stock and Class B common stock. Only Class A common stock is the subject of this prospectus.

Dividend Rights

Subsequent to its IPO, VMware has not declared or paid cash dividends on its common stock and has no present intention to do so.

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of VMware's Class A common stock and Class B common stock are entitled to receive dividends, out of assets legally available, sharing equally in all such dividends on a per share basis, at the times and in the amounts that VMware's Board may determine from time to time. Dividend rights attach when shares of common stock are issued. However, stockholders do not become entitled to dividends until (and if) the Board declares a dividend. If dividends are declared, all stockholders of record as of a certain date set forth by the Board will be entitled to such dividends. If someone is not a stockholder of record on such date, he or she will not be entitled to any dividend payments.

Under §1197 of Title 12 of the Delaware Code, dividends that are unclaimed for three years escheat to the State of Delaware. Specifically, dividends become subject to escheat after a period of dormancy which is the full and continuous period of three years during which an owner has ceased, failed or neglected to assert a right of ownership or possession.

There are no dividend restrictions and no special procedures for stockholders resident in the EU and the EEA.

Conversion Rights for Class B common stock

Each share of Class B common stock is convertible while held by EMC or its successor-in-interest at the option of EMC or its successor-in-interest into one share of Class A common stock.

If VMware's Class B common stock is distributed to security holders of EMC in a transaction (including any distribution in exchange for shares of EMC's or its successor-in-interest's common stock or other securities) intended to qualify as a distribution under Section 355 of the Internal Revenue Code, or any corresponding provision of any successor statute, shares of VMware's Class B common stock will no longer be convertible into shares of Class A common stock. Prior to any such distribution, all shares of Class B common stock will automatically be converted into shares of Class A common stock upon the transfer of such shares of Class B common stock by EMC other than to any of EMC's successors or any of its subsidiaries (excluding VMware). If such a distribution has not occurred, each share of Class B common stock will also automatically convert at such time as the number of shares of common stock owned by EMC or its successor-in-interest falls below 20% of the outstanding shares of VMware's common stock. Following any such distribution, VMware may submit to its stockholders a proposal to convert all outstanding shares of Class B common stock into shares of Class A common stock, provided that VMware has received a favorable private letter ruling from the Internal Revenue Service satisfactory to EMC to the effect that the conversion will not affect the intended tax treatment of the distribution. In a meeting of VMware stockholders called for this purpose, the holders of VMware Class A common stock and VMware Class B common stock will be entitled to one vote per share and, subject to applicable law, will vote together as a single class, and neither class of common stock will be entitled to a separate class vote.

All conversions will be effected on a share-for-share basis.

Voting Rights

Except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to 10 votes per share on all matters to be voted on by VMware's stockholders and except with respect to the election of directors, conversion, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this prospectus, the holders of Class A common stock and Class B common stock have identical rights.

The holders of VMware Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on VMware's Board which it would have if there were no vacancies on the Board at the time.

Subject to any rights of any series of preferred stock to elect directors, the holders of VMware Class A common stock and the holders of VMware Class B common stock, voting together as a single class, are entitled to elect the remaining directors, which at no time will be less than one director. In any such election, the holders of Class A common stock and the holders of Class B common stock are entitled to one vote per share.

In the event that the rights of any series of preferred stock would preclude the holders of VMware Class A common stock and the holders of VMware Class B common stock, voting together as a single class, from electing at least one director, the Board will increase the number of directors prior to the issuance of that preferred stock to the extent necessary to allow these stockholders to elect at least one director.

Generally, all other matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast at a meeting by all shares of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock.

Additionally, following a distribution of VMware Class B common stock to security holders of EMC, any person or group that beneficially owns 10% or more of the Class B common stock will not have any right to vote their shares of Class B common stock in the election of directors unless that person or group of persons also beneficially owns at least an equivalent percentage of VMware Class A common stock with two exceptions:

- where such person or group obtains the consent of VMware’s Board prior to acquiring beneficial ownership of at least 5% of VMware’s common stock; or
- where such person or group acquires beneficial ownership of at least 5% of VMware’s common stock solely as a result of a distribution of Class B common stock to EMC stockholders and, prior to acquiring one additional share of Class B common stock, such person or group obtains the consent of VMware’s Board.

No Preemptive or Redemption Rights

VMware’s Class A common stock and Class B common stock are not entitled to preemptive rights to acquire shares of the Company’s common stock and are not subject to redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon VMware’s liquidation, dissolution or winding-up, the holders of VMware’s Class A common stock and Class B common stock are entitled to share equally in all of VMware’s assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock.

Approval Rights of Holders of Class B Common Stock

In addition to any other vote required by law or by VMware’s certificate of incorporation, until the first date on which EMC ceases to beneficially own 20% or more of the outstanding shares of VMware’s common stock, the prior affirmative vote or written consent of EMC as the holder of the Class B common stock is required (subject in each case to certain exceptions) in order to authorize VMware to:

- adopt any shareholder rights plan or similar takeover defense measure;
- consolidate or merge with any other entity;
- acquire the stock or assets of another entity in excess of $100 million;
- issue any stock or securities except to VMware’s subsidiaries or pursuant to this offering or VMware’s employee benefit plans;
- dissolve, liquidate or wind VMware up;
- declare dividends on VMware’s stock;
- enter into any exclusive or exclusionary arrangement with a third party involving, in whole or in part, products or services that are similar to EMC’s; and
- amend, terminate or adopt any provision inconsistent with certain provisions of VMware’s certificate of incorporation or bylaws.

Preferred Stock

Subject to the approval of the Class B stockholders, and subject to any requirements of the NYSE, or any applicable national securities exchange, VMware's series preferred stock may be issued from time to time in one or more series, with such terms as VMware's Board may determine. Currently no preferred stock has been issued.

Change of Shareholders' Rights

The rights of holders of the Company's common stock may be changed only by a formal amendment of the Company's Certificate of Incorporation or Bylaws, except that the Company's Board may issue preferred stock from time to time in one or more series and may fix the rights, preferences, privileges and restrictions of each series of preferred stock. Any or all of the rights and preferences selected by the Company's Board for any series of preferred stock may be greater than the rights of the common stock. Some of the rights and preferences that the Board may designate include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms.

Transferability

The offering of shares under the ESPP has been registered with the SEC on a registration statement on Form S-8 and the issued and outstanding shares of common stock are generally freely transferable.

The ESPP is intended to provide shares for investment. The Company does not, however, intend to restrict or influence any employee in the conduct of his or her own affairs. A participant, therefore, may sell shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws, insider trading policies and applicable blackout periods. The participant assumes the risk of any market fluctuations in the price of the shares.

Applicable Squeeze-Out and Sell-Out Rules

Under Section 253 of the DGCL, a corporation owning at least 90% of the outstanding shares of each class of the stock of a subsidiary corporation may effect a "short form" merger in which the shares of the subsidiary held by minority stockholders are converted into cash, stock or other property and the subsidiary becomes wholly-owned by the parent corporation. A short form merger pursuant to Section 253 may be authorized by the board of directors of the parent corporation without a vote of the stockholders of the subsidiary corporation. The minority stockholders of the subsidiary corporation are, however, entitled to seek judicial appraisal of their shares in connection with short form merger transactions in accordance with Section 262 of the DGCL.

Stock Based Compensation Plans

Beside the ESPP, VMware offers its Amended and Restated 2007 Equity and Incentive Plan (the "2007 Plan"). In May 2009, VMware amended its 2007 Plan to increase the number of shares available for issuance by 20.0 million shares for total shares available for issuance of 100.0 million. In May 2013, VMware further amended the 2007 Plan to increase the number of shares available for issuance by 13.3 million shares. The number of shares underlying outstanding equity awards that VMware assumes in the course of business acquisitions are also added to the 2007 Plan reserve on an as-converted basis. VMware has assumed 4.2 million shares, which accordingly have been added to the 2007 Plan reserve.

Awards under the 2007 Plan may be in the form of stock options or other stock-based awards, including awards of restricted stock units. The exercise price for a stock option awarded under the 2007 Plan shall not be less than 100% of the fair market value of VMware Class A common stock on the date of grant. Most options granted under the 2007 Plan vest 25% after the first year and then monthly thereafter over the following three years and expire between six and seven years from the date of grant. Most 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 then semi-annually thereafter. VMware's Compensation and Corporate Governance Committee determines the vesting schedule for all equity awards. VMware utilizes both authorized and unissued shares to satisfy all shares issued under the 2007 Plan. At December 31, 2014, there were an aggregate of 17.9 million shares of common stock available for issuance pursuant to future grants under the 2007 Plan.

VMware Stock Options

The following table summarizes option activity since January 1, 2012 for VMware stock options (shares in thousands):

	VMware Stock Options	
	Number of Shares	**Weighted-Average Exercise Price (per share)**
Outstanding, January 1, 2012	16,174	$ 35.27
Granted	1,201	4.67
Forfeited	(644)	42.07
Expired	—	—
Exercised	(6,598)	30.44
Outstanding, December 31, 2012	10,133	34.36
Granted	1,434	71.53
Forfeited	(416)	36.25
Expired	(387)	105.81
Exercised	(5,009)	28.12
Outstanding, December 31, 2013	5,755	44.12
Granted	2,695	50.91
Forfeited	(220)	47.89
Expired	—	—
Exercised	(2,361)	35.58
Outstanding, December 31, 2014	5,869	50.54

The above table includes stock options granted in conjunction with unvested stock options assumed in business combinations. As a result, the weighted-average exercise price per share may vary from the VMware stock price at time of grant.

Options outstanding that are exercisable and that have vested and are expected to vest as of December 31, 2014 were as follows:

	VMware Stock Options			
	Outstanding Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value [1] (in millions)
Exercisable, December 31, 2014	2,818	$ 37.40	2.09	$ 128
Vested and expected to vest, December 31, 2014	5,584	48.57	4.26	204

[1] The aggregate intrinsic values represent the total pre-tax intrinsic values based on VMware's closing stock price of $82.52 as of December 31, 2014, which would have been received by the option holders had all in-the-money options been exercised as of that date.

The total fair value of VMware stock options that vested during the years ended December 31, 2014, 2013 and 2012 was $64 million, $60 million and $72 million, respectively.

The options exercised during the years ended December 31, 2014, 2013 and 2012 had a pre-tax intrinsic value of $147 million, $256 million and $443 million, respectively.

VMware Restricted Stock

VMware restricted stock primarily consists of restricted stock unit ("RSU") awards granted to employees. RSUs are valued based on the VMware stock price on the date of grant, and shares underlying RSU awards are not issued until the RSUs vest. Upon vesting, each RSU converts into one share of VMware Class A common stock.

VMware restricted stock also includes performance stock unit ("PSU") awards, which have been granted to certain of VMware's executives and employees. The PSU awards include performance conditions and, in certain cases, a time-based vesting component. Upon vesting, each PSU award will convert into VMware's Class A common stock at various ratios ranging from 0.5 to 3.0 shares per PSU, depending upon the degree of achievement of the performance target designated by each individual award. As of December 31, 2014, the performance period for the outstanding PSU awards was concluded. The number of PSUs outstanding as of December 31, 2014 reflects the PSU awards ultimately expected to vest, subject to certain service conditions.

The following table summarizes restricted stock activity since January 1, 2012 (units in thousands):

	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Outstanding, January 1, 2012	9,540	$ 72.74
Granted	7,832	101.73
Vested	(3,751)	69.01
Forfeited	(1,451)	81.53
Outstanding, December 31, 2012	12,170	91.93
Granted	7,391	76.20
Vested	(4,399)	83.21
Forfeited	(2,306)	90.55
Outstanding, December 31, 2013	12,856	85.85
Granted	6,189	92.82
Vested	(5,166)	86.27
Forfeited	(1,294)	88.03
Outstanding, December 31, 2014	12,585	88.88

As of December 31, 2014, the 12.6 million units outstanding included 11.9 million of RSUs and 0.6 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 December 31, 2014 was as follows:

	Number of Units (in thousands)	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value[1] (in millions)
Expected to vest, December 31, 2014	10,989	1.33	$ 907

[1] The aggregate intrinsic values represent the total pre-tax intrinsic values based on VMware's closing stock price of $82.52 as of December 31, 2014, which would have been received by the RSU holders had the RSUs been issued as of December 31, 2014.

The total fair value of VMware RSUs, PSUs, and restricted stock that vested during the years ended December 31, 2014, 2013 and 2012 was $480 million, $340 million and $347 million, respectively. As of December 31, 2014, restricted stock representing 12.6 million shares of VMware's Class A common stock were outstanding, with an aggregate intrinsic value of $1,039 million based on VMware's closing price as of December 31, 2014.

Except for the ESPP, the 2007 Plan does not trigger a prospectus requirement under the European Prospectus Directive. Therefore neither those awards nor the underlying shares for such awards form the subject matter of this prospectus. Such awards are not discussed in this prospectus.

INFORMATION ON THE GOVERNING BODIES OF VMWARE

VMware's Directors as of the Date of this Prospectus

Michael W. Brown
Class II, Group I
Term expires: 2015 Annual Meeting

Mr. Brown, age 69, has been a director of VMware since April 2007. Mr. Brown is also a member of the board of directors of EMC, on which he has served since 2005. Mr. Brown is a member of EMC's Audit Committee and is chair of EMC's Finance Committee. From August 1994 until his retirement in July 1997, Mr. Brown served as Vice President and Chief Financial Officer of Microsoft Corporation. He was Vice President, Finance, of Microsoft from April 1993 to August 1994. He joined Microsoft in December 1989. After retiring from Microsoft, Mr. Brown served as Chair of the NASDAQ Stock Market board of directors and as a past governor of the National Association of Securities Dealers. Prior to joining Microsoft, Mr. Brown spent 18 years with Deloitte & Touche LLP in various positions. Mr. Brown is also a director of Insperity, Inc., where he is a member of the Nominating and Corporate Governance Committee and the Compensation Committee. He is also a director of Stifel Financial Corp, where he serves on the Risk Management/Corporate Governance Committee.

Mr. Brown brings to the Board substantial financial expertise that includes extensive knowledge of the complex financial and operational issues facing large companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He acquired this knowledge in the course of serving as the chief financial officer of a global technology company, working with a major international accounting and consulting firm for 18 years and serving as a member of the audit committees of other public company boards. Mr. Brown's experience as an independent auditor provides the Board and the Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures. Through his many senior management positions, including as Chair of The NASDAQ Stock Market and as a past governor of the National Association of Securities Dealers, Mr. Brown has demonstrated his leadership and business acumen.

Patrick P. Gelsinger
Class II, Group I
Term expires: 2015 Annual Meeting

Mr. Gelsinger, age 54, has been the Chief Executive Officer and a director of VMware since September 2012. Prior to joining VMware, he served as President and Chief Operating Officer, EMC Information Infrastructure Products at EMC from September 2009 to August 2012. Mr. Gelsinger joined EMC from Intel Corporation, a designer and manufacturer of advanced integrated digital technology platforms, where he was Senior Vice President and Co-General Manager of Intel Corporation's Digital Enterprise Group from 2005 to September 2009 and served as Intel's Senior Vice President, Chief Technology Officer from 2002 to 2005. Prior to this, Mr. Gelsinger led Intel's Desktop Products Group.

As Chief Executive Officer of VMware, Mr. Gelsinger has in depth knowledge of the Company's business and brings to the Board insight and knowledge of its operations and strategic opportunities. In addition, Mr. Gelsinger's extensive experience as part of executive management teams for global IT companies provides the Board with significant expertise on a variety of issues important to the Company's business.

Dennis D. Powell
Class II, Group I
Term expires: 2015 Annual Meeting

Mr. Powell, age 67, has been a director of VMware since November 2007. Mr. Powell served as an Executive Advisor at Cisco Systems, Inc., a provider of networking products and services, from February 2008 to September 2010. Prior to that, Mr. Powell served as Cisco's Chief Financial Officer from May 2003 to February 2008. In that position, Mr. Powell served as Cisco's Executive Vice President from August 2007 and, previously, as its Senior Vice President since May 2003. From June 2002 to May 2003, Mr. Powell served as Cisco's Senior Vice President, Corporate Finance. Prior to that, from January 1997 to June 2002, he served as Cisco's Vice President, Corporate Controller. Prior to joining Cisco, Mr. Powell had a 26-year tenure at PricewaterhouseCoopers LLP, where he was engagement lead for several global clients, was a national SEC reviewer and had regional responsibilities for audit quality assurance in the United States. Mr. Powell is also a director of Applied Materials, Inc., where he serves as Chair of the Audit Committee and is a member of the Corporate Governance and Nominating Committee, Investment Committee and Stockholder Rights Committee. Mr. Powell is also a director of Intuit Inc., where he serves as Chair of the Audit & Risk Committee and is a member of the Acquisition Committee.

Mr. Powell's experience serving in various executive positions at a global corporation provides him with a deep understanding of the issues the Company faces. Mr. Powell brings to the Board substantial financial expertise that includes extensive knowledge of the complex financial and operational issues facing large companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He acquired this knowledge in the course of serving as the chief financial officer of a global technology company, working with a major international accounting and consulting firm for 26 years and serving as a member of the audit committee and nominating and corporate governance committee of two other public company boards. Additionally, Mr. Powell's experience as an independent auditor provides the Board and Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures.

Information concerning the Company's continuing directors (directors not standing for election in 2015) is presented below:

Pamela J. Craig
Class I, Group II
Term expires: 2017 Annual Meeting

Ms. Craig, age 58, has been a director of VMware since September 2013. Ms. Craig was employed at Accenture plc, a global management consulting, technology services and outsourcing organization, in various operational and finance roles for 34 years, most recently serving as Chief Financial Officer from October 2006 until her retirement in 2013. She was Senior Vice President, Finance of Accenture from March 2004 to October 2006 and served as its Group Director, Business Operations & Services from March 2003 to March 2004, and Managing Partner, Global Business Operations from June 2001 to March 2003. Prior to 2001, Ms. Craig had leadership roles in different parts of Accenture's business, both domestically and globally, in consumer products and media and entertainment. Ms. Craig is also a director of Akamai Technologies, Inc., where she is currently the chair of the Audit Committee, and Walmart Stores, Inc., where she serves on the Audit Committee.

Ms. Craig brings to the Board substantial financial expertise that includes extensive knowledge of complex global business issues and financial and accounting matters and unique insight into how to manage a large, global organization that has grown rapidly. With more than 30 years of experience working for a major consulting company, Ms. Craig also brings to the Board a deep understanding of the challenges the Company faces in a rapidly changing technological environment.

John R. Egan
Class I, Group I
Term expires: 2017 Annual Meeting

Mr. Egan, age 57, has been a director of VMware since April 2007. Mr. Egan is also a member of the board of directors of EMC, on which he has served since May 1992. Mr. Egan is a member of EMC's Finance Committee and chair of EMC's Mergers and Acquisitions Committee. Mr. Egan has been a managing partner and general partner in Egan-Managed Capital, a venture capital firm, since October 1998. From May 1997 to September 1998, Mr. Egan served as Executive Vice President, Products and Offerings of EMC. From January 1992 to June 1996, he served as Executive Vice President, Sales and Marketing of EMC. From October 1986 to January 1992, he served in a number of executive positions with EMC, including Executive Vice President, Operations and Executive Vice President, International Sales. Mr. Egan resigned as an executive officer of EMC in September 1998 and as an employee of EMC in July 2002. Mr. Egan is also a director of NetScout Systems, Inc., where he is Chair of the Nominating and Governance Committee and a member of the Audit Committee and Finance Committee, Verint Systems Inc., where he is Chair of the Nominating and Governance Committee and a member of the Compensation Committee, and Progress Software Corporation, where he is the Non-Executive Chairman of the Board and a member of the Compensation Committee.

Mr. Egan has spent his entire career in the IT industry. His broad experience ranges from venture capital investments in early-stage technology companies to extensive sales and marketing experience, to executive leadership and management roles. Mr. Egan brings to the Board business acumen, substantial operational experience and expertise in corporate strategy development, as well as a deep understanding of IT products acquired over many years of involvement with EMC. In addition, Mr. Egan's service on other public company boards provides him with valuable experience.

Paul A. Maritz
Class III, Group I
Term expires: 2016 Annual Meeting

Mr. Maritz, age 60, has been a director of VMware since July 2008 when he joined VMware as Chief Executive Officer. Mr. Maritz was Chief Executive Officer at VMware through August 2012. Mr. Maritz also served as VMware's President from July 2008 to January 2011. Mr. Maritz has been Chief Executive Officer of Pivotal Software, Inc., a majority owned subsidiary of EMC in which VMware has an ownership interest, since April 2013. From September 2012 through March 2013, Mr. Maritz served as Chief Strategist at EMC. Prior to joining VMware, he was President of EMC's Cloud Infrastructure and Services Division after EMC acquired Pi Corporation in February 2008. Mr. Maritz was a founder of Pi and served as its Chief Executive Officer. Pi was a software company focused on building cloud-based solutions. Before founding Pi, he spent 14 years working at Microsoft Corporation, where he served as a member of the five-person Executive Committee that managed the overall company. As Vice President of the Platform Strategy and Developer Group, among other roles, he oversaw the development and marketing of System Software Products (including Windows 95, Windows NT, and Windows 2000), Development Tools (Visual Studio) and Database Products (SQL Server) and the complete Office and Exchange Product Lines. Prior to Microsoft, he spent five years working at Intel Corporation as a software and tools developer.

Mr. Maritz's experience serving in various executive positions at VMware, EMC and other global technology companies provides him an in depth knowledge of the Company's business and the issues the Company faces. In addition, Mr. Maritz's substantial experience in the IT sector ranging from development of software products to founding a company developing cloud computing software provides the Board with significant expertise on a variety of issues important to the Company's business.

Paul Sagan
Class III, Group I
Term expires: 2016 Annual Meeting

Mr. Sagan, age 56, has been a director of VMware since April 2014. Mr. Sagan is also a member of the board of directors of EMC on which he has served since 2007. Mr. Sagan is a member of EMC's Leadership and Compensation Committee. Mr. Sagan has been an Executive in Residence (XIR) at General Catalyst Partners, a venture capital firm, since January 2014. From April 2005 to January 2013, Mr. Sagan served as Chief Executive Officer of Akamai Technologies, Inc. ("Akamai"), a provider of services for accelerating the delivery of content and applications over the Internet, and was President from May 1999 to September 2010 and from October 2011 to December 2012. Mr. Sagan joined Akamai in October 1998 as Vice President and Chief Operating Officer. In December 2010, President Barack Obama appointed Mr. Sagan as a member of the President's National Security Telecommunications Advisory Committee. From July 1997 to August 1998, Mr. Sagan was Senior Advisor to the World Economic Forum, a Geneva, Switzerland-based organization that provides a collaborative framework for leaders to address global issues. Previously, Mr. Sagan held senior executive positions at global media and entertainment companies Time Warner Cable and Time Inc., affiliates of Time Warner, Inc., as well as at CBS, Inc. Mr. Sagan is also a director of Akamai, where he is Vice Chairman of the board of directors, and iRobot Corporation, where he is chair of the Nominating and Corporate Governance Committee.

As the former President, Chief Operating Officer and Chief Executive Officer of an S&P 500 company, Mr.

Sagan brings valuable skills, experience and insight to the Board. Mr. Sagan has extensive experience with complex global organizations, an in-depth knowledge of internet-based technologies and significant business, strategic and operational experience. In addition, Mr. Sagan has served and continues to serve on the board of directors of other public companies, and he brings valuable experience from those directorships to his service on the Board.

David N. Strohm
Class III, Group I
Term expires: 2016 Annual Meeting

Mr. Strohm, age 67, has been a director of VMware since April 2007. Mr. Strohm is also a member of the board of directors of EMC, on which he has served since October 2003. Mr. Strohm is a member of EMC's Mergers and Acquisitions Committee and Corporate Governance and Nominating Committee. He has been a Venture Partner of Greylock Partners ("Greylock"), a venture capital firm, since January 2001 and was a General Partner of Greylock from 1980 to 2001. He is also a General Partner of several partnerships formed by Greylock. Mr. Strohm is a former director of several public companies, including, SuccessFactors, Inc. (where he was Chairperson of the Board, Chair of the Nominating and Corporate Governance Committee, and Chair of the Compensation Committee).

Mr. Strohm has more than 30 years of experience as an early-stage venture capital investor, principally in the IT industry. He has been a primary investor, and served in board leadership roles, in several companies which have grown to become publicly-traded. This experience has provided him with a deep understanding of the IT industry, and the drivers of structural change and high-growth opportunities in IT. He has also gained significant experience overseeing corporate strategy, assessing operating plans, and evaluating and developing business leaders.

Joseph M. Tucci
Class I, Group I
Term expires: 2017 Annual Meeting

Mr. Tucci, age 67, has been Chairman of the Board of VMware since April 2007. Mr. Tucci has been the Chairman of the board of directors of EMC since January 2006 and has been Chief Executive Officer and a director since January 2001. He has served as President of EMC since February 2014, and also from January 2000 to July 2012. He also served as EMC's Chief Operating Officer from January 2000 to January 2001. Prior to joining EMC, Mr. Tucci served as Deputy Chief Executive Officer of Getronics N.V., an IT services company, from June 1999 through December 1999 and as Chair of the Board and Chief Executive Officer of Wang Global, an IT services company, from December 1993 to June 1999. Mr. Tucci is a member of EMC's Finance Committee and EMC's Mergers and Acquisitions Committee. Mr. Tucci also serves as a director of Paychex, Inc., where he is Lead Independent Director and Chairman of the Governance and Compensation Committee.

Mr. Tucci has spent more than 40 years in the technology industry in senior roles at large, complex, and global technology companies. Mr. Tucci's deep knowledge of all aspects of EMC's business, combined with his drive for innovation and excellence, position him well to serve on the Company's Board. In addition, Mr. Tucci's service on other public company boards provides him with valuable experience.

VMware's Executive Officers as of the Date of this Prospectus

Name	Age	Position(s)
Patrick P. Gelsinger	53	Chief Executive Officer and Director
Carl M. Eschenbach	48	President and Chief Operating Officer
Jonathan C. Chadwick	49	Chief Financial Officer, Chief Operating Officer and Executive Vice President
Sanjay Poonen	45	Executive Vice President and General Manager, End-User Computing
Rangarajan (Raghu) Raghuram	52	Executive Vice President, Software-Defined Data Center Division
S. Dawn Smith	51	Senior Vice President, General Counsel, Chief Compliance Officer and Secretary

Patrick P. Gelsinger has been the Chief Executive Officer and a director of VMware since September 1, 2012. Prior to joining VMware, he served as President and Chief Operating Officer, EMC Information Infrastructure Products at EMC, VMware's parent company and controlling stockholder, from September 2009 to August 2012. Mr. Gelsinger joined EMC from Intel Corporation, a designer and manufacturer of advanced integrated digital technology platforms, where he was Senior Vice President and Co-General Manager of Intel Corporation's Digital Enterprise Group from 2005 to September 2009 and served as Intel's Senior Vice President, Chief Technology Officer from 2002 to 2005. Prior to this, Mr. Gelsinger led Intel's Desktop Products Group.

Carl M. Eschenbach was appointed Chief Operating Officer and Co-President of VMware in April 2012 and became President and Chief Operating Officer in December 2012. Mr. Eschenbach had previously served as VMware's Co-President, Customer Operations from January 2011 to April 2012 and as VMware's Executive Vice President of Worldwide Field Operations from May 2005 to January 2011. Prior to joining VMware in 2002, he was Vice President of North America Sales at Inktomi from 2000 to 2002. He also held various sales management positions with 3Com Corporation, Lucent Technologies Inc. and EMC. Mr. Eschenbach currently serves on the board of Palo Alto Networks.

Jonathan C. Chadwick has served as VMware's Chief Financial Officer, Chief Operating Officer and Executive Vice President since August 2014. Mr. Chadwick joined VMware as its Chief Financial Officer and Executive Vice President on November 2012. Previously, Mr. Chadwick had been Chief Financial Officer of Skype, a provider of Internet-based voice communication, since March 2011, and a Corporate Vice President of Microsoft Corporation since its acquisition of Skype in October 2011. Mr. Chadwick joined Skype from McAfee, an antivirus software and computer security company, where he was the Executive Vice President and Chief Financial Officer from June 2010 until February 2011, when McAfee was acquired by Intel Corporation. From 1997 to 2010, Mr. Chadwick held various finance roles at Cisco Systems, a networking equipment company. At Cisco, Mr. Chadwick served as Senior Vice President, CFO - Global Customer Markets from July 2009 to June 2010, Senior Vice President, Corporate Controller and Principal Accounting Officer from June 2007 until July 2009, Vice President, Corporate Controller and Principal Accounting Officer from September 2006 to June 2007 and Vice President, Corporate Finance & Planning from February 2001 to September 2006. Mr. Chadwick currently serves on the board of F5 Networks, Inc.

Sanjay Poonen has served as VMware's Executive Vice President and General Manager, End-User Computing since August 2013. Prior to joining VMware, he spent more than seven years at SAP AG, serving as President and Corporate Officer of Platform Solutions and the Mobile Division from April 2012 until July 2013, prior to that as President of Global Solutions from November 2010 to March 2012, as Executive Vice President of Performance Optimization Apps from June 2008 to September 2009 and Senior Vice President of Analytics from April 2006 to May 2008. Mr. Poonen's over 20 years of technology industry experience also included executive-level positions with Symantec and Veritas, and product management and engineering positions with Alphablox, Apple, Inc. and Microsoft Corporation.

Rangarajan (Raghu) Raghuram has served as VMware's Executive Vice President, Software-Define Data Center Division since April 2012. 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 from September 2003 through December 2009. Prior to VMware, Mr. Raghuram held product management and marketing roles at Netscape and Bang Networks.

S. Dawn Smith has been the Senior Vice President, General Counsel and Secretary at VMware since September 2009 and Chief Compliance Officer since August 2010. Prior to joining VMware, Ms. Smith was a partner at Morrison & Foerster LLP, a law firm, since January 2008 and served as an attorney since 2005. Prior to joining Morrison & Foerster LLP, she was an attorney at Wilson Sonsini Goodrich & Rosati P.C.

Good Standing of Directors and Executive Officers

For at least the previous five years none of the directors or executive officers of VMware has been associated with any bankruptcy, receivership or liquidation of a company when acting in their capacity as members of the administrative, management or supervisory board or senior manager of this company or has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies). None of the directors or executive officers of the Company has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer or has been convicted in relation to fraudulent offences.

The Company's directors and executive officers may be contacted at the Company's business address, 3401 Hillview Avenue, Palo Alto, California 94304, USA.

Any Arrangement or Understanding with Major Shareholders pursuant to which a Director of VMware was selected as a Member of the Board

As described under "VMware's Directors as of the date of the prospectus" starting on page 86, the chairman of VMware's Board, Joseph M. Tucci, is the Chairman, Chief Executive Officer and President of EMC, and a member of VMware's board, Mr. Paul Maritz is an executive officer of EMC. The following directors of VMware are also directors of EMC: Michale W. Brown, John R. Eagan, Paul Sagan and David N. Strohm. See "Description of Securities – Rights attached to the Securities – Voting Rights" for more information regarding the voting rights of Class A common stock and Class B common stock in the election of directors.

Potential Conflicts between any Duties to the Issuer of Directors or Executive Officers of VMware and their Private Interests and/or Other Duties

The information provided below includes a summary of the transactions entered into with EMC and EMC's consolidated subsidiaries (collectively "EMC"), including VCE Company LLC ("VCE") from the date EMC acquired its controlling interest in VCE through December 31, 2014.

Transactions with EMC

VMware and EMC engaged in the following ongoing intercompany transactions, which resulted in revenues and receipts and unearned revenues for VMware:

- Pursuant to an ongoing reseller arrangement with EMC, EMC bundles VMware's products and services with EMC's products and sells them to end users.

- EMC purchases products and services from VMware for internal use.

- VMware recognizes revenues for professional services based upon such contractual agreements with EMC.

- From time to time, VMware and EMC enter into agreements to collaborate on technology projects, and EMC pays VMware for services that VMware provides to EMC in connection with such projects.

- Pursuant to an ongoing distribution agreement, VMware acts as the selling agent for certain products and services in exchange for a customary agency fee.

- VMware recognizes revenues for various transition services provided to Pivotal. Support costs incurred by VMware are reimbursed to VMware and are recorded as a reduction to the costs incurred by VMware.

Information about VMware's revenues and receipts and unearned revenues from such arrangements with EMC for the years ended December 31, 2014, 2013 and 2012 consisted of the following (table in millions):

	Revenues and Receipts from EMC			Unearned Revenues from EMC	
	For the Year Ended December 31,			As of December 31,	
	2014	2013	2012	2014	2013
Reseller revenues	$ 205	$ 141	$ 141	$ 290	$ 188
Professional services revenues	85	72	82	9	12
Internal-use revenues	21	32	9	18	20
Collaborative technology project receipts	—	7	7	n/a	n/a
Agency fee revenues	5	5	—	—	—
Reimbursement for transition services	2	12	—	n/a	n/a

VMware and EMC engaged in the following ongoing intercompany transactions, which resulted in costs to VMware:

- VMware purchases and leases products and purchases services for internal use from EMC.

- From time to time, VMware and EMC enter into agreements to collaborate on technology projects, and VMware pays EMC for services provided to VMware by EMC related to such projects.

- In certain geographic regions where VMware does not have an established legal entity, VMware contracts with EMC subsidiaries for support services and EMC personnel who are managed by VMware. The costs incurred by EMC on VMware's behalf related to these employees are passed on to VMware and VMware is charged a mark-up intended to approximate costs that would have been charged had VMware contracted for such services with an unrelated third party. These costs are included as expenses in VMware's consolidated statements of income and primarily include salaries, benefits, travel and rent. EMC also incurs certain administrative costs on VMware's behalf in the U.S. that are recorded as expenses in VMware's consolidated statements of income.

- VMware incurs interest expense on its notes payable with EMC.

Information about VMware's costs from such arrangements with EMC for the years ended December 31, 2014, 2013 and 2012 consisted of the following (table in millions):

	For the Year Ended December 31,		
	2014	2013	2012
Purchases and leases of products and purchases of	$ 71	$ 63	$ 42
Collaborative technology project costs	12	13	n/a
EMC subsidiary support and administrative costs	137	128	106
Interest expense on notes payable	24	4	5

In the fourth quarter of 2013, VMware and EMC modified an existing technology licensing arrangement. Pursuant to the modified arrangement, VMware received certain rights to developed technology for a lump-sum payment of $26 million, which was included in amounts due to related parties, net on the consolidated balance sheets as of December 31, 2013. The license of technology was accounted for as a transaction by entities under common control. Accordingly, an intangible asset of $2 million was recognized and was derived by allocating the value ascribed to the licensed technology based upon the relative fair market values of the technology to each party. The difference between the asset recorded and the consideration due was primarily recognized as a reduction in capital from EMC on the statements of stockholders' equity. In addition to the license of the technology, VMware will pay EMC for support and for development collaboration. These amounts are included in collaborative technology project costs in the table above.

Certain Stock-Based Compensation

Effective September 1, 2012, Pat Gelsinger succeeded Paul Maritz as Chief Executive Officer of VMware. Prior to joining VMware, Pat Gelsinger was the President and Chief Operating Officer of EMC Information Infrastructure Products. Paul Maritz remains a board member of VMware and currently serves as Chief Executive Officer of Pivotal, a majority-owned subsidiary of EMC in which VMware has an ownership interest, and as an executive officer of EMC. Both Paul Maritz and Pat Gelsinger retain certain of their respective equity awards that they held as of September 1, 2012 and Mr. Gelsinger continues to vest in certain of his EMC awards. Stock-based compensation related to Pat Gelsinger's EMC awards are being recognized in VMware's consolidated statements of income over the awards' remaining requisite service periods. Effective since September 1, 2012, stock-based compensation costs related to Paul Maritz's VMware awards have been charged to EMC and have not been recognized by VMware.

Due To/From Related Parties, Net

As a result of the related-party transactions with EMC described above, amounts due to and from related parties, net as of December 31, 2014 and December 31, 2013 consisted of the following (table in millions):

	As of December 31,	
	2014	**2013**
Due to EMC	$ (76)	$ (114)
Due from EMC	125	96
Due (to) from related parties, net	$ 49	$ (18)
Income tax payable due to EMC	$ (40)	$ (22)

Balances due to or from related parties, which are unrelated to tax obligations, are generally settled in cash within 60 days of each quarter-end. The timing of the tax payments due to and from EMC is governed by the tax sharing agreement with EMC.

Notes Payable to EMC

In connection with VMware's acquisition of AirWatch, VMware and EMC entered into a note exchange agreement on January 21, 2014 providing for the issuance of three promissory notes in the aggregate principal amount of $1,500 million. The total debt of $1,500 million includes $450 million that was exchanged for the $450 million promissory note issued to EMC in April 2007, as amended and restated in June 2011.

The three notes issued may be prepaid without penalty or premium, and outstanding principal is due on the following dates: $680 million due May 1, 2018, $550 million due May 1, 2020 and $270 million due December 1, 2022. The notes bear interest, payable quarterly in arrears, at the annual rate of 1.75%. During the years ended December 31, 2014, 2013 and 2012, $24 million, $4 million and $5 million, respectively, of interest expense was recognized.

Pivotal

During 2013, VMware transferred certain assets and liabilities to Pivotal. VMware contributed certain assets, including intellectual property, to Pivotal, and Pivotal assumed substantially all liabilities related to certain VMware Cloud Application Platform products and services, including VMware's Cloud Foundry, VMware vFabric (including Spring and GemFire) and Cetas organizations, except for certain tangible assets related to Cloud Foundry. During the year ended December 31, 2013, VMware transferred approximately 415 VMware employees to Pivotal.

VMware received preferred equity interests in Pivotal equal to approximately 31% of Pivotal's outstanding shares in exchange for its contributions. The book value of all contributed assets and the liabilities assumed by Pivotal, with the exception of intangible assets and goodwill, was based on the book values of those assets and liabilities specific to those particular products and services. For intangible assets and goodwill, the book value contributed was based on the relative fair value of the contributed assets applicable to Pivotal.

The following table summarizes the assets VMware contributed to Pivotal and the liabilities Pivotal assumed from VMware (table in millions):

Accounts receivable	$	4
Property and equipment, net		1
Intangible assets		28
Goodwill		28
Total assets		61
Accounts payable, accrued liabilities and other, net		(7)
Unearned revenues		(71)
Total liabilities		(78)
Total liabilities, net assumed by Pivotal	$	(17)

Of the $71 million in unearned revenues assumed by Pivotal on April 1, 2013, $32 million related to unearned license revenues and $39 million related to unearned services revenues.

As Pivotal assumed a net liability from VMware, the investment carried by VMware has a cost basis of zero. Thus the net liability assumed by Pivotal of $17 million as of December 31, 2013 was classified to additional paid-in capital on VMware's consolidated balance sheets.

As of December 31, 2014 and 2013, VMware's ownership interest in Pivotal was 28% as a result of investments made by a third-party strategic investor during the year ended December 31, 2013.

Except as set forth in the paragraphs above and taking into account that two members of VMware's Board areexecutive officers of EMC (one of whom is a member of the board of directors of EMC) and that four other members of VMware's Board are members of the board of directors of EMC, there are no potential conflicts between any duties to the issuer of directors or executive officers of VMware and their private interests and/or other duties.

There are no family relationships among any directors or executive officers of the Company.

Disposal Restrictions agreed by the Company's Directors and Officers

VMware does not allow directors and officers to trade VMware securities while there are in possession of material non-public information other than pursuant to a trading plan compliant with Rule 10b5-1 under the 1934 Act and are not allowed to engage in hedging transaction in VMware securities. Directors and officers who are subject to Section 16 of the 1934 Act must pre-clear any transactions in VMware securities. VMware's directors and officers are not allowed to trade shares around the end of each fiscal quarter until the Company announces its earnings for that quarter, unless pursuant to a Rule 10b5-1 trading plan.

TAXATION IN AUSTRIA

The following summary is based on the income and social tax laws in effect in Austria as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the participant enrolls, purchases shares, sells shares or receives dividends (if any).

The following applies to participants who are subject to Austrian tax on relevant income as per their residency, or for other reasons. If the participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each participant's particular tax or financial situation, and VMware is not in a position to assure any participant of any particular tax result.

The participant should consult his or her personal tax advisor to address any particular questions.

Enrollment in the ESPP

The participant is not subject to tax when he or she enrolls in the ESPP or when a new purchase offering begins.

Purchase of Shares

The participant will be subject to income tax, if applicable, on any income potentially arising on acquisition of shares at a favourable price. Subject to any earlier withholding, the taxes shall be levied upon the end of the year in which the participant acquires the shares, i.e., when the shares are transferred to the participant. Wage tax may be levied upon the end of the relevant month.

The participant will be taxed on the difference (or discount) between the fair market value of the shares on the date of purchase and the actual purchase price and transaction cost paid by the participant. The decisive date for the determination of the fair market value of shares for tax purposes is the date on which legal ownership or, if differing, beneficial ownership (*wirtschaftliches Eigentum*) in the Shares is transferred to the participant; for simplification purposes the date on which the shares are debited from the Company's or agent's account can be regarded as the date of transfer.

A tax free amount of €1,460 might be available if the ESPP meets certain requirements. The availability of the tax free amount, in principle, requires that the participation in the ESPP is offered to all employees or a group of employees of the Austrian subsidiary and that the shares are hold at least five years. Whether or not the tax free amount of €1,460 is available in the case at hand requires a more detailed analysis of the ESPP and its implementation. The Company recommends that the participant confirms the availability of this tax-free amount with his personal tax advisor.

If the discount is subject to income tax, the participant also will be subject to social insurance contributions on the discount to the extent he or she has not already exceeded the applicable contribution ceilings. For 2015, the applicable annual contribution ceiling for special payment (payment other than ordinary wage) is €9,300.

Sale of Shares

As a matter of principle and subject to the following paragraph, any gain realized from sale of shares is subject to a flat rate tax on investment income irrespective of the holding period of the shares. The capital gain will be taxed at a flat rate of 25%. VMware does not assume any responsibility to withhold Austrian income tax, etc. on the capital gain. The participant may in certain circumstances elect a personal assessment to apply the participant's personal income tax rate if the flat rate exceeds the participant's personal income tax rate. The participant has to declare the capital gain in his or her personal income tax return as taxable income and pay the resulting tax.

Dividends

Dividends may be paid with respect to shares acquired under the ESPP if VMware, in its discretion, declares a dividend.

Dividend income is subject to a flat rate tax on investment income at a rate of 25% on the full amount of the dividend payment. If the flat tax rate exceeds the participant's personal income tax rate, the participant may in certain circumstances elect a personal assessment to apply the participant's personal income tax rate.

The participant has to declare the dividend income in his or her personal income tax return as taxable income and pay the resulting tax. Dividends may also be subject to U.S. federal income tax withholding at source. U.S. federal tax withholding taxes on the dividends may be credited. The Company does not assume any responsibility to withhold taxes at source.

Withholding and Reporting

The participant's employer will withhold income tax, if applicable, on the discount upon the purchase of shares. Depending on the circumstances, the participant's employer may ask the participant to finance the withholding if such withholding exceeds the participant's salary or other cash benefits and, if the participant does not comply with such request, notify the competent tax office thereof. In any event, it is the participant's responsibility, in his annual income tax declaration, to report any income from the acquisition of shares at a discount and to pay any taxes exceeding withheld tax amounts. It is also the participant's responsibility to report therein any taxes applicable when the participant sells shares acquired under the ESPP and when the participant receives dividends.

Social Security

The participant's employer will withhold the participant's share of social insurance contributions (to the extent that the participant has not exceeded the applicable ceiling for social insurance contributions) on the discount upon the purchase of shares under the ESPP.

TAXATION IN BULGARIA

The following summary is based on the income and social tax laws in effect in Bulgaria as of the date of this prospectus. Such laws are complex and can change frequently. As a result, the information below may be out of date at the time the participant purchases shares, sells shares or receives dividends.

The following applies only to participants who are Bulgarian tax residents. If the participant is a citizen or resident of another country for local law purposes, or if the participant is subject to tax in more than one jurisdiction, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each participant's particular tax or financial situation, and VMware is not in a position to assure any participant of any particular tax result.

The participant should consult his or her personal tax advisor to address any particular questions.

ESPP

Enrollment in the ESPP

The participant will not be subject to tax when he or she enrolls in the ESPP or when a new offering period begins.

Purchase of Shares

When shares are purchased under the ESPP the participant will not likely be subject to personal income tax or social security and health insurance contributions on the difference (or discount) between the market value of the shares on the purchase date and the purchase price. However, Bulgarian tax law is not clear on this subject and the participant is advised to consult with his or her personal tax advisor with regard to any personal income tax, social security or health insurance contributions which may be due upon the purchase of shares.

Dividends

Where shares are acquired under the ESPP, dividends may be paid with respect to those shares if VMware, in its discretion, declares a dividend. Any dividends paid will be subject to U.S. federal tax withheld at source. The dividends received will be also subject to a 5% Bulgarian tax on the gross amount of the dividends as determined for payment in VMware's decision with this regard (*i.e.*, without taking into account the deduction of the respective U.S. federal tax withheld). Documents evidencing the gross amount of the paid dividends (e.g. the decision for dividends payment of VMware stipulating the amount allocated to the participant and document indicating the withheld U.S. federal tax) should be available to the participant in order he or she to be able to evidence the reported tax base of the due Bulgarian tax, if needed.

The Double Tax Treaty between the U.S. and Bulgaria effective as of December 15, 2008 and applicable for income realized as from January 1, 2009 may affect the taxation of dividends for certain participants in Bulgaria. The participant should consult with his or her personal tax advisor to determine the availability of Bulgarian tax credits for U.S. tax withheld. VMware does not assume any responsibility to withhold taxes at source.

Sale of Shares

When the participant sells shares acquired under the ESPP, he or she may be subject to tax. The total taxable base is calculated by aggregating all profits from securities transactions realized by the participant during the year and subtracting all losses from such transactions during the same period and the resulting amount, if positive, is included in the annual taxable income of the participant and is subject to a 10% flat rate personal income tax. The profit or loss on each separate securities transaction is determined as the difference between the sale price and the documentarily evidenced acquisition price of the securities (in the case of the ESPP, the purchase price).

Withholding and Reporting

The participant's employer will not withhold or report any personal income tax or social security and health insurance contributions at purchase. It is the participant's responsibility to report and pay any and all taxes applicable to the sale of shares or receipt of any dividends within the statutory terms under Bulgarian law. In addition, the participant must report the acquisition of shares in his or her annual tax return for the year of purchase and in any subsequent annual tax return until he or she owns those shares.

Exchange Control Information

If the participant remits funds to purchase shares under the ESPP, the participant will need to declare the purpose of the remittance to the local bank that is transferring the funds abroad. If the purchase price exceeds BGN 30,000 or more or its equivalent in another currency, the participant will need to provide a form declaration and documentation evidencing the underlying transaction.

If a participant receives any payment in Bulgaria related to the ESPP (i.e., the proceeds from the sale of shares purchased under the ESPP) or remits funds to exercise the right for purchase shares under the ESPP and the amount exceeds BGN 100,000, the participant should file a statistical form reporting the payment with the local bank. The report must include the source of the income within 30 days as of receipt.

Each participant should contact his or her local bank in Bulgaria for additional information about these requirements.

TAXATION IN FRANCE

The following summary is based on the income and social security tax laws in effect in France as of February 2015. Tax and other laws are complex and can change frequently. As a result, the information below may be out of date at the time the participant purchases shares, sells shares or receives dividends.

The following applies only to participants who are French tax residents and subject to the French social security regime from the grant of awards to the sale of shares. If the participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each participant's particular tax or financial situation, and VMware is not in a position to assure any participant of any particular tax result.

The participant should consult his or her personal tax advisor to address any particular questions.

Enrollment in the ESPP

The participant will not be subject to tax when he or she enrolls in the ESPP or a when new offering period begins.

Purchase of Shares

When shares are purchased under the ESPP, the participant will be subject to personal income tax on the difference (or discount) between the market value of the shares on the purchase date and the purchase price, less tax deductible social contributions. The discount will be treated as a salary and the participant will be subject to personal income tax on this amount at his or her marginal tax rate (up to 45% for 2014 income).

The participant will be subject to social insurance contributions on the discount (which includes the general social insurance contribution ("CSG") and the contribution for the reimbursement of social insurance debt ("CRDS")) up to 23% when shares are purchased under the ESPP.

Dividends

Dividends may be paid with respect to shares acquired under the ESPP if VMware, in its discretion, declares a dividend. Any dividends paid will be subject to personal income tax at progressive rates (up to 45% for 2014 income) (after application of a 40% allowance) and 15.5% additional social taxes in France and also to U.S. federal tax withheld at source. The participant may be entitled to a tax credit against his or her French income tax for the U.S. federal tax withheld. VMware does not assume any responsibility to withhold French taxes at source on any dividends the participant receives. With respect to dividends paid through a foreign agent, the participant must file a tax return and pay advance income tax at a rate of 21% and advance social taxes at a rate of 15.5%., both computed on the gross amount of the dividends, directly to his or her local tax office within 15 days of the month following the receipt of the dividends depending on the participant's personal tax situation. In the year following the year the participant received the dividends, he or she will need to report the amount of the dividends and advance taxes paid in connection with the dividends in his or her tax return and may be entitled to a refund or the participant may need to pay additional taxes. *The participant should consult his or her personal tax advisor regarding the applicability of the advance income and social tax payment to the participant's situation.*

Sale of Shares

When the participant sells shares acquired under the ESPP, he or she will be subject to capital gains tax. The taxable amount will be calculated as the sale price less the market value of the shares on the purchase date and certain broker's fees.

Any capital gain the participant realizes is subject to personal income tax at the progressive rates applicable up to 45% (for 2014 income) and to 15.5% additional social taxes. CSG at 5.1% (from the 15.5% additional social taxes) paid the year following the sale of the shares is deducted from the taxable income of the year following the year of payment of the CSG.

The participant may benefit for a reduction of his or her taxable basis for personal income tax purposes only (but not for social taxes) as follows:

- If the shares sold were held at least for two years and less than eight years, the capital gain basis will be reduced by an allowance of 50%.
- If the shares sold were held at least for eight years, the capital gain basis will be reduced by an allowance of 65%.

If the participant realizes a capital loss, it may be offset against capital gains arising from the sale of securities realized by the participant and his or her household during the same year or during the ten following years. This capital loss may not be offset against other types of income.

Surtax

An additional 3% surtax applies on all types of income exceeding €250,000 for a single person, and a 4% surtax for income exceeding €500,000 for a single person (for a couple, the taxation thresholds are €500,000 and €1 million, respectively). This surtax applies to all types of income received in a year (including the discount, capital gain at sale of the shares, and dividends). If the above mentioned threshold is met for the current year but has not been met in the two prior tax years, the participant should consult with his or her personal tax advisor or tax office regarding the available surtax reduction.

Wealth Tax

Shares acquired under the ESPP will be included in the participant's personal estate and must be declared to the tax authorities for evaluation of wealth tax if the net amount of the participant's taxable personal estate (including the participant and his or her household) exceeds a certain amount for the calendar year (€1,300,000 for 2015) as valued on January 1st. Subject to certain conditions, a partial exemption may apply if you hold shares for a certain number of years.

Withholding and Reporting

The participant's employer is not required to withhold income tax at the time the shares are purchased or sold. However, withholding of French-personal income tax will be required on the French-source income if the participant is no longer a French tax resident when the participant purchases shares under the ESPP.

The discount will be characterized as additional salary under French law and the participant's employer will therefore report the discount on its annual declaration of salaries which is filed with the tax and labor authorities, report it on the participant's monthly pay slip and withhold and pay employee's applicable social insurance contributions.

It is the participant's responsibility to report and pay any taxes resulting from the purchase or the sale of shares, or the receipt of any dividends, and any wealth tax.

Exchange Control Information

In addition, the participant must declare any bank and investment and brokerage accounts opened, used or closed abroad during the fiscal year concerned to the French tax authorities on an annual basis on a special form n°3916, together with your income tax return. Failure to comply could trigger significant penalties.

Reporting of Foreign Bank Accounts

If the participant transfers abroad or from a foreign source amounts, titles, securities without using the intermediary of financial organizations (banks, Treasury, Banque of France, Caisse des Dépôts et Consignations), he or she should declare to the custom authorities each transaction for an amount equal or exceed to €10,000 (for 2015).

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following summary is based on the income and social tax laws in effect in Germany as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the participant purchases shares, exercises stock options, sells shares or receives dividends.

The following applies to participants who are subject to German tax on relevant income as per their residency, or for other reasons. If the participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each participant's particular tax or financial situation, and VMware is not in a position to assure any participant of any particular tax result.

The participant should consult his or her personal tax advisor to address any particular questions..

Enrollment in the ESPP

The participant is not subject to tax when he or she enrolls in the ESPP or when a new purchase offering begins.

Purchase of Shares

The participant will be subject to income tax, solidarity surcharge and church tax, if applicable, on any income potentially arising on acquisition at a favourable price. The taxes shall be attracted upon the end of the year in which the participant acquires the shares at the end of the purchase period, i.e. when the shares are transferred to the participant. Wage tax may be attracted upon the end of the relevant month.

The participant will be taxed on the difference (or discount) between the fair market value of the shares on the date of purchase and the actual purchase price and transaction cost paid by the participant. The decisive date for the determination of the fair market value of shares for tax purposes is the date on which legal ownership or, if differing, beneficial ownership (*wirtschaftliches Eigentum*) in the Shares is transferred to the participant; for simplification purposes the date on which the shares are debited from the Company's or agent's account can be regarded as the date of transfer.

A tax free amount of €360 might be available if the ESPP meets certain requirements. The availability of the tax free amount, in principle, requires that the participation in the ESPP is offered to all employees of the German subsidiary, who have been employed for one year or more at the time when the participation in the ESPP is offered. Whether or not the tax free amount of €360 is available in the case at hand requires a more detailed analysis of the ESPP and its implementation. Under certain circumstances and provided the aforementioned tax free amount is not available, a participant might still be able to deduct the lesser of €135 per year, or 50% of the value of the shares on the date on which such shares are debited from the Company's books, from the income realized at exercise under grandfathering rules if the relevant shares are transferred until the end of 2015. The Company recommends that the participant confirms the availability of this deduction and tax-free amount, respectively, with the participant's tax advisor.

The participant also will be subject to social insurance contributions on the discount to the extent he or she has not already exceeded the applicable contribution ceilings. For 2015, the applicable annual contribution ceilings are as follows:

<u>Old Age Insurance/Unemployment Insurance</u>:	€72,600 (Old Laender)
	€62,400 (New Laender)
<u>Health Insurance/Home Care Insurance</u>:	€49,500 (Old and New Laender)

Sale of Shares

As a matter of principle and subject to the following paragraph, any gain realized from sale of shares acquired after December 31, 2008 is subject to a flat rate withholding tax on investment income irrespective of the holding period of the shares. The capital gain will be taxed at a flat rate of 25% (plus solidarity surcharge and church tax, if applicable). The withholding at source, however, only applies if the shares were held in a deposit of securities at a German bank or other German financial institution. VMware does not assume any responsibility to withhold German income tax, etc. on the capital gain. An amount of €801 for single taxpayers or €1,602 for married taxpayers filing jointly will be deducted from the entire investment income (including dividend income and capital gains from the sale of shares acquired after December 31, 2008 or other capital income from bonds etc.) earned in the particular tax year. The participant may elect a personal assessment to apply the participant's personal income tax rate if the flat rate exceeds the participant's personal income tax rate. If the capital gain is not subject to the withholding tax on investment income, e.g. because the shares are not held in a deposit of securities at a German bank or other German financial institution, the participant has to declare the capital gain in his or her personal income tax return as taxable income and pay the resulting tax. The capital gain is, however, subject to the same tax rate as if the flat rate withholding taxation had applied.

The flat rate taxation does not apply to capital gains generated from the sale of shares if the participant holds or has at any time during the last five years held at least 1% of the stated capital of the Company, or holds the shares as a business asset. In such circumstances, 60% of the capital gain realized will be taxed at the participant's ordinary income tax rate (plus solidarity surcharge and church tax, if applicable).

Dividends

Dividends may be paid with respect to shares acquired under the ESPP if VMware, in its discretion, declares a dividend.

Dividend income is subject to a withholding tax on investment income at a rate of 25% on the full amount of the dividend payment (plus solidarity surcharge and, if applicable, church tax). The withholding at source, however, only applies if the dividend income is paid out by a German bank or other German financial institution, *e.g.*, because the shares are held on a deposit of securities at a German bank or other German financial institution. An amount of €801 for single taxpayers or €1,602 for married taxpayers filing jointly will be deducted from the entire investments income (including dividend income and capital gains from the sale of shares acquired after December 31, 2008) earned in the particular tax year. If the flat tax rate exceeds the participant's personal income tax rate, the participant may elect a personal assessment to apply the participant's personal income tax rate.

If the dividend income is not subject to the withholding tax on investment income, the participant has to declare the dividend income in his or her personal income tax return as taxable income and pay the resulting tax. The dividend income is, however, subject to the same tax rate as if the flat rate withholding taxation had applied. Dividends may also be subject to U.S. federal income tax withholding at source. U.S. federal tax withholding taxes on the dividends may be credited. The Company does not assume any responsibility to withhold taxes at source.

Withholding and Reporting

The participant's employer will withhold income tax, solidarity surcharge and church tax, if applicable on the discount upon the purchase of shares. Depending on the circumstances, the participant´s employer may ask the participant to finance the withholding if such withholding exceeds the participant´s salary or other cash benefits and, if the participant does not comply with such request, notify the competent tax office thereof. It is the participant's responsibility to report any income from the acquisition at a discount and to pay any taxes exceeding withheld tax amounts, which are potentially deriving from the acquisition at a discount because of the participant's personal tax characteristics in its annual income tax declaration. It is also the participant's responsibility to report therein any taxes attracted when the participant sells shares acquired under the ESPP and when the participant receives dividends, unless the flat rate withholding tax on investment income does apply.

Social Security

The participant's employer will withhold the participant's share of social insurance contributions (to the extent that the participant has not exceeded the applicable ceiling for social insurance contributions) on the discount upon the purchase of shares under the ESPP.

Exchange and Control Information

Cross-border payments in excess of €12,500 may need to be reported monthly via the Z1 or Z4 formulars to the German Federal Bank.

TAXATION IN IRELAND

The following summary is based on the income and social tax laws in effect in Ireland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the participant purchases shares, sells shares or receives dividends.

The following applies only to participants who are Irish tax residents. If the participant is a citizen or resident of another country for local law purposes, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each participant's particular tax or financial situation, and VMware is not in a position to assure any participant of any particular tax result.

The participant should address any particular questions to a specialized advisor.

Enrollment in the ESPP

The participant will not be subject to tax when he or she enrolls in the ESPP or a when new offering period begins.

Purchase of Shares

When shares are purchased under the ESPP, the participant will be subject to income tax on the difference (or discount) between the market value of the shares on the purchase date and the purchase price. The participant will also be subject to a Universal Social Charge ("USC") and employee Pay Related Social Insurance ("PRSI") on the discount at purchase.

Income tax payable is calculated based on the higher marginal income tax rate in effect for the year of purchase. The participant may apply to Revenue in advance to make a payment at the lower rate if he or she is a lower rate taxpayer. However, if the participant does not receive permission by the time the tax payments are due (within 30 days from the purchase date), the participant must pay income tax at the higher rate and seek a refund on any overpayment. USC and PRSI must be paid at the applicable marginal rate. The participant must account for all taxes due (income tax, USC and employee PRSI) within 30 days of the purchase date along with the prescribed tax return, Form RTSO1.

Dividends

Dividends may be paid with respect to shares acquired under the ESPP if VMware, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Ireland and also to U.S. federal tax withheld at source. The participant may be entitled to a tax credit against his or her Irish tax for the U.S. federal tax withheld. VMware does not assume any responsibility to withhold taxes at source.

Sale of Shares

When the participant sells shares acquired under the ESPP, he or she may be subject to capital gains tax. The taxable amount will be calculated as the sale price less the sum of (i) the purchase price for the shares (ii) the amount on which taxes were paid at purchase and (iii) broker's fees. This amount is subject to capital gains tax to the extent it exceeds the participant's annual capital gains tax exemption amount.

Withholding and Reporting

The participant's employer is currently not required to withhold income tax, USC or PRSI at the time the shares are purchased or sold. However, the participant's employer will report the grant of purchase rights and the purchase of shares under the ESPP to the Revenue Commissioners. The participant is solely responsible for paying the income tax, USC and PRSI within 30 days of purchase along with Form RTSO1. The participant will also be responsible for filing a tax return for the year in which shares are purchased under the ESPP and for reporting any income or gains arising in connection with the sale of shares or the receipt of any dividends, as well as paying the related taxes due in accordance with self-assessment rules for capital gains tax and income tax.

TAXATION IN THE UNITED KINGDOM

The following general summary is based on the income tax and National Insurance contribution ("NIC") laws in effect in the United Kingdom as of the date of this prospectus. Such laws and their interpretation are complex and can change frequently. As a result, the information below may be out of date at the time the participant purchases shares, sells shares, or receives dividends.

The following applies only to participants who are resident and domiciled in the United Kingdom and will remain so up to the date shares they received pursuant to any stock based award are sold. If the participant is a citizen or resident of another country for local law purposes, or if they are not treated as resident and domiciled in the United Kingdom, the income tax and NICs information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply to each participant's particular circumstances, tax or financial situation, and therefore VMware is not in a position to assure them of any particular tax result. This summary does not constitute tax advice.

The participants are strongly advised to consult their own independent personal tax advisor as to how the tax or other laws in the United Kingdom apply to their specific situation.

Enrollment in the ESPP

The participant is not subject to income tax or NICs when he or she enrolls in the ESPP or when a new offering period begins.

Purchase of Shares

When shares are purchased under the ESPP, the participant will be subject to income tax on the difference (or discount) between the market value of the shares on the purchase date and the purchase price. In addition, the participant will be required to pay employee NICs on this amount. The participant will be liable for the employer NICs, if this is provided for in the participant's ESPP enrollment documents.

The participant's employer will calculate the income tax and NICs due when shares are purchased under the ESPP and will account for these amounts to HM Revenue & Customs on the participant's behalf. The participant is required to reimburse the employer for these amounts. The employer will be required to withhold income tax and NICs when shares are purchased for the participant under the ESPP, by deductions from the participant's salary or by any other method permitted in the participant's ESPP enrollment documents. Such methods could include withholding from other payments due to the participant from the employer or the sale of shares. However, the participant is ultimately responsible for the payment of any income tax and NICs due.

In the event there is no such withholding, the participant is required to reimburse the employer for the income tax and employee NICs due (in excess of the amount withheld from the participant's salary or covered by the sale of shares, if any). The reimbursement must be made within 90 days of the date of the purchase of the shares to avoid further tax consequences. For the 2014/2015 tax year, the participant will have 90 days from after the end of the tax year to reimburse the employer for the income tax and employee NICs due. If the participant fails to pay this amount to the employer within that time limit, the participant may be treated as having received a deemed benefit in kind equal to the amount of tax not paid to the employer and the participant may have to pay further tax and employee NICs on this benefit. In such case, the employer is not required to withhold tax on the benefit in kind, and the participant must report this benefit on his or her self-assessment tax return for the tax year in which the purchase occurs and pay the applicable taxes directly to HM Revenue & Customs and reimburse his or her employer for any employee NICs due on this benefit.

Dividends

After the participant acquires shares pursuant to the ESPP, VMware may, in its discretion, declare a cash dividend on the shares. If dividends are paid, the participant will be subject to income tax in the U.K. (but not NICs) and to U.S. federal tax withheld at source. The participant may be entitled to a U.K. tax credit for the U.S. taxes paid provided certain conditions are met. The participant will be personally responsible for reporting any dividends received through his or her self-assessment tax return and paying the applicable taxes directly to HM Revenue & Customs. VMware does not assume any responsibility to withhold taxes at source on any dividends the participant receives.

Sale of Shares

When the participant subsequently sells the shares acquired under the ESPP, any capital gain (*i.e.*, the difference between the sale price and the market value of the shares on the purchase date) may be subject to capital gains tax to the extent that the total capital gain realized for the tax year exceeds the annual personal exempt amount. This annual personal exempt amount is £11,000 for the 2014/2015 tax year and £11,100 for the 2015/2016 for capital gains purposes. After the annual personal exempt amount has been exceeded, capital gains tax is payable at a rate of 28% on the amount of any gain realized that exceeds the upper limit of the income tax basic rate band when aggregated with the participant's cumulative taxable income and other chargeable gains (net of reliefs and allowances). The upper limit of the income tax basic rate band is £31,865 for the 2014/2015 tax year and £31,785 for the 2015/2016 tax year. Below this limit, capital gains tax is payable at a rate of 18%.

The participant will be personally responsible for reporting any taxable income arising upon the sale or disposition of the shares through his or her self-assessment tax return and paying the applicable taxes directly to HM Revenue & Customs. The participant's employer has no responsibility in respect of the participant's capital gains tax liabilities.

The participant will need to take into account the share identification rules in calculating his or her capital gains tax liability. The participant should contact his or her personal tax advisor to determine how the share identification rules apply in his or her particular situation.

The capital gains tax rules are complex and their impact will vary according to the participant's own circumstances. The participant should obtain independent tax advice prior to any acquisition or sale of shares.

Withholding and Reporting

As mentioned above, the participant's employer will report and withhold income tax and NICs on the taxable amount when shares are purchased under the ESPP. If the amount withheld is not sufficient to cover the participant's actual liability, the participant will be responsible for paying the difference and should do so within 90 days of the date of the purchase of the shares under the ESPP to avoid further tax consequences (as discussed above).

The participant's employer is also required to report the details of the grant of purchase rights and the acquisition of shares pursuant to the ESPP to HM Revenue & Customs for the applicable tax year.

The participant will be personally responsible for paying and reporting any taxes due as a result of the sale of shares acquired under the ESPP or the receipt of any dividends.

RECENT DEVELOPMENTS AND OUTLOOK

Recent Developments

There has not been any significant change in the financial or trading position of VMware that has occurred since the fiscal year ended December 31, 2014.

The following statements were made in VMware's annual report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on February 26, 2015.

On February 25, 2015, VMware's board of directors approved a change in control retention plan (the "Plan") covering VMware executives. The Plan provides severance benefits for participants who are involuntarily terminated without "cause", or who terminate employment for "good reason", within 12 months following a "change in control" of VMware (each such term as defined in the Plan). The Plan is designed to be competitive with the compensation practices of VMware's peer companies in the technology sector.

Upon a qualifying termination under the Plan following a change in control, each participant is eligible to receive (i) a lump sum payment equal to a multiple of annual base salary, target annual bonus and monthly health insurance premiums; and (ii) full accelerated vesting of outstanding equity awards. VMware's CEO is eligible to receive two times his annual base salary and target bonus and 24 months of the health insurance premium amount. Other executives are eligible to receive 1.5 times their annual bases salary and target bonus and 18 months of the health insurance premium amount. The monthly health insurance premium amount equals 150% of the monthly cost required to obtain continuation coverage for the participant and his or her covered dependents. Participants would be required to execute a release in favor of VMware in exchange for Plan benefits. Performance-based equity awards will generally convert into shares at target amounts if a change in control occurs during a performance period, unless otherwise specified in the performance award agreement.

Trend Information

The following statements were made in VMware's annual report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on February 26, 2015.

The cloud computing, end-user computing and virtualization spaces are inter-related and rapidly evolving. The Company experienced increased competition during 2014 and expects it to significantly intensify in the future. The Company competes with large and small vendors in different segments of the cloud computing, end-user computing and virtualization spaces, and expect that new entrants will continue to enter these industries and develop technologies that, if commercialized, may compete with its products and services. Overall the Company believes its market position, large virtualization customer base, strong network of partners and indirect sales, broad and innovative solutions suite, and platform-agnostic approach position it to compete effectively

Outlook

The following statements were made in VMware's annual report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on February 26, 2015.

Revenues

As the transformation of the IT industry continues, the Company expects that its growth rates will be increasingly derived from sales of its newer products, suites and services solutions across its SDDC portfolio, beyond standalone vSphere. For example, the Company has experienced continued growth in sales volumes, production use and number of customers who have purchased VMware NSX, its network virtualization solution, throughout 2014. The Company also continues to see traction of its Virtual SAN product and other newer offerings.

The Company continues to expand its hybrid cloud global footprint as well as its service offerings. Revenues from these offerings are recognized over a period of time.

VMware's success depends on its current and future customers perceiving technological and operational benefits and cost savings associated with the increasing adoption of its private and hybrid cloud solutions as well as its client virtualization and mobile device management solutions. As the market for the Company's server virtualization products matures and the scale of its business increases, its rate of revenue growth will depend largely upon the success of its newer product and service offerings.

The Company expects that sales of its non-standalone vSphere products will continue to increase as a percentage of total revenues.

The anticipated revenue growth of the Company's hybrid cloud and SaaS revenues are expected to adversely impact the growth rate of its license revenues in 2015 as the Company will recognize less revenue up-front than it would otherwise recognize as part of a multi-year license arrangement.

As the Company continues to invest in its partners and expand its ecosystem of third-party professionals with expertise in its solutions to independently provide professional services to its customers, the Company's professional services revenue will vary based on the delivery channels used in any given period as well as the timing of engagements.

Cost of Revenues and Operating Expenses

VMware's cost of services revenues and operating expenses were primarily impacted by increasing headcount. Headcount during the year ended December 31, 2014 continued to increase due primarily to organic growth and the AirWatch acquisition. The increased headcount has resulted in higher cash and stock-based employee-related expenses across most of the Company's income statement expense categories, and the Company expects this trend to continue.

Research and Development

VMware has made, and expects to continue to make, significant investments in research and development ("R&D"). The Company has assembled an experienced group of developers with system level, systems management, desktop, mobile devices, security, application development, collaborative applications, networking, storage and open source software expertise. It also has strong ties to leading academic institutions around the world, and it invests in joint research with academia.

Selling and Marketing

VMware sells its products and services through two primary means, which it refers to as its ELA and its non-ELA, or transactional, sales. ELAs are comprehensive long-term license agreements that provide for multi-year maintenance and support and constitute an increasing percentage of total overall sales. The Company believes that ELAs help it grow its business by building long-term relationships with its enterprise customers.

The Company raises awareness of its company and brands, markets its products and generates sales leads through VMware and industry events, public relations efforts, marketing materials, advertising, direct marketing, social media initiatives, free downloads and its website. VMware has 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. VMware's annual user conference, VMworld, is held in both the U.S. and Europe. The Company also offers management presentations, seminars, and webinars on its products of virtualization and cloud computing. VMware believes the combination of these activities strengthens its brand and enhances its leading market position in the Company's industry.

Tax Rates

VMware's future effective tax rate may be affected by such factors as changes in tax laws, its business, tax rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation, the impact of accounting for business combinations, and shifts in the amount of earnings in the U.S. compared with other regions in the world as well as the expiration of statute of limitations and settlements of audits, changes in the Company's international organization, and changes in overall levels of income before tax. For example, the U.S. federal research credit, which provided a significant reduction in VMware's effective tax rate, expired on December 31, 2014. Without the reinstatement of the U.S. federal research credit, the Company expects its 2015 effective tax rate to be higher than the 2014 effective tax rate.

Additionally, VMware's rate of taxation in foreign jurisdictions is lower than the U.S. tax rate. The Company's international income is primarily earned by its subsidiaries organized in Ireland and as such, its effective tax rate can be impacted by the mix of its earnings in the U.S. and foreign jurisdictions.

During October 2014, Ireland announced revisions to its tax regulations that will require foreign earnings earned by the Company's subsidiaries organized in Ireland to be taxed at higher rates. The Company will be impacted by the changes in tax regulations in Ireland beginning in 2021. Additionally, the U.S. and other countries where the Company does business have been considering changes to existing tax laws. These potential changes could also adversely affect the Company's effective tax rate.

From time to time, the Company is subject to income and non-income tax examinations. Currently, the EMC consolidated tax group is under federal income tax audit for 2009 and 2010 and the audit is not expected to be completed until 2015. While VMware believes it has complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess it with additional taxes. Should the Company be assessed with additional taxes, there could be a material adverse effect on its financial condition or results of operations.

Cash from Operating Activities

While VMware expects sales and related cash collections to increase in 2015, it expects installment payments of approximately $185 million to certain key employees of AirWatch as well as higher tax payments to offset the benefit from increased sales. Additionally, even if currency exchange rates stabilize, VMware's cash flows from operations are still expected to be negatively impacted, primarily due to an unfavorable foreign exchange impact on our non-U.S. dollar cash collections.

Palo Alto, California 94304, USA
March 24, 2015

VMware, Inc.
Signed by:

Jonathan C. Chadwick
Chief Financial Officer and
Executive Vice President