

DELL INC.
Condensed Consolidated Statement of Income and Related Financial Highlights
(in millions, except per share data and percentages)
(unaudited)

	Three Months Ended			% Growth Rates	
	January 29, 2010 ⁽¹⁾	October 30, 2009	January 30, 2009	Sequential	Yr. to Yr.
Net revenue					
Products.....	\$ 12,096	\$ 10,746	\$ 11,264	13%	7%
Services, including software related	2,804	2,150	2,164	30%	30%
Net revenue	<u>14,900</u>	<u>12,896</u>	<u>13,428</u>	16%	11%
Cost of net revenue					
Products.....	10,501	9,269	9,704	13%	8%
Services, including software related	1,930	1,394	1,412	38%	37%
Total cost of net revenue.....	<u>12,431</u>	<u>10,663</u>	<u>11,116</u>	17%	12%
Gross margin	2,469	2,233	2,312	11%	7%
Selling, general and administrative	1,780	1,501	1,679	19%	6%
Research, development and engineering	179	155	176	16%	2%
Total operating expenses.....	<u>1,959</u>	<u>1,656</u>	<u>1,855</u>	18%	6%
Operating income	510	577	457	(12%)	12%
Interest and other, net	(41)	(63)	(3)	35%	NM
Income before income taxes	469	514	454	(9%)	3%
Income tax provision	135	177	103	(24%)	31%
Net income	<u>\$ 334</u>	<u>\$ 337</u>	<u>\$ 351</u>	(1%)	(5%)
Earnings per common share:					
Basic	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.18</u>	0%	(6%)
Diluted	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.18</u>	0%	(6%)
Weighted average shares outstanding:					
Basic	1,957	1,956	1,944	0%	1%
Diluted	1,971	1,966	1,948	0%	1%
Percentage of Total Net Revenue:					
Gross margin.....	16.6%	17.3%	17.2%		
Selling, general and administrative.....	12.0%	11.6%	12.5%		
Research and development.....	1.2%	1.2%	1.3%		
Operating expenses.....	13.2%	12.8%	13.8%		
Operating income.....	3.4%	4.5%	3.4%		
Income before income taxes.....	3.2%	4.0%	3.4%		
Net income.....	2.2%	2.6%	2.6%		
Income tax rate	28.7%	34.5%	22.6%		
Net Revenue by Product Category:					
Mobility.....	\$ 4,653	\$ 4,191	\$ 3,999	11%	16%
Desktop PCs.....	3,445	3,020	3,538	14%	(3%)
Software and Peripherals	2,477	2,394	2,487	3%	(0%)
Servers and Networking	1,804	1,539	1,431	17%	26%
Services ⁽¹⁾	1,922	1,244	1,270	55%	51%
Storage.....	599	508	703	18%	(15%)
Consolidated net revenue.....	<u>\$ 14,900</u>	<u>\$ 12,896</u>	<u>\$ 13,428</u>	16%	11%
Percentage of Total Net Revenue:					
Mobility.....	31%	32%	30%		
Desktop PCs.....	23%	23%	26%		
Software and Peripherals	17%	19%	19%		
Servers and Networking	12%	12%	11%		
Services ⁽¹⁾	13%	10%	9%		
Storage.....	4%	4%	5%		
Net Revenue by Global Segment:					
Large Enterprise.....	\$ 4,197	\$ 3,403	\$ 3,889	23%	8%
Public.....	3,820	3,695	3,287	3%	16%
Small and Medium Business.....	3,336	2,956	3,043	13%	10%
Consumer	3,547	2,842	3,209	25%	11%
Consolidated net revenue.....	<u>\$ 14,900</u>	<u>\$ 12,896</u>	<u>\$ 13,428</u>	16%	11%
Percentage of Total Net Revenue:					
Large Enterprise.....	28%	26%	29%		
Public.....	26%	29%	24%		
Small and Medium Business.....	22%	23%	23%		
Consumer	24%	22%	24%		
Consolidated Operating Income:					
Large Enterprise.....	\$ 281	\$ 174	\$ 259		
Public.....	333	352	289		
Small and Medium Business.....	282	282	239		
Consumer	9	10	47		
Consolidated segment operating income.....	905	818	834		
Severance and facility actions	(86)	(123)	(134)		
Broad based long-term incentives	(107)	(78)	(217)		
Amortization of intangible assets.....	(86)	(40)	(26)		
Acquisition-related.....	(116)	-	-		
Consolidated operating income	<u>\$ 510</u>	<u>\$ 577</u>	<u>\$ 457</u>		

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

⁽¹⁾ Includes the results of Perot Systems, which was acquired on November 3, 2009, from the date of acquisition.

DELL INC.

Condensed Consolidated Statement of Income and Related Financial Highlights

(in millions, except per share data and percentages)

(unaudited)

	Fiscal Year Ended		% Growth Rates
	January 29, 2010 ⁽¹⁾	January 30, 2009	
Net revenue			
Products.....	\$ 43,697	\$ 52,337	(17%)
Services, including software related	9,205	8,764	5%
Net revenue	<u>52,902</u>	<u>61,101</u>	(13%)
Cost of net revenue			
Products.....	37,534	44,670	(16%)
Services, including software related	6,107	5,474	12%
Total cost of net revenue.....	<u>43,641</u>	<u>50,144</u>	(13%)
Gross margin	9,261	10,957	(15%)
Selling, general and administrative	6,465	7,102	(9%)
Research, development and engineering	624	663	(6%)
In-process research and development.....	-	2	(100%)
Total operating expenses.....	<u>7,089</u>	<u>7,767</u>	(9%)
Operating income	2,172	3,190	(32%)
Interest and other, net	(148)	134	(210%)
Income before income taxes	2,024	3,324	(39%)
Income tax provision	591	846	(30%)
Net income	<u>\$ 1,433</u>	<u>\$ 2,478</u>	(42%)
Earnings per common share:			
Basic	\$ 0.73	\$ 1.25	(42%)
Diluted	<u>\$ 0.73</u>	<u>\$ 1.25</u>	(42%)
Weighted average shares outstanding:			
Basic	1,954	1,980	(1%)
Diluted	1,962	1,986	(1%)
Percentage of Total Net Revenue:			
Gross margin.....	17.5%	17.9%	
Selling, general and administrative.....	12.2%	11.6%	
Research and development.....	1.2%	1.1%	
Operating expenses.....	13.4%	12.7%	
Operating income.....	4.1%	5.2%	
Income before income taxes.....	3.8%	5.4%	
Net income.....	2.7%	4.1%	
Income tax rate	29.2%	25.4%	
Net Revenue by Product Category:			
Mobility.....	\$ 16,610	\$ 18,604	(11%)
Desktop PCs.....	12,947	17,364	(25%)
Software and Peripherals	9,499	10,603	(10%)
Servers and Networking	6,032	6,512	(7%)
Services ⁽¹⁾	5,622	5,352	5%
Storage.....	2,192	2,666	(18%)
Consolidated net revenue.....	<u>\$ 52,902</u>	<u>\$ 61,101</u>	(13%)
Percentage of Total Net Revenue:			
Mobility.....	31%	30%	
Desktop PCs.....	25%	29%	
Software and Peripherals	18%	17%	
Servers and Networking	11%	11%	
Services ⁽¹⁾	11%	9%	
Storage.....	4%	4%	
Net Revenue by Global Segment:			
Large Enterprise.....	\$ 14,285	\$ 18,011	(21%)
Public.....	14,484	15,338	(6%)
Small and Medium Business.....	12,079	14,892	(19%)
Consumer	12,054	12,860	(6%)
Consolidated net revenue.....	<u>\$ 52,902</u>	<u>\$ 61,101</u>	(13%)
Percentage of Total Net Revenue:			
Large Enterprise.....	27%	30%	
Public.....	27%	25%	
Small and Medium Business.....	23%	24%	
Consumer	23%	21%	
Consolidated Operating Income:			
Large Enterprise.....	\$ 819	\$ 1,158	
Public.....	1,361	1,258	
Small and Medium Business.....	1,040	1,273	
Consumer	107	306	
Consolidated segment operating income.....	3,327	3,995	
Severance and facility actions	(481)	(282)	
Broad based long-term incentives	(353)	(418)	
Amortization of intangible assets.....	(205)	(105)	
Acquisition-related.....	(116)	-	
Consolidated operating income	<u>\$ 2,172</u>	<u>\$ 3,190</u>	

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

⁽¹⁾ Includes the results of Perot Systems, which was acquired on November 3, 2009, from the date of acquisition.

DELL INC.
Condensed Consolidated Statement of Financial Position and Related Financial Highlights
(in millions, except for "Ratios")
(unaudited)

	<u>January 29,</u> <u>2010</u>	<u>October 30,</u> <u>2009⁽²⁾</u>	<u>January 30,</u> <u>2009⁽²⁾</u>
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 10,635	\$ 12,795	\$ 8,352
Short-term investments	373	331	740
Accounts receivable, net	5,837	5,279	4,731
Financing receivables, net	2,706	2,318	1,712
Inventories, net	1,051	952	867
Other	3,643	3,196	3,749
Total current assets	<u>24,245</u>	<u>24,871</u>	<u>20,151</u>
Property, plant and equipment, net	2,181	1,978	2,277
Investments	781	828	454
Long-term financing receivables, net	332	311	500
Goodwill	4,074	1,748	1,737
Purchased intangible assets, net	1,694	607	724
Other non-current assets	345	682	657
Total assets	<u>\$ 33,652</u>	<u>\$ 31,025</u>	<u>\$ 26,500</u>
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt.....	\$ 663	\$ 351	\$ 113
Accounts payable	11,373	9,947	8,309
Accrued and other	3,884	3,637	3,736
Short-term deferred services revenue	<u>3,040</u>	<u>2,926</u>	<u>2,701</u>
Total current liabilities	18,960	16,861	14,859
Long-term debt	3,417	3,442	1,898
Long-term deferred services revenue	3,029	3,054	3,000
Other non-current liabilities	<u>2,605</u>	<u>2,643</u>	<u>2,472</u>
Total liabilities	28,011	26,000	22,229
Stockholders' equity	<u>5,641</u>	<u>5,025</u>	<u>4,271</u>
Total liabilities and equity	<u>\$ 33,652</u>	<u>\$ 31,025</u>	<u>\$ 26,500</u>
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	38	40	35
Days supply in inventory	8	8	7
Days in accounts payable	<u>82</u>	<u>84</u>	<u>67</u>
Cash conversion cycle	<u>(36)</u>	<u>(36)</u>	<u>(25)</u>
 Average total revenue/unit (approximate)	 \$ 1,340	 \$ 1,290	 \$ 1,410

Note: Ratios are calculated based on underlying data in thousands.

⁽¹⁾ Days of sales outstanding ("DSO") is based on the ending net trade receivables and most recent quarterly revenue for each period. DSO includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in the other current assets. At January 29, 2010, October 30, 2009, and January 30, 2009, DSO and days of customer shipments not yet recognized were 35 and 3 days, 37 and 3 days, 31 and 4 days, respectively.

⁽²⁾ Prior period amounts have been revised to reflect a reclassification between short-term deferred service revenue and accrued and other for FY09 and FY10.

DELL INC.
Condensed Consolidated Statements of Cash Flows
(in millions, unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>January 29, 2010</u>	<u>January 30, 2009⁽¹⁾</u>	<u>January 29, 2010</u>	<u>January 30, 2009⁽¹⁾</u>
Cash flows from operating activities:				
Net income.....	\$ 334	\$ 351	\$ 1,433	\$ 2,478
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	259	196	852	769
Stock-based compensation	101	217	312	418
In-process research and development charges	-	-	-	2
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	1	(2)	59	(115)
Deferred income taxes	39	(123)	6	86
Provision for doubtful accounts - including financing receivables	139	111	429	310
Other	27	15	102	32
Changes in operating assets and liabilities, net of effects from acquisitions:				
Accounts receivable	(204)	721	(660)	480
Financing receivables	(529)	(274)	(1,085)	(302)
Inventories	(100)	244	(183)	309
Other assets	(318)	542	(225)	(106)
Accounts payable	1,282	(1,125)	2,833	(3,117)
Deferred services revenue.....	101	187	135	663
Accrued and other liabilities	136	(331)	(102)	(13)
Change in cash from operating activities	<u>1,268</u>	<u>729</u>	<u>3,906</u>	<u>1,894</u>
Cash flows from investing activities:				
Investments:				
Purchases	(201)	(434)	(1,383)	(1,584)
Maturities and sales	231	299	1,538	2,333
Capital expenditures	(118)	(39)	(367)	(440)
Proceeds from sale of facility and land	-	-	16	44
Acquisition of business, net of cash and cash equivalents acquired	(3,610)	(11)	(3,613)	(176)
Change in cash from investing activities	<u>(3,698)</u>	<u>(185)</u>	<u>(3,809)</u>	<u>177</u>
Cash flows from financing activities:				
Repurchase of common stock	-	(1)	-	(2,867)
Issuance of common stock under employee plans.....	2	-	2	79
Issuance of commercial paper (maturity 90 days or less), net	33	(153)	76	100
Proceeds from debt	310	-	2,058	1,519
Repayments of debt	(60)	-	(122)	(237)
Other	(2)	-	(2)	-
Change in cash from financing activities	<u>283</u>	<u>(154)</u>	<u>2,012</u>	<u>(1,406)</u>
Effect of exchange rate changes on cash and cash equivalents.....	<u>(13)</u>	<u>52</u>	<u>174</u>	<u>(77)</u>
Change in cash and cash equivalents.....	(2,160)	442	2,283	588
Cash and cash equivalents at beginning of period.....	12,795	7,910	8,352	7,764
Cash and cash equivalents at end of period.....	<u>\$ 10,635</u>	<u>\$ 8,352</u>	<u>\$ 10,635</u>	<u>\$ 8,352</u>

⁽¹⁾ Prior period amounts have been revised to reflect a reclassification between deferred services revenue and accrued and other liabilities.

Supplemental Non-GAAP Financial Measures

The tables on the following pages set forth, for the periods indicated, a reconciliation of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share (collectively, the “non-GAAP financial measures”) to the most comparable GAAP financial measures. These non-GAAP financial measures may not be directly comparable to similarly titled measures reported by other companies. See “Use of Non-GAAP Financial Measures” following the tables for additional information regarding Dell’s reasons for including the non-GAAP financial measures and for material limitations with respect to the usefulness of these measures.

DELL INC.
Reconciliation of Non-GAAP Financial Measures
(in millions, except per share data and percentages)
(unaudited)

	Three Months Ended			% Growth Rates	
	January 29, 2010	October 30, 2009	January 30, 2009	Sequential	Yr. to Yr.
GAAP gross margin.....	\$ 2,469	\$ 2,233	\$ 2,312	11%	7%
Non-GAAP adjustments:					
Amortization of intangibles.....	71	27	15		
Severance and facility actions.....	55	102	103		
Acquisition-related.....	1	-	-		
Stock option accelerated vesting charges.....	-	-	16		
Non-GAAP gross margin.....	<u>\$ 2,596</u>	<u>\$ 2,362</u>	<u>\$ 2,446</u>	10%	6%
GAAP operating expenses.....	\$ 1,959	\$ 1,656	\$ 1,855	18%	6%
Non-GAAP adjustments:					
Amortization of intangibles.....	(15)	(13)	(11)		
Severance and facility actions.....	(31)	(21)	(31)		
Acquisition-related.....	(115)	-	-		
Stock option accelerated vesting charges.....	-	-	(88)		
Non-GAAP operating expenses.....	<u>\$ 1,798</u>	<u>\$ 1,622</u>	<u>\$ 1,725</u>	11%	4%
GAAP operating income	\$ 510	\$ 577	\$ 457	(12%)	12%
Non-GAAP adjustments:					
Amortization of intangibles.....	86	40	26		
Severance and facility actions.....	86	123	134		
Acquisition-related.....	116	-	-		
Stock option accelerated vesting charges.....	-	-	104		
Non-GAAP operating income.....	<u>\$ 798</u>	<u>\$ 740</u>	<u>\$ 721</u>	8%	11%
GAAP net income.....	\$ 334	\$ 337	\$ 351	(1%)	(5%)
Non-GAAP adjustments:					
Amortization of intangibles.....	86	40	26		
Severance and facility actions.....	86	123	134		
Acquisition-related.....	116	-	-		
Stock option accelerated vesting charges.....	-	-	104		
Aggregate adjustment for income taxes.....	(78)	(51)	(61)		
Non-GAAP net Income.....	<u>\$ 544</u>	<u>\$ 449</u>	<u>\$ 554</u>	21%	(2%)
GAAP earnings per common share - diluted.....	\$ 0.17	\$ 0.17	\$ 0.18		
Non-GAAP adjustments per common share - diluted..	0.11	0.06	0.11		
Non-GAAP earnings per common share - diluted.....	<u>\$ 0.28</u>	<u>\$ 0.23</u>	<u>\$ 0.29</u>	22%	(3%)
GAAP Diluted WAS.....	1,971	1,966	1,948		
<i>Percentage of Total Net Revenue:</i>					
GAAP gross margin.....	16.6%	17.3%	17.2%		
Non-GAAP adjustment.....	0.8%	1.0%	1.0%		
Non-GAAP gross margin.....	<u>17.4%</u>	<u>18.3%</u>	<u>18.2%</u>		
GAAP operating expenses.....	13.2%	12.8%	13.8%		
Non-GAAP adjustment.....	(1.1%)	(0.2%)	(1.0%)		
Non-GAAP operating expenses.....	<u>12.1%</u>	<u>12.6%</u>	<u>12.8%</u>		
GAAP operating income.....	3.4%	4.5%	3.4%		
Non-GAAP adjustment.....	2.0%	1.2%	2.0%		
Non-GAAP operating income.....	<u>5.4%</u>	<u>5.7%</u>	<u>5.4%</u>		

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

DELL INC.

Reconciliation of Non-GAAP Financial Measures

(in millions, except per share data and percentages)

(unaudited)

	Twelve Months Ended		% Growth Rates Yr. to Yr.
	January 29, 2010	January 30, 2009	
GAAP gross margin.....	\$ 9,261	\$ 10,957	(15%)
Non-GAAP adjustments:			
Amortization of intangibles.....	151	59	
Severance and facility actions.....	236	146	
Acquisition-related.....	1	-	
Stock option accelerated vesting charges.....	-	16	
Non-GAAP gross margin.....	<u>\$ 9,649</u>	<u>\$ 11,178</u>	(14%)
GAAP operating expenses.....	\$ 7,089	\$ 7,767	(9%)
Non-GAAP adjustments:			
Amortization of intangibles.....	(54)	(46)	
Severance and facility actions.....	(245)	(136)	
Acquisition-related.....	(115)	-	
Stock option accelerated vesting charges.....	-	(88)	
Non-GAAP operating expenses.....	<u>\$ 6,675</u>	<u>\$ 7,497</u>	(11%)
GAAP operating income.....	\$ 2,172	\$ 3,190	(32%)
Non-GAAP adjustments:			
Amortization of intangibles.....	205	105	
Severance and facility actions.....	481	282	
Acquisition-related.....	116	-	
Stock option accelerated vesting charges.....	-	104	
Non-GAAP operating Income.....	<u>\$ 2,974</u>	<u>\$ 3,681</u>	(19%)
GAAP net income.....	\$ 1,433	\$ 2,478	(42%)
Non-GAAP adjustments:			
Amortization of intangibles.....	205	105	
Severance and facility actions.....	481	282	
Acquisition-related.....	116	-	
Stock option accelerated vesting charges.....	-	104	
Aggregate adjustment for income taxes.....	(181)	(117)	
Non-GAAP net Income.....	<u>\$ 2,054</u>	<u>\$ 2,852</u>	(28%)
GAAP earnings per common share - diluted.....	\$ 0.73	\$ 1.25	
Non-GAAP adjustments per common share - diluted...	<u>0.32</u>	<u>0.19</u>	
Non-GAAP earnings per common share - diluted.....	<u>\$ 1.05</u>	<u>\$ 1.44</u>	(27%)
GAAP diluted WAS.....	1,962	1,986	
<i>Percentage of Total Net Revenue:</i>			
GAAP gross margin.....	17.5%	17.9%	
Non-GAAP adjustment.....	<u>0.7%</u>	<u>0.4%</u>	
Non-GAAP gross margin.....	<u>18.2%</u>	<u>18.3%</u>	
GAAP operating expenses.....	13.4%	12.7%	
Non-GAAP adjustment.....	<u>(0.8%)</u>	<u>(0.4%)</u>	
Non-GAAP operating expenses.....	<u>12.6%</u>	<u>12.3%</u>	
GAAP operating income.....	4.1%	5.2%	
Non-GAAP adjustment.....	<u>1.5%</u>	<u>0.8%</u>	
Non-GAAP operating income.....	<u>5.6%</u>	<u>6.0%</u>	

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

Use of Non-GAAP Financial Measures

As a result of Dell's acquisition of Perot Systems, Dell incurred significant amounts of acquisition-related expenses and will be amortizing a significant amount of purchased intangible assets. In addition, Dell has been, for recent quarters, providing the effects of severance and facility action costs to investors to supplement GAAP financial information. Dell believes that excluding these items from Dell's GAAP results allows Dell's management to better understand Dell's consolidated financial performance from period to period and in relationship to the operating results of Dell's segments, as management does not believe that the excluded items are reflective of underlying operating performance. The non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude acquisition expenses related to our recent acquisition of Perot Systems, amortization of purchased intangible assets related to the Perot Systems acquisition and other prior acquisitions, severance and facility action costs, and stock option accelerated vesting charges incurred in our 2009 fiscal year. In the future, Dell expects that it may again exclude such items and may incur expenses similar to these excluded items, including in connection to any future acquisitions. Accordingly, the exclusion of these items and other similar items in Dell's non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual. Dell believes the non-GAAP financial measures will provide investors with greater transparency with respect to the information Dell's management uses in its financial and operational decision-making and will allow investors to review Dell's operating results through the eyes of management. These non-GAAP financial measures facilitate an enhanced understanding of historical results and enable more meaningful period to period comparisons.

This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for gross margin, operating expenses, operating income, net income, and earnings per share prepared in accordance with GAAP.

The non-GAAP financial measures for the periods indicated in the tables above reflect adjustments related to the following items:

- Acquisition-related charges are expensed as incurred and consist primarily of cash compensation payments, retention payments, integration costs, bankers' fees, legal fees, and consulting fees that are directly attributable to the acquisition of Perot Systems. The cash compensation payments include payments that were triggered by the acquisition made to Perot Systems employees who are now employed with Dell. Retention payments include stock-based compensation and cash incentives awarded to employees, which are recognized over the vesting period. Integration costs include incremental business costs that are directly attributable to the acquisition of Perot Systems and that are incurred during the integration period. These costs primarily include IT costs related to the integration of IT systems and processes, costs related to the integration of Perot Systems employees, costs related to full-time employees who are working on the integration, and consulting expenses. Acquisition-related charges are inconsistent in amount and are significantly impacted by the timing and nature of acquisitions. Therefore, although Dell may incur these types of expenses in connection with future acquisitions, Dell believes eliminating the expenses relating to the Perot Systems acquisition for purposes of calculating the non-GAAP financial measures facilitates a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.
- Amortization of purchased intangible assets consists primarily of amortization of customer relationships, customer lists, acquired technology, trade names, and non-compete covenants purchased in connection with business acquisitions. Dell incurs charges relating to the amortization of these intangibles, and those charges are included in Dell's GAAP financial statements. Amortization charges for Dell's purchased intangible assets are inconsistent in amount and are significantly impacted by the timing and magnitude of Dell's acquisitions. Consequently, Dell excludes these charges for purposes of calculating the non-GAAP financial measures to facilitate a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.
- Severance and facility action costs primarily relate to facilities charges including accelerated depreciation and to severance and benefits for employees terminated pursuant to actions taken as part of a comprehensive review of costs. Management measures the performance of Dell excluding the effects of severance and facility action costs and has been, for recent quarters, providing the effects to investors to supplement GAAP financial information. Dell excludes these severance and facility action costs for purposes of calculating the non-GAAP financial measures because it believes that these historical costs do not reflect expected future operating

expenses and do not contribute to a meaningful evaluation of Dell's current operating performance or comparisons to Dell's past operating performance.

- Certain stock-based compensation charges incurred during our 2009 fiscal year related to the accelerated vesting of unvested "out-of-the-money stock options" (options that have an exercise price greater than the current market stock price) are excluded from the non-GAAP financial measures. Stock-based compensation costs unrelated to the accelerated vesting of out-of-the-money stock options are not excluded from the non-GAAP financial measures. Dell excludes charges related to the accelerated vesting of out-of-the-money stock options because they do not contribute to a meaningful comparison of Dell's past operating results to Dell's current operating results.
- The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the jurisdictions where the adjustments were incurred.

There are limitations to the use of non-GAAP financial measures. Other companies, including companies in Dell's industry, may calculate the non-GAAP financial measures differently than Dell does, limiting the usefulness of those measures for comparative purposes. In addition, items such as amortization of purchased intangible assets represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in the non-GAAP financial measures and such measures, therefore, do not reflect the full economic effect of such loss. Lastly, items such as severance and facility action costs and acquisition expenses that are excluded from the non-GAAP financial measures can have a material impact on earnings. Dell's management compensates for the foregoing limitations by relying primarily on Dell's GAAP results and using non-GAAP financial measures only supplementally. Non-GAAP financial measures are not an alternative to GAAP financial measures and should be read only in conjunction with financial information presented on a GAAP basis. Dell provides detailed reconciliations of each non-GAAP financial measure to its most directly comparable GAAP measure within the financial information included with this press release and in other written materials that include the non-GAAP financial measures, and Dell encourages investors to review the reconciliations in conjunction with the presentation of any non-GAAP financial measures.