

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	
	October 29, 2010 ⁽¹⁾	July 30, 2010 ⁽¹⁾	October 30, 2009	Sequential	Yr. to Yr.
Net revenue					
Products.....	\$ 12,520	\$ 12,645	\$ 10,746	(1%)	17%
Services, including software related	2,874	2,889	2,150	(1%)	34%
Net revenue	<u>15,394</u>	<u>15,534</u>	<u>12,896</u>	(1%)	19%
Cost of net revenue					
Products.....	10,415	10,931	9,269	(5%)	12%
Services, including software related	1,976	2,017	1,394	(2%)	42%
Total cost of net revenue.....	<u>12,391</u>	<u>12,948</u>	<u>10,663</u>	(4%)	16%
Gross margin	3,003	2,586	2,233	16%	34%
Selling, general and administrative	1,816	1,679	1,501	8%	21%
Research, development and engineering	163	162	155	1%	5%
Total operating expenses.....	<u>1,979</u>	<u>1,841</u>	<u>1,656</u>	7%	19%
Operating income	1,024	745	577	37%	77%
Interest and other, net ⁽²⁾	52	(49)	(63)	206%	181%
Income before income taxes	1,076	696	514	54%	109%
Income tax provision	254	151	177	67%	43%
Net income	<u>\$ 822</u>	<u>\$ 545</u>	<u>\$ 337</u>	51%	144%
Earnings per share:					
Basic	<u>\$ 0.42</u>	<u>\$ 0.28</u>	<u>\$ 0.17</u>	50%	147%
Diluted	<u>\$ 0.42</u>	<u>\$ 0.28</u>	<u>\$ 0.17</u>	50%	147%
Weighted average shares outstanding:					
Basic	1,939	1,952	1,956	(1%)	(1%)
Diluted	1,949	1,960	1,966	(1%)	(1%)
<u>Percentage of Total Net Revenue:</u>					
Gross margin.....	19.5%	16.6%	17.3%		
Selling, general and administrative.....	11.8%	10.8%	11.6%		
Research and development.....	1.0%	1.0%	1.2%		
Operating expenses.....	12.8%	11.8%	12.8%		
Operating income.....	6.7%	4.8%	4.5%		
Income before income taxes.....	7.0%	4.5%	4.0%		
Net income.....	5.3%	3.5%	2.6%		
Income tax rate	23.6%	21.7%	34.5%		
<u>Net Revenue by Product Category:</u>					
Servers and Networking	\$ 1,844	\$ 1,890	\$ 1,539	(2%)	20%
Storage.....	543	624	508	(13%)	7%
Services ⁽¹⁾	1,924	1,915	1,244	0%	55%
Software and Peripherals	2,579	2,535	2,394	2%	8%
Mobility.....	4,858	4,700	4,191	3%	16%
Desktop PCs.....	3,646	3,870	3,020	(6%)	21%
Consolidated net revenue.....	<u>\$ 15,394</u>	<u>\$ 15,534</u>	<u>\$ 12,896</u>	(1%)	19%
<u>Percentage of Total Net Revenue:</u>					
Servers and Networking	12%	12%	12%		
Storage.....	3%	4%	4%		
Services ⁽¹⁾	12%	12%	10%		
Software and Peripherals	17%	17%	19%		
Mobility.....	32%	30%	32%		
Desktop PCs.....	24%	25%	23%		
<u>Net Revenue by Global Segment:</u>					
Large Enterprise.....	\$ 4,326	\$ 4,549	\$ 3,403	(5%)	27%
Public.....	4,442	4,580	3,695	(3%)	20%
Small and Medium Business.....	3,665	3,535	2,956	4%	24%
Consumer	2,961	2,870	2,842	3%	4%
Consolidated net revenue.....	<u>\$ 15,394</u>	<u>\$ 15,534</u>	<u>\$ 12,896</u>	(1%)	19%
<u>Percentage of Total Net Revenue:</u>					
Large Enterprise.....	28%	29%	26%		
Public.....	29%	30%	29%		
Small and Medium Business.....	24%	23%	23%		
Consumer	19%	18%	22%		
<u>Consolidated Operating Income:</u>					
Large Enterprise.....	\$ 400	\$ 288	\$ 174		
Public.....	451	369	352		
Small and Medium Business.....	391	323	282		
Consumer	-	(21)	10		
Consolidated segment operating income.....	1,242	959	818		
Severance and facility actions	(31)	(24)	(123)		
Broad based long-term incentives	(75)	(87)	(78)		
Amortization of intangible assets.....	(89)	(87)	(40)		
Acquisition-related.....	(23)	(16)	-		
Consolidated operating income	<u>\$ 1,024</u>	<u>\$ 745</u>	<u>\$ 577</u>		

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

⁽¹⁾ Includes the results of Perot Systems Corporation ("Perot Systems"), which was acquired on November 3, 2009.

⁽²⁾ Interest and other, net for the three months ended October 29, 2010 includes Dell's receipt of a \$72 million merger termination fee.

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

	Nine Months Ended		% Growth Rates
	October 29, 2010 ⁽¹⁾	October 30, 2009	
Net revenue			
Products.....	\$ 37,251	\$ 31,601	18%
Services, including software related	8,551	6,401	34%
Net revenue	<u>45,802</u>	<u>38,002</u>	21%
Cost of net revenue			
Products.....	31,731	27,033	17%
Services, including software related	5,966	4,177	43%
Total cost of net revenue.....	<u>37,697</u>	<u>31,210</u>	21%
Gross margin	8,105	6,792	19%
Selling, general and administrative	5,325	4,685	14%
Research, development and engineering	492	445	11%
Total operating expenses.....	<u>5,817</u>	<u>5,130</u>	13%
Operating income	2,288	1,662	38%
Interest and other, net ⁽²⁾	(65)	(107)	39%
Income before income taxes	2,223	1,555	43%
Income tax provision	515	456	13%
Net income	<u>\$ 1,708</u>	<u>\$ 1,099</u>	55%
Earnings per share:			
Basic	\$ 0.88	\$ 0.56	57%
Diluted	<u>\$ 0.87</u>	<u>\$ 0.56</u>	55%
Weighted average shares outstanding:			
Basic	1,950	1,953	(0%)
Diluted	1,961	1,959	0%
<u>Percentage of Total Net Revenue:</u>			
Gross margin	17.7%	17.9%	
Selling, general and administrative.....	11.6%	12.3%	
Research and development.....	1.1%	1.2%	
Operating expenses.....	12.7%	13.5%	
Operating income.....	5.0%	4.4%	
Income before income taxes.....	4.9%	4.1%	
Net income.....	3.7%	2.9%	
Income tax rate	23.2%	29.3%	
<u>Net Revenue by Product Category:</u>			
Servers and Networking	\$ 5,519	\$ 4,228	31%
Storage.....	1,721	1,593	8%
Services ⁽¹⁾	5,730	3,700	55%
Software and Peripherals	7,610	7,022	8%
Mobility.....	14,121	11,957	18%
Desktop PCs.....	11,101	9,502	17%
Consolidated net revenue.....	<u>\$ 45,802</u>	<u>\$ 38,002</u>	21%
<u>Percentage of Total Net Revenue:</u>			
Servers and Networking	12%	12%	
Storage.....	4%	4%	
Services ⁽¹⁾	12%	10%	
Software and Peripherals	17%	18%	
Mobility.....	31%	31%	
Desktop PCs.....	24%	25%	
<u>Net Revenue by Global Segment:</u>			
Large Enterprise.....	\$ 13,121	\$ 10,088	30%
Public.....	12,878	10,664	21%
Small and Medium Business.....	10,724	8,743	23%
Consumer	9,079	8,507	7%
Consolidated net revenue.....	<u>\$ 45,802</u>	<u>\$ 38,002</u>	21%
<u>Percentage of Total Net Revenue:</u>			
Large Enterprise.....	29%	27%	
Public.....	28%	28%	
Small and Medium Business.....	23%	23%	
Consumer	20%	22%	
<u>Consolidated Operating Income:</u>			
Large Enterprise.....	\$ 971	\$ 538	
Public.....	1,118	1,028	
Small and Medium Business.....	1,027	758	
Consumer	(4)	98	
Consolidated segment operating income.....	3,112	2,422	
Severance and facility actions	(112)	(395)	
Broad based long-term incentives	(249)	(246)	
Amortization of intangible assets.....	(264)	(119)	
Acquisition-related.....	(59)	-	
Other ⁽³⁾	(140)	-	
Consolidated operating income	<u>\$ 2,288</u>	<u>\$ 1,662</u>	

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

⁽¹⁾ Includes the results of Perot Systems Corporation ("Perot Systems"), which was acquired on November 3, 2009.

⁽²⁾ Interest and other, net for the nine months ended October 29, 2010 includes Dell's receipt of a \$72 million merger termination fee.

⁽³⁾ Other for the nine months ended October 29, 2010 includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter.

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

	October 29, 2010	July 30, 2010	October 30, 2009 ⁽²⁾
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 12,889	\$ 11,694	\$ 12,795
Short-term investments	492	744	331
Accounts receivable, net	6,407	6,565	5,279
Financing receivables, net	3,588	3,272	2,318
Inventories, net	1,294	1,372	952
Other current assets	3,118	3,562	3,196
Total current assets	<u>27,788</u>	<u>27,209</u>	<u>24,871</u>
Property, plant and equipment, net	1,948	1,980	1,978
Investments	662	633	828
Long-term financing receivables, net	709	622	311
Goodwill	4,259	4,264	1,748
Purchased intangible assets, net	1,553	1,638	607
Other non-current assets	235	294	682
Total assets	<u>\$ 37,154</u>	<u>\$ 36,640</u>	<u>\$ 31,025</u>
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt	\$ 826	\$ 1,627	\$ 351
Accounts payable	11,278	12,465	9,947
Accrued and other	3,898	3,812	3,637
Short-term deferred services revenue	3,093	3,009	2,926
Total current liabilities	<u>19,095</u>	<u>20,913</u>	<u>16,861</u>
Long-term debt	5,168	3,623	3,442
Long-term deferred services revenue	3,447	3,311	3,054
Other non-current liabilities	2,631	2,632	2,643
Total liabilities	<u>30,341</u>	<u>30,479</u>	<u>26,000</u>
Stockholders' equity	6,813	6,161	5,025
Total liabilities and equity	<u>\$ 37,154</u>	<u>\$ 36,640</u>	<u>\$ 31,025</u>
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	41	41	40
Days supply in inventory	9	10	8
Days in accounts payable	(82)	(87)	(84)
Cash conversion cycle	<u>(32)</u>	<u>(36)</u>	<u>(36)</u>
 Average total revenue/unit (approximate)	 \$ 1,380	 \$ 1,340	 \$ 1,290

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 October 29, 2010, July 30, 2010, and October 30, 2009, DSO and days of customer shipments not yet recognized were 38 and 3 days, 38 and 3 days, 37 and 3 days, respectively.

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

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

	Three Months Ended		Nine Months Ended	
	October 29, 2010	October 30, 2009⁽¹⁾	October 29, 2010	October 30, 2009⁽¹⁾
Cash flows from operating activities:				
Net income.....	\$ 822	\$ 337	\$ 1,708	\$ 1,099
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	234	191	745	593
Stock-based compensation	69	65	225	211
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(14)	32	23	58
Deferred income taxes	20	52	(35)	(88)
Provision for doubtful accounts - including financing receivables	82	80	299	290
Other	-	56	4	75
Changes in assets and liabilities, net of effects from acquisitions:				
Accounts receivable	308	137	(588)	(456)
Financing receivables	(46)	(177)	(459)	(556)
Inventories	77	(112)	(241)	(83)
Other assets	707	117	743	93
Accounts payable	(1,306)	233	(175)	1,551
Deferred services revenue.....	137	(10)	402	34
Accrued and other liabilities	(177)	(200)	(165)	(183)
Change in cash from operating activities	<u>913</u>	<u>801</u>	<u>2,486</u>	<u>2,638</u>
Cash flows from investing activities:				
Investments:				
Purchases	(123)	(406)	(1,186)	(1,182)
Maturities and sales	346	325	1,184	1,307
Capital expenditures	(93)	(70)	(284)	(249)
Proceeds from sale of facility and land.....	-	-	18	16
Purchase of financing receivables.....	(430)	-	(430)	-
Collections on purchased financing receivables.....	20	-	20	-
Acquisition of business, net of cash received	(24)	-	(246)	(3)
Change in cash from investing activities	<u>(304)</u>	<u>(151)</u>	<u>(924)</u>	<u>(111)</u>
Cash flows from financing activities:				
Repurchase of common stock	(200)	-	(600)	-
Issuance of common stock under employee plans.....	2	-	11	-
Issuance (repayment) of commercial paper (maturity 90 days or less), net	(900)	143	(176)	43
Proceeds from debt	1,945	257	2,554	1,748
Repayments of debt	(296)	(50)	(1,115)	(62)
Other	-	-	2	-
Change in cash from financing activities	<u>551</u>	<u>350</u>	<u>676</u>	<u>1,729</u>
Effect of exchange rate changes on cash and cash equivalents.....	35	96	16	187
Change in cash and cash equivalents.....	1,195	1,096	2,254	4,443
Cash and cash equivalents at beginning of period.....	11,694	11,699	10,635	8,352
Cash and cash equivalents at end of period.....	<u>\$ 12,889</u>	<u>\$ 12,795</u>	<u>\$ 12,889</u>	<u>\$ 12,795</u>

⁽¹⁾ Prior period amounts have been reclassified to conform to the current year presentation.

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	
	October 29, 2010	July 30, 2010	October 30, 2009	Sequential	Yr. to Yr.
GAAP gross margin.....	\$ 3,003	\$ 2,586	\$ 2,233	16%	34%
Non-GAAP adjustments:					
Amortization of intangibles.....	71	70	27		
Severance and facility actions.....	4	14	102		
Acquisition-related.....	-	1	-		
Non-GAAP gross margin.....	<u>\$ 3,078</u>	<u>\$ 2,671</u>	<u>\$ 2,362</u>	15%	30%
GAAP operating expenses.....	\$ 1,979	\$ 1,841	\$ 1,656	7%	19%
Non-GAAP adjustments:					
Amortization of intangibles.....	(18)	(17)	(13)		
Severance and facility actions.....	(27)	(10)	(21)		
Acquisition-related.....	(23)	(15)	-		
Non-GAAP operating expenses.....	<u>\$ 1,911</u>	<u>\$ 1,799</u>	<u>\$ 1,622</u>	6%	18%
GAAP operating income	\$ 1,024	\$ 745	\$ 577	37%	77%
Non-GAAP adjustments:					
Amortization of intangibles.....	89	87	40		
Severance and facility actions.....	31	24	123		
Acquisition-related.....	23	16	-		
Non-GAAP operating income.....	<u>\$ 1,167</u>	<u>\$ 872</u>	<u>\$ 740</u>	34%	58%
GAAP net income.....	\$ 822	\$ 545	\$ 337	51%	144%
Non-GAAP adjustments:					
Amortization of intangibles.....	89	87	40		
Severance and facility actions.....	31	24	123		
Acquisition-related.....	23	16	-		
Other ⁽¹⁾	(72)	-	-		
Aggregate adjustment for income taxes.....	(18)	(43)	(51)		
Non-GAAP net Income.....	<u>\$ 875</u>	<u>\$ 629</u>	<u>\$ 449</u>	39%	95%
GAAP earnings per share - diluted.....	\$ 0.42	\$ 0.28	\$ 0.17	50%	147%
Non-GAAP adjustments per share - diluted.....	0.03	0.04	0.06		
Non-GAAP earnings per share - diluted.....	<u>\$ 0.45</u>	<u>\$ 0.32</u>	<u>\$ 0.23</u>	41%	96%
GAAP Diluted WAS.....	1,949	1,960	1,966		
<i>Percentage of Total Net Revenue:</i>					
GAAP gross margin.....	19.5%	16.6%	17.3%		
Non-GAAP adjustment.....	0.5%	0.6%	1.0%		
Non-GAAP gross margin.....	<u>20.0%</u>	<u>17.2%</u>	<u>18.3%</u>		
GAAP operating expenses.....	12.8%	11.8%	12.8%		
Non-GAAP adjustment.....	(0.4%)	(0.2%)	(0.2%)		
Non-GAAP operating expenses.....	<u>12.4%</u>	<u>11.6%</u>	<u>12.6%</u>		
GAAP operating income.....	6.7%	4.8%	4.5%		
Non-GAAP adjustment.....	0.9%	0.8%	1.2%		
Non-GAAP operating income.....	<u>7.6%</u>	<u>5.6%</u>	<u>5.7%</u>		

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

⁽¹⁾ Other for the three months ended October 29, 2010 consists of Dell's receipt of a \$72 million merger termination fee which on a GAAP basis is recorded in Interest and Other, Net.

DELL INC.
Reconciliation of Non-GAAP Financial Measures
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	Nine Months Ended		% Growth Rates
	October 29, 2010	October 30, 2009	
GAAP gross margin.....	\$ 8,105	\$ 6,792	19%
Non-GAAP adjustments:			
Amortization of intangibles.....	209	80	
Severance and facility actions.....	47	181	
Acquisition-related.....	2	-	
Non-GAAP gross margin.....	<u>\$ 8,363</u>	<u>\$ 7,053</u>	19%
GAAP operating expenses.....	\$ 5,817	\$ 5,130	13%
Non-GAAP adjustments:			
Amortization of intangibles.....	(55)	(39)	
Severance and facility actions.....	(65)	(214)	
Acquisition-related.....	(57)	-	
Other ⁽¹⁾	(140)	-	
Non-GAAP operating expenses.....	<u>\$ 5,500</u>	<u>\$ 4,877</u>	13%
GAAP operating income	\$ 2,288	\$ 1,662	38%
Non-GAAP adjustments:			
Amortization of intangibles.....	264	119	
Severance and facility actions.....	112	395	
Acquisition-related.....	59	-	
Other ⁽¹⁾	140	-	
Non-GAAP operating income.....	<u>\$ 2,863</u>	<u>\$ 2,176</u>	32%
GAAP net income.....	\$ 1,708	\$ 1,099	55%
Non-GAAP adjustments:			
Amortization of intangibles.....	264	119	
Severance and facility actions.....	112	395	
Acquisition-related.....	59	-	
Other ⁽¹⁾	68	-	
Aggregate adjustment for income taxes.....	(123)	(103)	
Non-GAAP net income.....	<u>\$ 2,088</u>	<u>\$ 1,510</u>	38%
GAAP earnings per share - diluted.....	\$ 0.87	\$ 0.56	55%
Non-GAAP adjustments per share - diluted.....	0.19	0.21	
Non-GAAP earnings per share - diluted.....	<u>\$ 1.06</u>	<u>\$ 0.77</u>	38%
GAAP Diluted WAS.....	1,961	1,959	
<i><u>Percentage of Total Net Revenue:</u></i>			
GAAP gross margin.....	17.7%	17.9%	
Non-GAAP adjustment.....	0.6%	0.7%	
Non-GAAP gross margin.....	<u>18.3%</u>	<u>18.6%</u>	
GAAP operating expenses.....	12.7%	13.5%	
Non-GAAP adjustment.....	(0.7%)	(0.7%)	
Non-GAAP operating expenses.....	<u>12.0%</u>	<u>12.8%</u>	
GAAP operating income.....	5.0%	4.4%	
Non-GAAP adjustment.....	1.3%	1.3%	
Non-GAAP operating income.....	<u>6.3%</u>	<u>5.7%</u>	

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

⁽¹⁾ Other for the nine months ended October 29, 2010 includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter, which are both recorded in operating expenses, offset by Dell's receipt of a \$72 million merger termination fee, which is recorded in Interest and Other, Net.

USE OF NON-GAAP FINANCIAL MEASURES

Dell provides non-GAAP financial information to investors to supplement GAAP financial information. Dell believes that excluding certain 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. Dell also believes that excluding certain items from Dell's GAAP results allows Dell's management to better project Dell's future consolidated financial performance because Dell's forecasts are developed at a level of detail different than that used to prepare GAAP-based financial measures, and exclude certain amounts pertaining to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Non-GAAP operating income growth as projected for Fiscal 2011, which is a forward looking non-GAAP financial measure, excludes the following items, some of which Dell cannot forecast, thereby preventing Dell from reconciling its projections to GAAP: acquisition related charges, amortization of purchased intangible assets related to acquisitions, severance and facility action costs, a merger termination fee that was received during the third quarter of Fiscal 2011, and amounts for the settlement of the SEC investigation as well as a securities litigation matter that were incurred during the first quarter of Fiscal 2011. The historical non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude these same items. In the future, Dell expects that it may again exclude such items and may incur income and expenses similar to these excluded items, including in connection with 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 useful information to help them evaluate Dell's operating results and projections. These non-GAAP financial measures facilitate an enhanced understanding of historical results and projections, 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 retention payments, integration costs, bankers' fees, legal fees, and consulting fees. 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 during the fourth quarter of Fiscal 2010 and are being 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 acquisition related charges 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 severance and benefits for employees terminated pursuant to actions taken as part of a comprehensive review of costs, including certain employee cost synergies realized through our strategic acquisitions. 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.
- Dell also adjusts its GAAP results for certain fees and settlements. During the third quarter of Fiscal 2011, Dell received \$72 million from 3PAR Inc ("3PAR") for 3PAR's termination of its merger agreement with Dell. For the first quarter of Fiscal 2011, Dell recorded a \$100 million settlement amount for the SEC investigation into certain of Dell's accounting and financial matters, which was initiated in 2005. Also during the first quarter of Fiscal 2011, Dell incurred \$40 million for a securities litigation class action lawsuit that was filed against Dell during Fiscal 2007. Dell is excluding these fees and settlements from the operating results of the first nine months of Fiscal 2011 for the purpose of calculating the non-GAAP financial measures because it believes these fees and settlements are outside Dell's ordinary course of business and do not contribute to a meaningful evaluation of Dell's current operating performance.
- 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 or for projections when comparable GAAP measures are not available. 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 when available. Dell provides detailed reconciliations of each historical 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 such non-GAAP historical financial measures, and Dell encourages investors to review the reconciliations in conjunction with the presentation of any historical non-GAAP financial measures.