

# DELL INC.

## Condensed Consolidated Statement of Operations

(in millions)

(unaudited)

### Income Statement:

#### Net revenue

Sequential Growth

Y/Y Growth

Cost of revenue

#### Gross margin

SG&A

R&D

#### Total operating expenses

#### Operating income

Investment and other income, net

Income before taxes

Income tax provision

#### Net income

Sequential Growth

Y/Y Growth

|                                  | Prior Quarter Results |                  |                  |                  |                  |
|----------------------------------|-----------------------|------------------|------------------|------------------|------------------|
|                                  | Q1-FY12               | Q2-FY12          | Q3-FY12          | Q4-FY12          | Q1-FY13          |
| <b>Net revenue</b>               | <b>\$ 15,017</b>      | <b>\$ 15,658</b> | <b>\$ 15,365</b> | <b>\$ 16,031</b> | <b>\$ 14,422</b> |
| Sequential Growth                | -4%                   | 4%               | -2%              | 4%               | -10%             |
| Y/Y Growth                       | 1%                    | 1%               | 0%               | 2%               | -4%              |
| Cost of revenue                  | 11,585                | 12,133           | 11,896           | 12,646           | 11,355           |
| <b>Gross margin</b>              | <b>3,432</b>          | <b>3,525</b>     | <b>3,469</b>     | <b>3,385</b>     | <b>3,067</b>     |
| SG&A                             | 2,025                 | 2,174            | 2,107            | 2,218            | 2,009            |
| R&D                              | 195                   | 205              | 220              | 236              | 234              |
| <b>Total operating expenses</b>  | <b>2,220</b>          | <b>2,379</b>     | <b>2,327</b>     | <b>2,454</b>     | <b>2,243</b>     |
| <b>Operating income</b>          | <b>1,212</b>          | <b>1,146</b>     | <b>1,142</b>     | <b>931</b>       | <b>824</b>       |
| Investment and other income, net | (42)                  | (55)             | (70)             | (24)             | (32)             |
| Income before taxes              | 1,170                 | 1,091            | 1,072            | 907              | 792              |
| Income tax provision             | 225                   | 201              | 179              | 143              | 157              |
| <b>Net income</b>                | <b>945</b>            | <b>890</b>       | <b>893</b>       | <b>764</b>       | <b>635</b>       |
| Sequential Growth                | 2%                    | -6%              | 0%               | -14%             | -17%             |
| Y/Y Growth                       | 177%                  | 63%              | 9%               | -18%             | -33%             |

|                                  | Prior Annual Results |                  |                  |
|----------------------------------|----------------------|------------------|------------------|
|                                  | FY10                 | FY11             | FY12             |
| <b>Net revenue</b>               | <b>\$ 52,902</b>     | <b>\$ 61,494</b> | <b>\$ 62,071</b> |
| Sequential Growth                | -13%                 | 16%              | 1%               |
| Y/Y Growth                       |                      |                  |                  |
| Cost of revenue                  | 43,641               | 50,098           | 48,260           |
| <b>Gross margin</b>              | <b>9,261</b>         | <b>11,396</b>    | <b>13,811</b>    |
| SG&A                             | 6,465                | 7,302            | 8,524            |
| R&D                              | 624                  | 661              | 856              |
| <b>Total operating expenses</b>  | <b>7,089</b>         | <b>7,963</b>     | <b>9,380</b>     |
| <b>Operating income</b>          | <b>2,172</b>         | <b>3,433</b>     | <b>4,431</b>     |
| Investment and other income, net | (148)                | (83)             | (191)            |
| Income before taxes              | 2,024                | 3,350            | 4,240            |
| Income tax provision             | 591                  | 715              | 748              |
| <b>Net income</b>                | <b>1,433</b>         | <b>2,635</b>     | <b>3,492</b>     |
| Sequential Growth                | -42%                 | 84%              | 33%              |
| Y/Y Growth                       |                      |                  |                  |

### EPS:

Basic

Diluted

|                |                |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Basic</b>   | <b>\$ 0.50</b> | <b>\$ 0.48</b> | <b>\$ 0.49</b> | <b>\$ 0.43</b> | <b>\$ 0.36</b> |
| <b>Diluted</b> | <b>\$ 0.49</b> | <b>\$ 0.48</b> | <b>\$ 0.49</b> | <b>\$ 0.43</b> | <b>\$ 0.36</b> |

|                |                |                |                |
|----------------|----------------|----------------|----------------|
| <b>Basic</b>   | <b>\$ 0.73</b> | <b>\$ 1.36</b> | <b>\$ 1.90</b> |
| <b>Diluted</b> | <b>\$ 0.73</b> | <b>\$ 1.35</b> | <b>\$ 1.88</b> |

### Weighted Average Shares Outstanding:

Basic

Diluted

|                |       |       |       |       |       |
|----------------|-------|-------|-------|-------|-------|
| <b>Basic</b>   | 1,908 | 1,858 | 1,813 | 1,778 | 1,759 |
| <b>Diluted</b> | 1,923 | 1,871 | 1,828 | 1,796 | 1,774 |

|                |       |       |       |
|----------------|-------|-------|-------|
| <b>Basic</b>   | 1,954 | 1,944 | 1,838 |
| <b>Diluted</b> | 1,962 | 1,955 | 1,853 |

### Percentage of Net Revenue:

Gross margin

Selling, general and administrative

Research, development and engineering

Total operating expenses

Operating income

Income before income taxes

Net income

Income tax rate

|                                       |       |       |       |       |       |
|---------------------------------------|-------|-------|-------|-------|-------|
| Gross margin                          | 22.9% | 22.5% | 22.6% | 21.1% | 21.3% |
| Selling, general and administrative   | 13.5% | 13.9% | 13.8% | 13.8% | 13.9% |
| Research, development and engineering | 1.3%  | 1.3%  | 1.4%  | 1.5%  | 1.7%  |
| Total operating expenses              | 14.8% | 15.2% | 15.2% | 15.3% | 15.6% |
| Operating income                      | 8.1%  | 7.3%  | 7.4%  | 5.8%  | 5.7%  |
| Income before income taxes            | 7.8%  | 7.0%  | 7.0%  | 5.7%  | 5.5%  |
| Net income                            | 6.3%  | 5.7%  | 5.8%  | 4.8%  | 4.4%  |
| Income tax rate                       | 19.2% | 18.4% | 16.7% | 15.8% | 19.8% |

|                                       |       |       |       |
|---------------------------------------|-------|-------|-------|
| Gross margin                          | 17.5% | 18.5% | 22.3% |
| Selling, general and administrative   | 12.2% | 11.9% | 13.7% |
| Research, development and engineering | 1.2%  | 1.0%  | 1.5%  |
| Total operating expenses              | 13.4% | 12.9% | 15.2% |
| Operating income                      | 4.1%  | 5.6%  | 7.1%  |
| Income before income taxes            | 3.8%  | 5.4%  | 6.8%  |
| Net income                            | 2.7%  | 4.3%  | 5.6%  |
| Income tax rate                       | 29.2% | 21.3% | 17.6% |

### Revenues by Business Unit: <sup>a</sup>

Global Large Enterprise

Global Public

Global Small and Medium Business

Global Consumer

|               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|
| <b>15,017</b> | <b>15,658</b> | <b>15,365</b> | <b>16,031</b> | <b>14,422</b> |
| 4,587         | 4,677         | 4,540         | 4,982         | 4,436         |
| 3,621         | 4,329         | 4,287         | 3,833         | 3,466         |
| 3,355         | 3,306         | 3,326         | 3,560         | 3,477         |
| 3,454         | 3,346         | 3,212         | 3,656         | 3,043         |

|               |               |               |
|---------------|---------------|---------------|
| <b>52,902</b> | <b>61,494</b> | <b>62,071</b> |
|               | 18,111        | 18,786        |
|               | 16,377        | 16,070        |
|               | 12,608        | 13,547        |
|               | 14,398        | 13,668        |

### Operating income by Business Unit:

Global Large Enterprise

Global Public

Global Small and Medium Business

Global Consumer

|              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|
| <b>1,473</b> | <b>1,409</b> | <b>1,366</b> | <b>1,239</b> | <b>1,094</b> |
| 516          | 460          | 446          | 467          | 402          |
| 352          | 466          | 454          | 312          | 271          |
| 435          | 380          | 367          | 399          | 389          |
| 170          | 103          | 99           | 61           | 32           |

|              |              |              |
|--------------|--------------|--------------|
| <b>3,327</b> | <b>4,499</b> | <b>5,487</b> |
|              | 1,490        | 1,889        |
|              | 1,446        | 1,584        |
|              | 1,383        | 1,581        |
|              | 180          | 433          |

### Revenues by product:

Servers and Networking

Storage

Services

Software & Peripherals

Mobility

Desktop PCs

|               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|
| <b>15,017</b> | <b>15,658</b> | <b>15,365</b> | <b>16,031</b> | <b>14,422</b> |
| 1,973         | 2,054         | 2,089         | 2,220         | 2,017         |
| 481           | 502           | 460           | 500           | 444           |
| 1,984         | 2,036         | 2,123         | 2,179         | 2,071         |
| 2,567         | 2,569         | 2,528         | 2,558         | 2,386         |
| 4,716         | 4,761         | 4,750         | 4,877         | 4,236         |
| 3,296         | 3,736         | 3,415         | 3,697         | 3,268         |

|               |               |               |
|---------------|---------------|---------------|
| <b>52,902</b> | <b>61,494</b> | <b>62,071</b> |
| 6,032         | 7,609         | 8,336         |
| 2,192         | 2,295         | 1,943         |
| 5,622         | 7,673         | 8,322         |
| 9,499         | 10,261        | 10,222        |
| 16,610        | 18,971        | 19,104        |
| 12,947        | 14,685        | 14,144        |

<sup>a</sup> Segment Results for Fiscal 2012 have been recast to conform to segment realignments that were completed during the first quarter of Fiscal 2013. See Supplemental Segment Information at the end of these financial tables for more information.

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

## DELL INC.

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

|  | Prior Quarter Results |              |              |              |              | Prior Annual Results |               |               |
|--|-----------------------|--------------|--------------|--------------|--------------|----------------------|---------------|---------------|
|  | Q1-FY12               | Q2-FY12      | Q3-FY12      | Q4-FY12      | Q1-FY13      | FY10                 | FY11          | FY12          |
| <b>GAAP gross margin</b>                               | \$ 3,432              | \$ 3,525     | \$ 3,469     | \$ 3,385     | \$ 3,067     | \$ 9,261             | \$ 11,396     | \$ 13,811     |
| Non-GAAP adjustments:                                  |                       |              |              |              |              |                      |               |               |
| Amortization of intangibles                            | 71                    | 74           | 77           | 83           | 88           | 151                  | 278           | 305           |
| Severance and facility actions and acquisition-related | 8                     | 26           | -            | 15           | 12           | 237                  | 57            | 49            |
| <b>Non-GAAP gross margin</b>                           | <b>3,511</b>          | <b>3,625</b> | <b>3,546</b> | <b>3,483</b> | <b>3,167</b> | <b>9,649</b>         | <b>11,731</b> | <b>14,165</b> |
| <b>GAAP operating expenses</b>                         | <b>2,220</b>          | <b>2,379</b> | <b>2,327</b> | <b>2,454</b> | <b>2,243</b> | <b>7,089</b>         | <b>7,963</b>  | <b>9,380</b>  |
| Non-GAAP adjustments:                                  |                       |              |              |              |              |                      |               |               |
| Amortization of intangibles                            | (21)                  | (21)         | (23)         | (21)         | (22)         | (54)                 | (71)          | (86)          |
| Severance and facility actions and acquisition-related | (64)                  | (61)         | (46)         | (93)         | (64)         | (360)                | (170)         | (264)         |
| Other <sup>(1)</sup>                                   | -                     | -            | -            | -            | -            | -                    | (140)         | -             |
| <b>Non-GAAP operating expenses</b>                     | <b>2,135</b>          | <b>2,297</b> | <b>2,258</b> | <b>2,340</b> | <b>2,157</b> | <b>6,675</b>         | <b>7,582</b>  | <b>9,030</b>  |
| <b>GAAP operating income</b>                           | <b>1,212</b>          | <b>1,146</b> | <b>1,142</b> | <b>931</b>   | <b>824</b>   | <b>2,172</b>         | <b>3,433</b>  | <b>4,431</b>  |
| Non-GAAP adjustments:                                  |                       |              |              |              |              |                      |               |               |
| Amortization of intangibles                            | 92                    | 95           | 100          | 104          | 110          | 205                  | 349           | 391           |
| Severance and facility actions and acquisition-related | 72                    | 87           | 46           | 108          | 76           | 597                  | 227           | 313           |
| Other <sup>(1)</sup>                                   | -                     | -            | -            | -            | -            | -                    | 140           | -             |
| <b>Non-GAAP operating income</b>                       | <b>1,376</b>          | <b>1,328</b> | <b>1,288</b> | <b>1,143</b> | <b>1,010</b> | <b>2,974</b>         | <b>4,149</b>  | <b>5,135</b>  |
| <b>GAAP net income</b>                                 | <b>945</b>            | <b>890</b>   | <b>893</b>   | <b>764</b>   | <b>635</b>   | <b>1,433</b>         | <b>2,635</b>  | <b>3,492</b>  |
| GAAP earnings per common share - diluted               | \$ 0.49               | \$ 0.48      | \$ 0.49      | \$ 0.43      | \$ 0.36      | \$ 0.73              | \$ 1.35       | \$ 1.88       |
| Non-GAAP adjustments:                                  |                       |              |              |              |              |                      |               |               |
| Amortization of intangibles                            | 92                    | 95           | 100          | 104          | 110          | 205                  | 349           | 391           |
| Severance and facility actions and acquisition-related | 72                    | 87           | 46           | 108          | 76           | 597                  | 227           | 313           |
| Other <sup>(1)</sup>                                   | -                     | -            | -            | -            | -            | -                    | 68            | -             |
| Aggregate adjustment for income taxes                  | (59)                  | (66)         | (56)         | (63)         | (60)         | (181)                | (173)         | (244)         |
| Non-GAAP adjustments per common share - diluted        | \$ 0.06               | \$ 0.06      | \$ 0.05      | \$ 0.08      | \$ 0.07      | \$ 0.32              | \$ 0.24       | \$ 0.25       |
| <b>Non-GAAP net income</b>                             | <b>1,050</b>          | <b>1,006</b> | <b>983</b>   | <b>913</b>   | <b>761</b>   | <b>2,054</b>         | <b>3,106</b>  | <b>3,952</b>  |
| Non-GAAP earnings per common share - diluted           | \$ 0.55               | \$ 0.54      | \$ 0.54      | \$ 0.51      | \$ 0.43      | \$ 1.05              | \$ 1.59       | \$ 2.13       |
| GAAP Diluted WAS                                       | 1,923                 | 1,871        | 1,828        | 1,796        | 1,774        | 1,962                | 1,955         | 1,853         |

### Percentage of Total Net Revenue:

|                             | Q1-FY12 | Q2-FY12 | Q3-FY12 | Q4-FY12 | Q1-FY13 | FY10  | FY11  | FY12  |
|-----------------------------|---------|---------|---------|---------|---------|-------|-------|-------|
| GAAP gross margin           | 22.9%   | 22.5%   | 22.6%   | 21.1%   | 21.3%   | 17.5% | 18.5% | 22.3% |
| Non-GAAP adjustment         | 0.5%    | 7.0%    | 0.5%    | 0.6%    | 0.7%    | 0.7%  | 0.6%  | 0.5%  |
| Non-GAAP gross margin       | 23.4%   | 23.2%   | 23.1%   | 21.7%   | 22.0%   | 18.2% | 19.1% | 22.8% |
| GAAP operating expenses     | 14.8%   | 15.2%   | 15.2%   | 15.3%   | 15.6%   | 13.4% | 12.9% | 15.2% |
| Non-GAAP adjustment         | -0.6%   | -0.5%   | -0.5%   | -0.7%   | -0.6%   | -0.8% | -0.6% | -0.7% |
| Non-GAAP operating expenses | 14.2%   | 14.7%   | 14.7%   | 14.6%   | 15.0%   | 12.6% | 12.3% | 14.5% |
| GAAP operating income       | 8.1%    | 7.3%    | 7.4%    | 5.8%    | 5.7%    | 4.1%  | 5.6%  | 7.1%  |
| Non-GAAP adjustment         | 1.1%    | 1.2%    | 1.0%    | 1.3%    | 1.3%    | 1.5%  | 1.1%  | 1.2%  |
| Non-GAAP operating income   | 9.2%    | 8.5%    | 8.4%    | 7.1%    | 7.0%    | 5.6%  | 6.7%  | 8.3%  |

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

<sup>(1)</sup> Other for Q1 FY11 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. Other for Q3 FY11 consists of Dell's receipt of a \$72 million merger termination fee, which is recorded in Interest and Other, Net.