
Dell 2Q FY12 Performance Review

Michael Dell

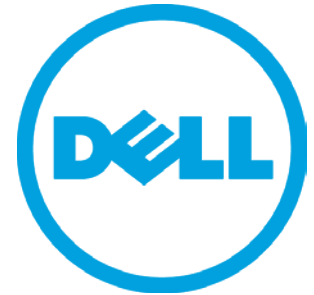
Chairman and CEO

Brian Gladden

SVP and CFO

Brad Anderson

SVP, Enterprise Solutions Group



August 16th, 2011

Forward-Looking Statements

Special Note on Forward Looking Statements:

Statements in this presentation that relate to future results and events (including statements about Dell's future financial and operating performance, anticipated customer demand, global market trends, customer market focus, sales structure strategies, enterprise solutions strategies, component costs, cost controls, supply chain improvements, strategic investments and timing of the close of the Force10 Networks acquisition, as well as the financial guidance with respect to revenue and non-GAAP operating income) are forward-looking statements and are based on Dell's current expectations. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including: intense competition; Dell's cost-cutting measures; Dell's ability to effectively manage the growth of its distribution capabilities and add to its product and services offerings; Dell's ability to effectively manage periodic product and services transitions; weak global economic conditions and instability in financial markets; Dell's ability to generate substantial non-U.S. net revenue; weak economic conditions and additional regulation affecting Dell's financial services activities; Dell's ability to achieve favorable pricing from its vendors; Dell's ability to deliver consistent quality products and services; Dell's reliance on third-party suppliers for product components, including reliance on several single-sourced or limited-sourced suppliers; successful implementation of Dell's acquisition strategy; Dell's product, customer, and geographic sales mix, and seasonal sales trends; access to the capital markets by Dell or its customers; loss of government contracts; the risk of temporary suspension or debarment from contracting with U.S. federal, state and local governments as a result of settlements of an SEC investigation by Dell and Dell's Chairman and CEO; customer terminations of or pricing changes in services contracts, or Dell's failure to perform as it anticipates at the time it enters into services contracts; Dell's ability to obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms; information technology and manufacturing infrastructure disruptions or breaches of data security; Dell's ability to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates; counterparty default; unfavorable results of legal proceedings; expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax audits and other compliance matters; Dell's ability to attract, retain, and motivate key personnel; Dell's ability to maintain strong internal controls; changing environmental and safety laws; the effect of armed hostilities, terrorism, natural disasters, and public health issues; and other risks and uncertainties discussed in Dell's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for its fiscal year ended Jan. 28, 2011. In particular, Dell's expectations with regard to revenue and non-GAAP operating income for the full fiscal year ending Feb. 3, 2012 assume, among other matters, that there is no significant decline in economic conditions generally or demand growth specifically, no significant change in product mix patterns, continued successful management of lower-margin businesses, continued successful demand planning and forecasting, no supply chain disruptions, and no significant adverse component pricing or supply movements. Dell assumes no obligation to update its forward-looking statements.

Non-GAAP Financial Measures

This presentation includes information about 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"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the historical non-GAAP financial measures and of free cash flow, which is also a non-GAAP measure, to the most directly comparable GAAP measures in the slides captioned "Supplemental Non-GAAP Measures." A detailed discussion of our reasons for including the non-GAAP financial measures and the limitations associated with those measures is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations - Non-GAAP Financial Measures" in Dell's annual report on Form 10-K for the financial year ended January 28, 2011. We encourage investors to review the historical reconciliation and the non-GAAP discussion in conjunction with our presentation of the non-GAAP financial measures.

Dell 2Q FY12 Earnings Review

Brian Gladden
SVP and CFO



Executing a growth strategy

Building enterprise solutions that drive efficiency and flexibility for the virtual era

Efficient IT Solutions
Open, Capable, Affordable

Long-Term Value Creation



Enterprise

End-User

Stakeholders

Next Gen Computing Solutions & Intelligent Data Management

Services, Security & Cloud

End-User Computing

Balanced Liquidity, Profitability & Growth

Virtualization, vStart, AIM Systems Management, Modular Data Centers, Networking Fluid Data Architecture, SAN & Scale-out NAS, Deduplication

Multi-Vendor Support, BPO & Applications, IT Infrastructure Outsourcing Security & Cloud ITaaS, SaaS, PaaS

Flexible & Optimized Value Chain
Mobility Solutions
Tablets & Smartphones
Desktop Virtualization

> 5-7% Rev. Growth
7%+ GAAP OpInc
CFOps > Net Income



2Q FY12 Highlights

- **Enterprise Solutions and Services:** Revenue up +4% Y/Y to \$4.6B and we continue to see strong demand for our server, Dell storage and services businesses
- **Significant and thoughtful investments:** Develop and acquire industry leading intellectual property in systems management, storage, security and networking
- **Executing against our strategy:** Cost initiatives and focus on higher value products with Dell owned IP is driving strong product margins, outstanding operating income and excellent cash flow generation
- **Balanced Liquidity, Profitability and Growth:** Consolidated revenue of \$15.7B up +1% Y/Y. Non-GAAP OpInc up +52% Y/Y, EPS up +69% Y/Y, record CFOps of \$2.4B



2Q FY12 Non-GAAP Consolidated Results

Consolidated P&L¹

\$ in Millions – except Units and EPS

| | 2Q'11 | 1Q'12 | 2Q'12 | Y/Y Growth | Seq Growth |
|-----------------------------|--------|--------|--------|------------|------------|
| Units (thousands) | 11,604 | 10,918 | 11,573 | 0% | 6% |
| Revenues | 15,534 | 15,017 | 15,658 | 1% | 4% |
| Gross Margin | 2,671 | 3,511 | 3,625 | 36% | 3% |
| <i>GM % of revenue</i> | 17.2% | 23.4% | 23.2% | 600 bps | -20 bps |
| Operating Expenses | 1,799 | 2,135 | 2,297 | 28% | 8% |
| <i>Opex % of revenue</i> | 11.6% | 14.2% | 14.7% | 310 bps | 50 bps |
| Operating Income | 872 | 1,376 | 1,328 | 52% | -3% |
| <i>Opinc % of revenue</i> | 5.6% | 9.2% | 8.5% | 290 bps | -70 bps |
| Income Before Taxes | 823 | 1,334 | 1,273 | 55% | -5% |
| Income Tax | 194 | 284 | 267 | 38% | -6% |
| <i>Effective Tax Rate %</i> | 23.6% | 21.3% | 21.0% | -260 bps | -30 bps |
| Net Income | 629 | 1,050 | 1,006 | 60% | -4% |
| <i>NI % of revenue</i> | 4.0% | 7.0% | 6.4% | 240 bps | -60 bps |
| Diluted EPS | \$0.32 | \$0.55 | \$0.54 | 69% | -2% |

¹Percentages and ratios are calculated based on underlying data

Growth refers to year-over-year

- Revenue up +1%, to \$15.7B
- Gross margin of 23.2% driven by continued cost execution, disciplined pricing, and ongoing shift to higher value Dell technologies
- Opex of \$2.3B or 14.7% of revenue, driven by mix shift to selling more Dell technologies and higher incentive based compensation
- Operating income up +52%, to \$1.3B or 8.5% of revenue
- Interest & other expenses were \$55M
- Tax rate was 21.0%
- EPS 54 cents, up +69%

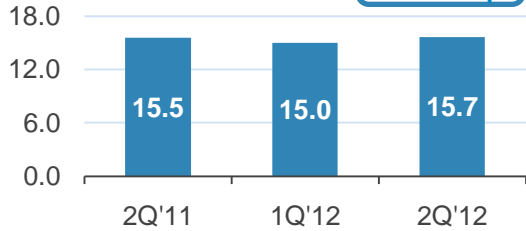


2Q FY12 Non-GAAP Key Performance Metrics

Revenue

\$ Billions

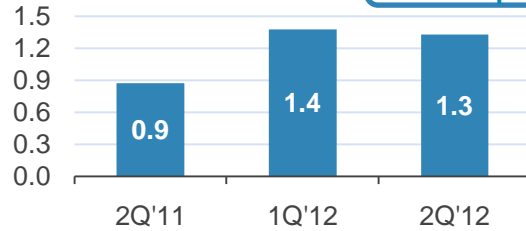
+1% Y/Y
+4% seq



Operating Income

\$ Billions

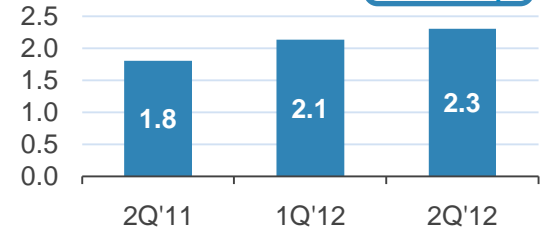
+52% Y/Y
-3% seq



Operating Expense

\$ Billions

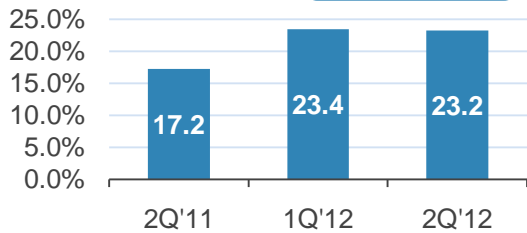
+28% Y/Y
+8% seq



Gross Margin %

%

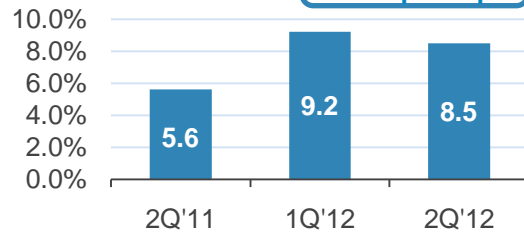
+600bps Y/Y
-20bps seq



Operating Income %

%

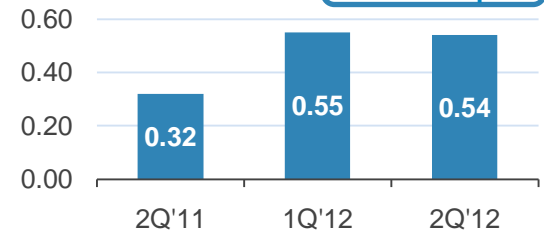
+290bps Y/Y
-70bps seq



EPS

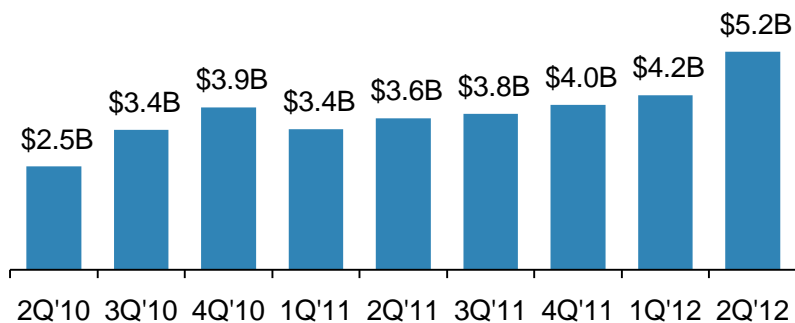
\$

+69% Y/Y
-2% seq

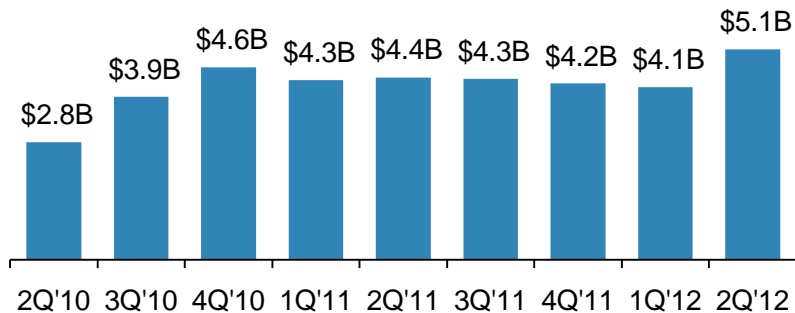


2Q FY12 Cash Flow Performance

Cash Flow from Operations ¹



Free Cash Flow ^{1,2}



- Record CFOps in the quarter of \$2.4B; \$5.2B trailing twelve months CFOps
- FCF of \$2.3B; \$5.1B trailing twelve months FCF
- Share repurchases of \$1.1B
- Ended 2Q FY12 with \$16.2B cash and investments
- CFOps > NI continues to be a top priority
- R&D of \$205M, or 1.3% of revenue
- Capex of \$159M

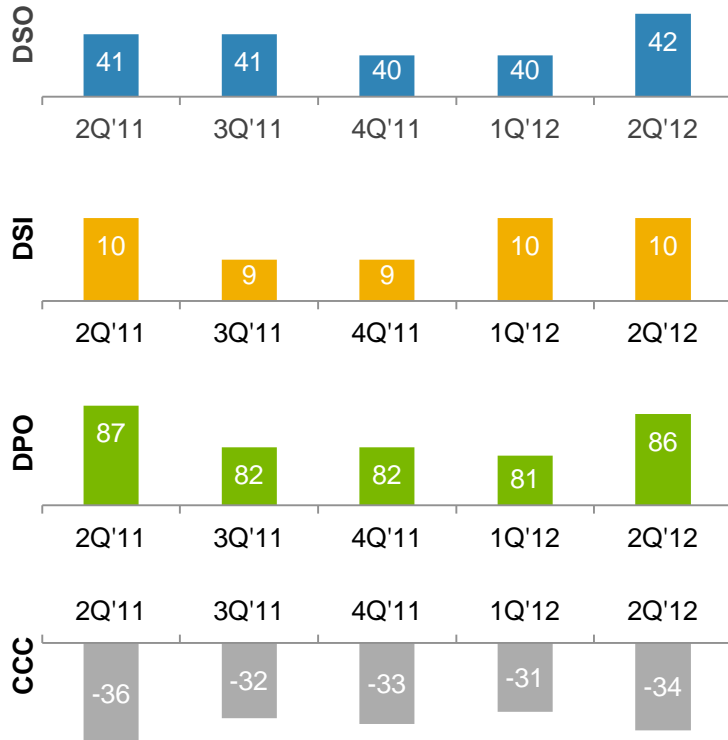
¹Trailing Twelve Months

²Cash flow from operations less capital expenditures plus on balance-sheet fundings



2Q FY12 Working Capital

Cash Conversion Cycle (CCC)



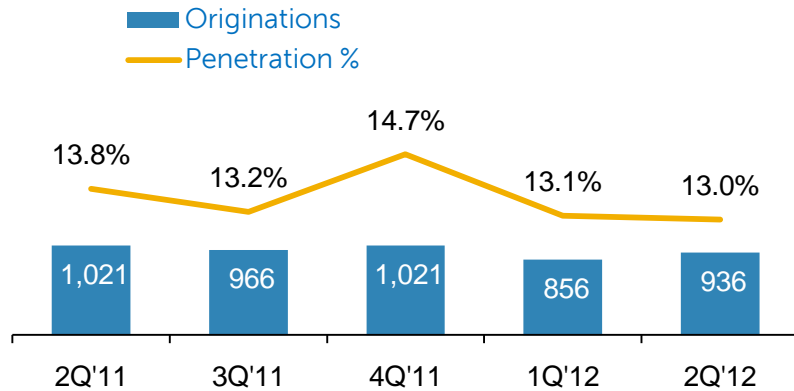
- Days payable favorably impacted by 5 days to 86 days, driven by linearity and increased contract manufacturing volume
- Days sales increased to 42 days due to typical seasonality
- Days inventory stays flat at 10 days
- CCC improved by 3 days on a sequential basis
- Continue to expect CCC to remain in mid -30 day range.



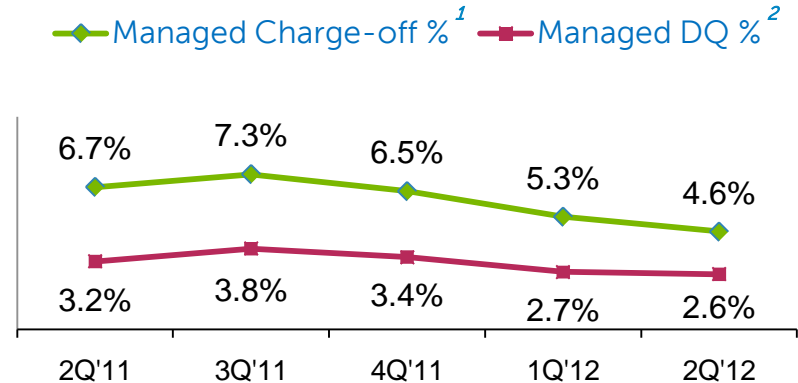
2Q FY12 Dell Financial Services

New Financing Originations*

\$ Millions



Losses & Delinquencies



- 2Q Originations down year over year primarily driven by increased competition in large commercial accounts and lower Consumer revenue mix
- Managed basis losses and delinquency continue to trend favorably; all business segments showing improvement from the prior quarter and the prior year

Definitions

¹ Managed Charge-off % equals gross principal charge-offs less recovery payments from customers for the quarter divided by the average managed assets for the quarter

² Managed Delinquency % is calculated as 60 day plus delinquent assets at quarter end divided by quarter end managed assets

*Effective 2Q FY12, Dell Financial Services Canada is included in results; Penetration % is now % of U.S. & Canada Dell revenue that is financed by DFS



2Q FY12 Line of Business Results

Product Revenue Trends

| LOB | 2Q'11 | 3Q'11 | 4Q'11 | 1Q'12 | 2Q'12 |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Servers & Networking | 1,890 | 1,844 | 2,090 | 1,973 | 2,054 |
| Storage | 624 | 543 | 574 | 481 | 502 |
| <i>Dell-owned IP</i> | 340 | 315 | 348 | 341 | 393 |
| Services | 1,915 | 1,924 | 1,943 | 1,984 | 2,036 |
| S&P | 2,535 | 2,579 | 2,651 | 2,567 | 2,569 |
| Mobility | 4,700 | 4,858 | 4,850 | 4,716 | 4,761 |
| Desktop PCs | 3,870 | 3,646 | 3,584 | 3,296 | 3,736 |
| Total | 15,534 | 15,394 | 15,692 | 15,017 | 15,658 |
| Revenue Trends Q/Q | | | | | |
| Servers & Networking | 6% | -2% | 13% | -6% | 4% |
| Storage | 13% | -13% | 6% | -16% | 4% |
| <i>Dell-owned IP</i> | 11% | -7% | 10% | -2% | 15% |
| Services | 1% | 0% | 1% | 2% | 3% |
| S&P | 2% | 2% | 3% | -3% | 0% |
| Mobility | 3% | 3% | 0% | -3% | 1% |
| Desktop PCs | 8% | -6% | -2% | -8% | 13% |
| Total | 4% | -1% | 2% | -4% | 4% |
| Revenue Trends Y/Y | | | | | |
| Servers & Networking | 35% | 20% | 16% | 11% | 9% |
| Storage | 13% | 7% | -4% | -13% | -20% |
| <i>Dell-owned IP</i> | 35% | 33% | 20% | 11% | 15% |
| Services | 57% | 55% | 1% | 5% | 6% |
| S&P | 6% | 8% | 7% | 3% | 1% |
| Mobility | 21% | 16% | 4% | 3% | 1% |
| Desktop PCs | 17% | 21% | 4% | -8% | -3% |
| Total | 22% | 19% | 5% | 1% | 1% |

Dynamics

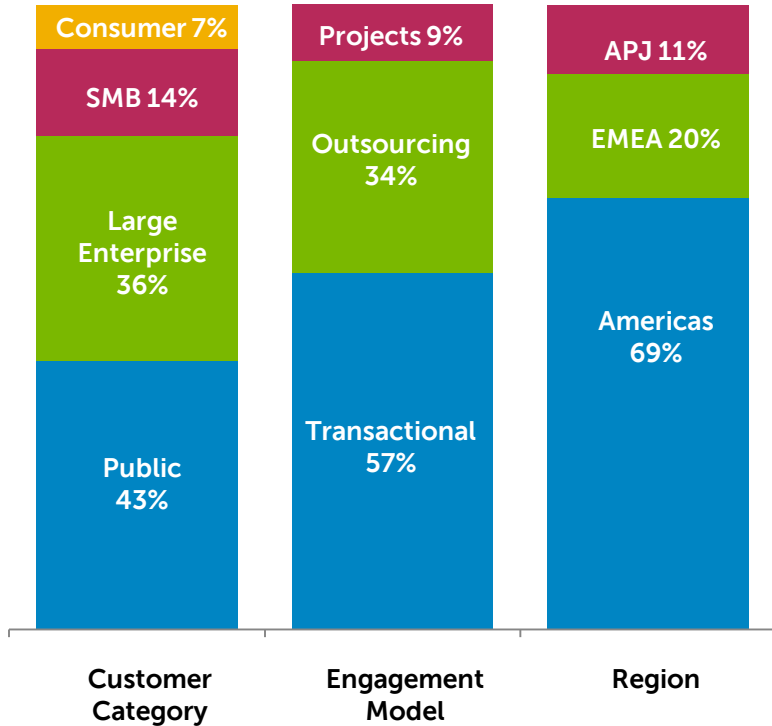
Growth refers to year-over-year

- Services revenue grew +6% to \$2.0B; Services backlog is now \$15.4B
- Client hardware revenues up +6% sequentially and down -1% Y/Y driven by Public business; significantly improved gross and operating margins while managing through a lower cost deflation environment in the quarter
- Storage revenue was down -20%; EMC revenue down -62%; Dell-owned IP, including Compellent, EqualLogic, PowerVault and DX Object Storage, grew revenue +15%
- Software and peripherals revenue was up +1% to \$2.6B

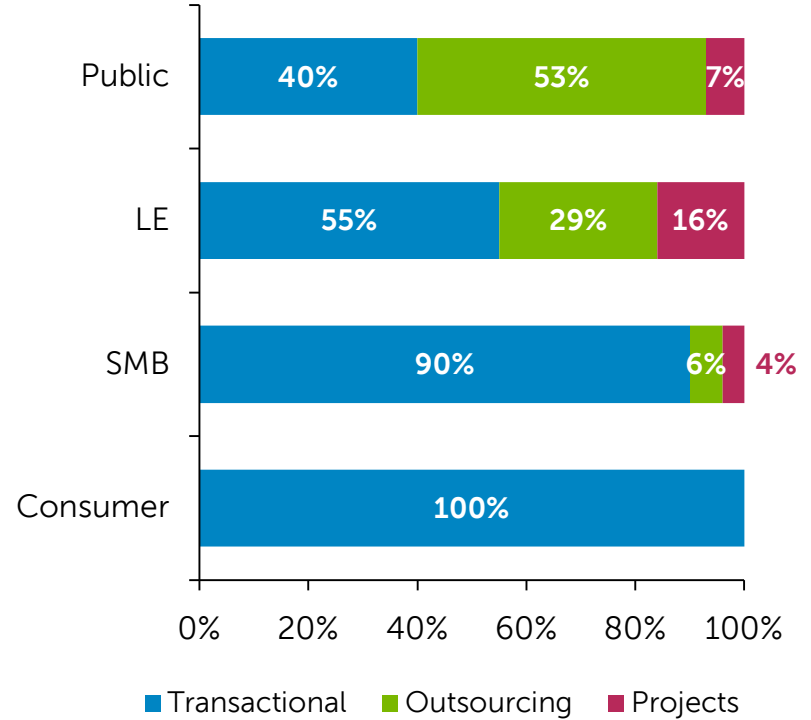


2Q FY12 Services

Dell Services Revenue Composition

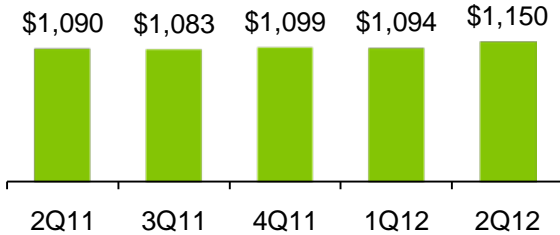


Engagement Model by SBU



2Q FY12 Services

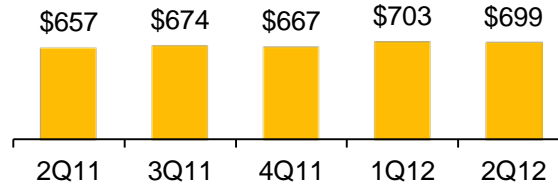
Transactional Revenue (\$ in Millions)



- Revenue of \$1.2B, up +6% Y/Y, with growth driven by commercial customers in EMEA and APJ
- Deferred extended warranties was \$6.8B

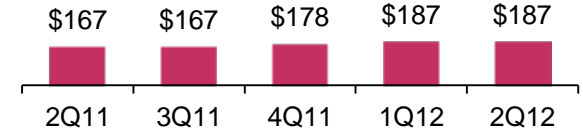
* Services categories were refined in Q1FY12

Outsourcing Revenue (\$ in Millions)



- Revenue of \$699M, up +6% Y/Y
- Total contract value of new contracts in 2Q is \$1B (\$1.3B year to date)
- Estimated contracted services backlog was \$8.6B

Projects Revenue (\$ in Millions)

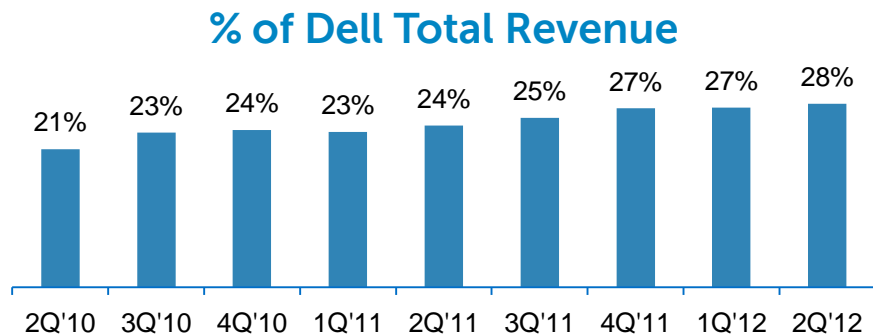
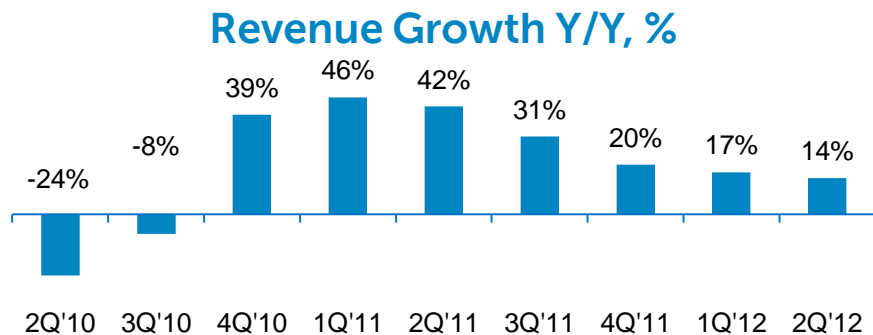


- Revenue of \$187M, up +12% Y/Y
- Growth driven by stronger applications and infrastructure project sales



2Q FY12 Growth Markets & BRIC Countries

Growth Markets ¹



¹ Growth Markets: Exclude US, Canada, Western Europe and Japan

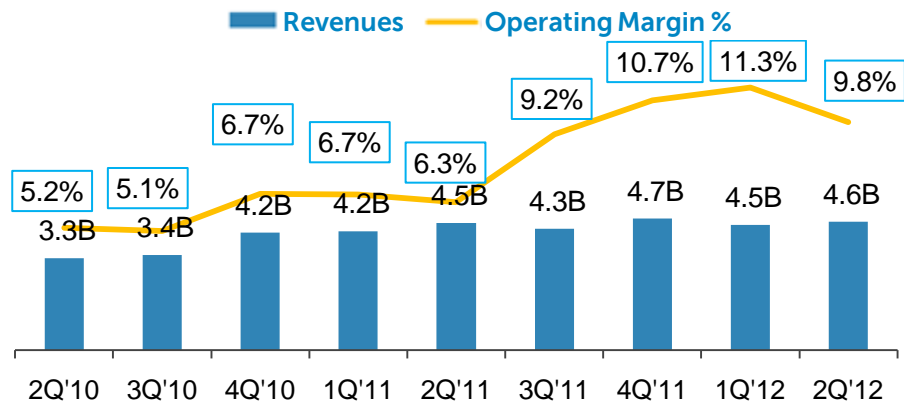
Dynamics

Growth refers to year-over-year

- Revenue from growth markets grew +14% and now account for 28% of Dell's consolidated revenue
- BRIC countries revenue grew +18%
- India revenue increased +21% while China revenue grew +20%
- APJ and EMEA revenue grew +17% and +1%, respectively, while Americas was down -4%
- Revenue outside of the U.S. was 50% of our total mix



2Q FY12 Large Enterprise Revenue & Operating Income

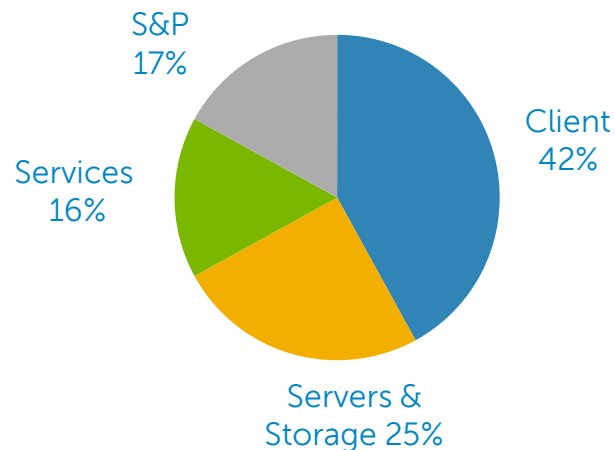


Large Enterprise P&L

\$ in Millions

| | 2Q'11 | 3Q'11 | 4Q'11 | 1Q'12 | 2Q'12 |
|------------------------|---------|---------|---------|---------|----------|
| Revenues | 4,549 | 4,326 | 4,692 | 4,477 | 4,584 |
| Sequential Growth, % | 7% | -5% | 8% | -5% | 2% |
| YY Growth, % | 38% | 27% | 12% | 5% | 1% |
| Operating Income | 288 | 400 | 502 | 504 | 448 |
| Operating Margin, % | 6.3% | 9.2% | 10.7% | 11.3% | 9.8% |
| Sequential Growth, bps | -40 bps | 290 bps | 150 bps | 60 bps | -150 bps |
| YY Growth, bps | 110 bps | 410 bps | 400 bps | 460 bps | 350 bps |

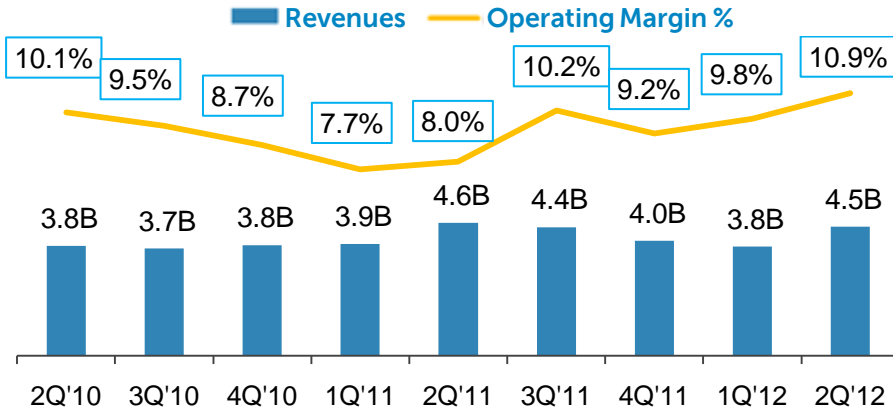
Revenue Mix



- Revenues of \$4.6B (up +1% Y/Y)
- Operating income was \$448M, or 9.8% of revenue, up +350 bps Y/Y
- Server revenue up +5% Y/Y
- Services revenue up +11% Y/Y



2Q FY12 Public Revenue & Operating Income

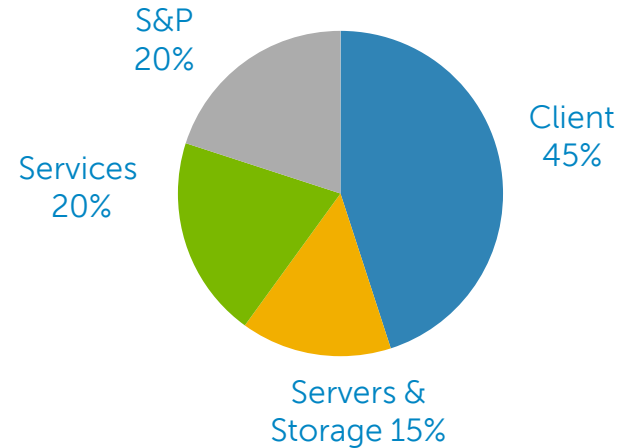


Public P&L

\$ in Millions

| | 2Q'11 | 3Q'11 | 4Q'11 | 1Q'12 | 2Q'12 |
|-------------------------------|----------|---------|----------|---------|---------|
| Revenues | 4,580 | 4,442 | 3,973 | 3,767 | 4,457 |
| <i>Sequential Growth, %</i> | 19% | -3% | -11% | -5% | 18% |
| <i>YY Growth, %</i> | 21% | 20% | 4% | -2% | -3% |
| Operating Income | 369 | 451 | 366 | 370 | 484 |
| <i>Operating Margin, %</i> | 8.0% | 10.2% | 9.2% | 9.8% | 10.9% |
| <i>Sequential Growth, bps</i> | 30 bps | 220 bps | -100 bps | 60 bps | 110 bps |
| <i>YY Growth, bps</i> | -210 bps | 70 bps | 50 bps | 210 bps | 290 bps |

Revenue Mix

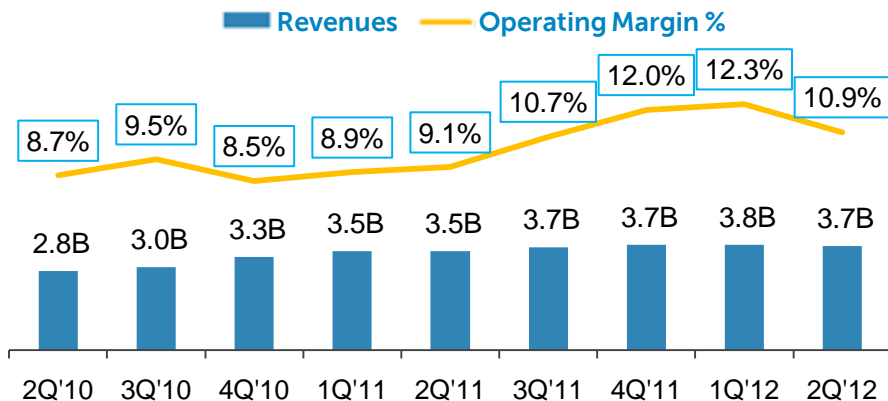


- Revenues of \$4.5B, down -3% Y/Y, up +18% sequentially
- Operating income was \$484M, or 10.9% of revenue
- Client revenue up +34% sequentially with strong sequential demand for servers, storage and services



2Q FY12 SMB

Revenue & Operating Income

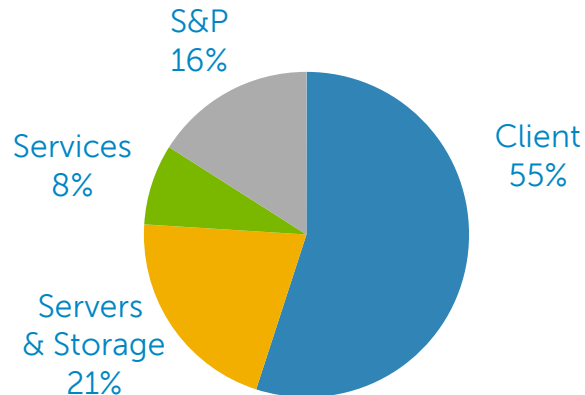


SMB P&L

\$ in Millions

| | 2Q'11 | 3Q'11 | 4Q'11 | 1Q'12 | 2Q'12 |
|-------------------------------|--------|---------|---------|---------|----------|
| Revenues | 3,535 | 3,665 | 3,749 | 3,768 | 3,709 |
| <i>Sequential Growth, %</i> | 0% | 4% | 2% | 0% | -2% |
| <i>Y/Y Growth, %</i> | 25% | 24% | 12% | 7% | 5% |
| Operating Income | 323 | 391 | 450 | 463 | 404 |
| <i>Operating Margin, %</i> | 9.1% | 10.7% | 12.0% | 12.3% | 10.9% |
| <i>Sequential Growth, bps</i> | 20 bps | 160 bps | 130 bps | 30 bps | -140 bps |
| <i>Y/Y Growth, bps</i> | 40 bps | 120 bps | 350 bps | 340 bps | 180 bps |

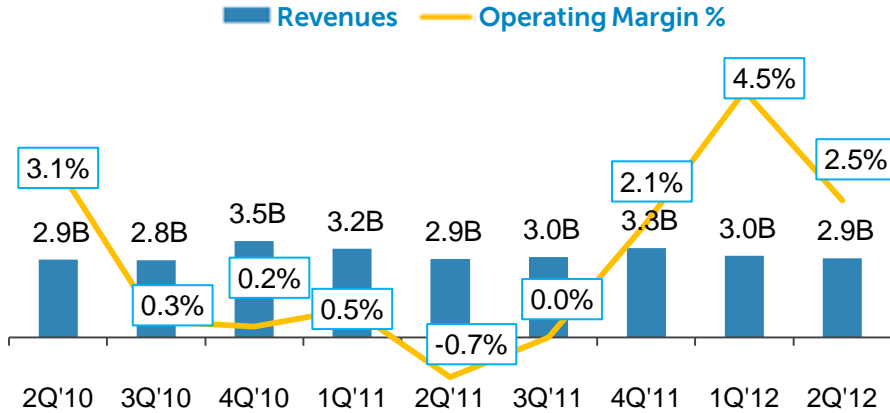
Revenue Mix



- Revenues of \$3.7B (up +5% Y/Y)
- Operating income was \$404M, or 10.9% of revenue
- Servers, storage and services grew Y/Y



2Q FY12 Consumer Revenue & Operating Income

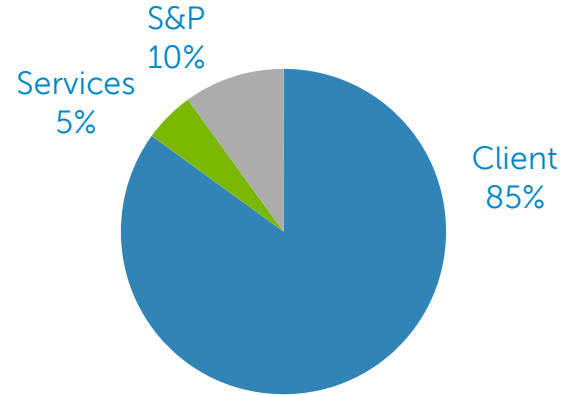


Consumer P&L

\$ in Millions

| | 2Q'11 | 3Q'11 | 4Q'11 | 1Q'12 | 2Q'12 |
|-------------------------------|----------|---------|---------|---------|----------|
| Revenues | 2,870 | 2,961 | 3,278 | 3,005 | 2,908 |
| <i>Sequential Growth, %</i> | -12% | 3% | 11% | -8% | -3% |
| <i>YY Growth, %</i> | 0% | 4% | -8% | -7% | 1% |
| Operating Income | (21) | 0 | 69 | 136 | 73 |
| <i>Operating Margin, %</i> | -0.7% | 0.0% | 2.1% | 4.5% | 2.5% |
| <i>Sequential Growth, bps</i> | -120 bps | 70 bps | 210 bps | 240 bps | -200 bps |
| <i>YY Growth, bps</i> | -380 bps | -30 bps | 190 bps | 400 bps | 320 bps |

Revenue Mix



- Revenues of \$2.9B (down -3% Q/Q and up +1% Y/Y)
- Oplnc was \$73M, or 2.5% of revenue
- Oplnc of 3.5% in the first half of year



Dell 2Q FY12 Enterprise Solutions

Brad Anderson
SVP, Enterprise Solutions Group



2Q FY12 Enterprise Solutions

Next Generation Computing Solutions

Intelligent Data Management

Networking

Mid-market design

- SMB Dell-owned IP storage up +27% Y/Y
- EqualLogic remains iSCSI leader

Proven acquisition strategy

- Pending Force10 Networks acquisition positions Dell well in data center networking
- Compellent revenue up +97% sequentially

Delivering platforms of the future

- Dell EqualLogic FS7500 launch brings 1st scale out NAS to Dell EqualLogic
- Solution partnership with Cloudera to reduce complexity and cost of Hadoop

Leading virtualization disruptors

- Virtualization growth driving server networking revenue growth of +9% Y/Y
- Customers looking for end to end virtualization solutions

Free to innovate

- Dell OpenStack Cloud Solution is 1st available OpenStack cloud solution
- 1st vendor to provide servers in temperatures up to 113° Fahrenheit



Dell 2Q FY12 Outlook

Brian Gladden
SVP and CFO



Outlook

Updated Full Year FY12 Outlook

| Key Metrics | Outlook | Key Drivers |
|--------------------------------|--------------------------|--|
| Revenue | up +1–5% Y/Y | <ul style="list-style-type: none">Enterprise solutions and services growth |
| Operating Income (Non-GAAP) | up +17– 23% Y/Y | <ul style="list-style-type: none">Enterprise revenue strengthCommercial leverageEnd User Computing |
| Cash Flow | CFOps > Net Income | <ul style="list-style-type: none">Opnlc \$ growthSustained CCC |

Dynamics

- Investment in differentiated enterprise solutions and services continued to drive substantial gains in our profitability
- Mid-market design focus on enterprise solutions and services is driving mix shift to a higher-value portfolio and resulting in sustainable, improved results
- Raising our total year Non-GAAP operating income outlook to +17-23% Y/Y growth from +12-18% Y/Y growth
- Based on strategic decisions to redirect resources from lower to higher value solutions and a demand environment that has become more uncertain in light of macroeconomic news, we are revising our FY'12 revenue outlook to +1-5% Y/Y growth from +5-9% Y/Y growth
- For 3Q, we see revenue roughly flat vs. 2Q, in line with seasonality over the past two years
- Continue to anticipate quarterly interest expense of \$70 million, and full-year Non-GAAP tax rate between 21-23%



2Q FY12 Corporate Responsibility

Dell's commitment to our planet, our communities and our people

Our Planet

- Signed a commitment with the EPA in 2Q to further promote responsible electronics recycling and encourage OEMs to use certified recyclers
- Dell has already surpassed our goal of a 10-percent reduction in packaging volume and we maintain plans to eliminate 20 million pounds of packaging material from our shipments by the end of 2012
- Interbrand ranks Dell #8 in its Best Global Green Brands survey

Our Communities & Our People

- Maintained giving at 1 percent of pretax profits.
- Dell doubled the number of entries to the Dell Social Innovation Competition in 2Q with 63% coming from outside the US while more than 200 Dell employees served as judges and mentors
- Dell team members globally can now make credit card donations to non-profits of their choice that Dell will match up to \$10,000 annually



Dell 2Q FY12 Strategy

Michael Dell
Chairman and CEO



1H Results Validating Strategy

Expanding enterprise solutions and services capabilities

- Sustained strong growth in operating profits, EPS and Cash Flow demonstrates our strategy is working well
- Customers turning to Dell for solutions regardless of the economic backdrop
- Continue to identify opportunities in a disciplined way to generate profitable growth
- Building a strong track record of successful integrations
- Mid-market design focus is driving more innovative thinking



Dell 2Q FY12

Supplemental Non-GAAP Measures



Supplemental Non-GAAP Measures

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | FY10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | FY11 | Q1'12 | Q2'12 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GAAP | | | | | | | | | | | | |
| Net Income | 290 | 472 | 337 | 334 | 1,433 | 341 | 545 | 822 | 927 | 2,635 | 945 | 890 |
| EPS | \$0.15 | \$0.24 | \$0.17 | \$0.17 | \$0.73 | \$0.17 | \$0.28 | \$0.42 | \$0.48 | \$1.35 | \$0.49 | \$0.48 |
| Adjustments | | | | | | | | | | | | |
| Income before Income Taxes | | | | | | | | | | | | |
| Amortization of Intangibles | 39 | 40 | 40 | 86 | 205 | 88 | 87 | 89 | 85 | 349 | 92 | 95 |
| Severance & Facility Action Costs | 185 | 87 | 123 | 86 | 481 | 57 | 24 | 31 | 17 | 129 | 19 | - |
| Acquisition Related | - | - | - | 116 | 116 | 20 | 16 | 23 | 39 | 98 | 53 | 87 |
| Other ¹⁾ | - | - | - | - | - | 140 | - | (72) | - | 68 | - | - |
| Aggregate Tax-adjustments | (28) | (24) | (51) | (78) | (181) | (62) | (43) | (18) | (50) | (173) | (59) | (66) |
| EPS - Diluted | \$0.10 | \$0.05 | \$0.06 | \$0.11 | \$0.32 | \$0.13 | \$0.04 | \$0.03 | \$0.05 | \$0.24 | \$0.06 | \$0.06 |
| Non-GAAP | | | | | | | | | | | | |
| Net Income | 486 | 575 | 449 | 544 | 2,054 | 584 | 629 | 875 | 1,018 | 3,106 | 1,050 | 1,006 |
| EPS | \$0.25 | \$0.29 | \$0.23 | \$0.28 | \$1.05 | \$0.30 | \$0.32 | \$0.45 | \$0.53 | \$1.59 | \$0.55 | \$0.54 |

1) \$40M Legal Settlement, a \$100M SEC Settlement and a \$72M merger termination fee.



Supplemental Non-GAAP Measures

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | FY10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | FY11 | Q1'12 | Q2'12 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| <u>GAAP gross margin</u> | 2,168 | 2,391 | 2,233 | 2,469 | 9,261 | 2,516 | 2,586 | 3,003 | 3,291 | 11,396 | 3,432 | 3,525 |
| Non-GAAP adjustments: | | | | | | | | | | | | |
| Amortization of intangibles | 26 | 27 | 27 | 71 | 151 | 68 | 70 | 71 | 69 | 278 | 71 | 74 |
| Severance and facility actions | 65 | 14 | 102 | 55 | 236 | 29 | 14 | 4 | 6 | 53 | 5 | - |
| Acquisition-related | - | - | - | 1 | 1 | 1 | 1 | - | 2 | 4 | 3 | 26 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| <u>Non-GAAP gross margin</u> | 2,259 | 2,432 | 2,362 | 2,596 | 9,649 | 2,614 | 2,671 | 3,078 | 3,368 | 11,731 | 3,511 | 3,625 |
| <i><u>Percentage of Total Net Revenue:</u></i> | | | | | | | | | | | | |
| GAAP gross margin | 17.6% | 18.7% | 17.3% | 16.6% | 17.5% | 16.9% | 16.6% | 19.5% | 21.0% | 18.5% | 22.9% | 22.5% |
| Non-GAAP adjustment | 0.7% | 0.4% | 1.0% | 0.8% | 0.7% | 0.7% | 0.6% | 0.5% | 0.5% | 0.6% | 0.5% | 0.7% |
| Non-GAAP gross margin | 18.3% | 19.1% | 18.3% | 17.4% | 18.2% | 17.6% | 17.2% | 20.0% | 21.5% | 19.1% | 23.4% | 23.2% |



Supplemental Non-GAAP Measures

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | FY10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | FY11 | Q1'12 | Q2'12 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <u>GAAP operating expenses</u> | 1,754 | 1,720 | 1,656 | 1,959 | 7,089 | 1,997 | 1,841 | 1,979 | 2,146 | 7,963 | 2,220 | 2,379 |
| Non-GAAP adjustments: | | | | | | | | | | | | |
| Amortization of intangibles | (13) | (13) | (13) | (15) | (54) | (20) | (17) | (18) | (16) | (71) | (21) | (21) |
| Severance and facility actions | (120) | (73) | (21) | (31) | (245) | (28) | (10) | (27) | (11) | (76) | (14) | - |
| Acquisition-related | - | - | - | (115) | (115) | (19) | (15) | (23) | (37) | (94) | (50) | (61) |
| Other ¹⁾ | - | - | - | - | - | (140) | - | - | - | (140) | - | - |
| <u>Non-GAAP operating expenses</u> | 1,621 | 1,634 | 1,622 | 1,798 | 6,675 | 1,790 | 1,799 | 1,911 | 2,082 | 7,582 | 2,135 | 2,297 |
| <i><u>Percentage of Total Net Revenue:</u></i> | | | | | | | | | | | | |
| GAAP operating expenses | 14.2% | 13.5% | 12.8% | 13.2% | 13.4% | 13.4% | 11.8% | 12.8% | 13.7% | 12.9% | 14.8% | 15.2% |
| Non-GAAP adjustment | -1.1% | -0.7% | -0.2% | -1.1% | -0.8% | -1.4% | -0.2% | -0.4% | -0.4% | -0.6% | -0.6% | -0.5% |
| Non-GAAP operating expenses | 13.1% | 12.8% | 12.6% | 12.1% | 12.6% | 12.0% | 11.6% | 12.4% | 13.3% | 12.3% | 14.2% | 14.7% |

1) "Other" includes legal settlement and a SEC settlement



Supplemental Non-GAAP Measures

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | FY10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | FY11 | Q1'12 | Q2'12 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| GAAP operating income | 414 | 671 | 577 | 510 | 2,172 | 519 | 745 | 1,024 | 1,145 | 3,433 | 1,212 | 1,146 |
| Non-GAAP adjustments: | | | | | | | | | | | | |
| Amortization of intangibles | 39 | 40 | 40 | 86 | 205 | 88 | 87 | 89 | 85 | 349 | 92 | 95 |
| Severance and facility actions | 185 | 87 | 123 | 86 | 481 | 57 | 24 | 31 | 17 | 129 | 19 | - |
| Acquisition-related | - | - | - | 116 | 116 | 20 | 16 | 23 | 39 | 98 | 53 | 87 |
| Other ¹⁾ | - | - | - | - | - | 140 | - | - | - | 140 | - | - |
| Non-GAAP operating income | 638 | 798 | 740 | 798 | 2,974 | 824 | 872 | 1,167 | 1,286 | 4,149 | 1,376 | 1,328 |
| <i>Percentage of Total Net Revenue:</i> | | | | | | | | | | | | |
| GAAP operating margin | 3.4% | 5.2% | 4.5% | 3.4% | 4.1% | 3.5% | 4.8% | 6.7% | 7.3% | 5.6% | 8.1% | 7.3% |
| Non-GAAP adjustment | 1.8% | 1.1% | 1.2% | 2.0% | 1.5% | 2.0% | 0.8% | 0.9% | 0.9% | 1.1% | 1.1% | 1.2% |
| Non-GAAP operating margin | 5.2% | 6.3% | 5.7% | 5.4% | 5.6% | 5.5% | 5.6% | 7.6% | 8.2% | 6.7% | 9.2% | 8.5% |

1) "Other" includes legal settlement and a SEC settlement



Supplemental Non-GAAP Measures

Net TTM Free Cash Flow

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | Q1'12 | Q2'12 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash flow from operations | 2,512 | 2,480 | 3,367 | 3,906 | 3,383 | 3,642 | 3,754 | 3,969 | 4,196 | 5,235 |
| Capital expenditure | (398) | (355) | (288) | (367) | (333) | (379) | (402) | (444) | (535) | (549) |
| Financing receivables | 483 | 700 | 830 | 1,085 | 1,266 | 1,119 | 988 | 709 | 480 | 375 |
| Net TTM Free Cash Flow | \$2,597 | \$2,825 | \$3,909 | \$4,624 | \$4,316 | \$4,382 | \$4,340 | \$4,234 | \$4,141 | \$5,061 |

Net Free Cash Flow

| | Q1'10 | Q2'10 | Q3'10 | Q4'10 | Q1'11 | Q2'11 | Q3'11 | Q4'11 | Q1'12 | Q2'12 |
|---------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| Cash flow from operations | 761 | 1,076 | 801 | 1,268 | 238 | 1,335 | 913 | 1,483 | 465 | 2,374 |
| Capital expenditure | (80) | (99) | (70) | (118) | (46) | (145) | (93) | (160) | (137) | (159) |
| Financing receivables | 27 | 352 | 177 | 529 | 208 | 205 | 46 | 250 | (21) | 100 |
| Net Free Cash Flow | \$708 | \$1,329 | \$908 | \$1,679 | \$400 | \$1,395 | \$866 | \$1,573 | \$307 | \$2,315 |

