



June 2010

**To our customers, shareholders and colleagues,**

We ended our fiscal year 2010 with the technology industry at an inflection point. It's a time defined by ubiquitous usage models, evolving computing capabilities and changing user expectations. Customers now want more from their technology providers, whether the customer is a 6-year-old using his first laptop in class or a global CIO expanding her private cloud infrastructure. Dell is uniquely positioned to serve these customers and define and lead in this new era.

We all want products and services that enable us to achieve our business and personal goals—on the device of our choice, when and where we want to use it. We use technology to push the limits of what we can achieve in our lives, and expect secure, reliable solutions that empower us to reach our goals.

We just celebrated 26 years of providing solutions to our customers and making a difference in their lives. The progress we made in fiscal year 2010 is just the beginning of where we want to take our business for the next quarter century. In an economic environment that continues to improve, we took key steps to strengthen our long-term strategy by better aligning every facet of our business around our customers' needs and delivering our strongest-ever solutions and services portfolios.

We also united our nearly 100,000 Dell team members around a common purpose: delivering technology solutions that enable people everywhere to grow and thrive. Keeping our customers at the core of everything we do is the driving force behind our business.

**Fiscal Year 2010 Highlights**

We focused on increasing efficiency, growing profitability and delivering strong cash flow growth over time. For the full year on a GAAP basis, we generated revenue of \$52.9 billion, operating income of almost \$3 billion, cash flow from operations of \$3.9 billion and free cash flow of \$4.6 billion. We ended the year with \$11.8 billion in cash and investments.

We strengthened our commitment to our customers by organizing Dell into customer-centric, global business units that are focused on the unique needs of our end users and stakeholders. We are very pleased that our Public business, which serves customers in education, healthcare and government, had its most profitable year ever.

I believe we have the strongest portfolio of IT solutions in Dell's history. We completed our largest acquisition ever with Perot Systems significantly expanding our ability to deliver end-to-end IT services that meet customers' applications, technology, infrastructure, business processes and consulting needs. Exiting the year, revenue in the fourth quarter from Dell solutions, which includes enterprise servers and networking, storage and services, was up 27 percent year-over-year to \$4.3 billion.

We broke new ground with our eleventh generation of PowerEdge servers and saw revenue for those systems increase 26 percent in the fourth quarter year-over-year. Servers sold from our Data Center Solutions (DCS) business achieved 250 percent revenue growth in fiscal year 2010, fueled by a growing demand from the world's most complex data centers and cloud providers. Customers continued to embrace the efficiency of our EqualLogic storage solutions, demonstrated by a 44 percent increase in revenue for that product line over the previous year.

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### **Fiscal Year 2011 and Beyond**

As we continue into fiscal year 2011, I'm optimistic about the foundation we are building for the years to come. We know that there is more we can do and more we can achieve in service of our customers. Maximizing shareholder value through a balance of liquidity, profitability and growth remains our focus. Long-term, we are committed to delivering revenue growth of 5 to 7 percent, operating income of 7 percent and cash flow from operations that exceeds our net income.

To help achieve our goals, we've implemented a company-wide strategic framework to drive our business evolution in several critical areas:

We are refining the Dell supply chain infrastructure to deliver the highest-quality products that win on value, innovation and customization. No other company in our industry understands what customers want more than Dell. We have more than 5 million interactions with them every day, and we're using this understanding to drive more efficiency into the way we develop and deliver our solutions.

Our teams are designing solutions architectures that give our customers the most flexibility, the highest value and the least complexity. We've already seen customers benefit from this approach.

Schools, administrators, teachers and students use Dell Connected Classroom solutions to improve the way they teach and learn. We're fueling the research community with high-performance computing clusters through our work with CERN in Switzerland, one of the world's largest and most respected centers for scientific study. We're leading the way in helping revolutionize the medical profession by transitioning paper records to electronic medical records to improve patient care. In fact, in April of this year, Gartner named Dell the No. 1 global healthcare IT services provider in the world. These are just a few examples of how we're helping organizations of all sizes use IT to unleash innovation by delivering solutions and services that are open, affordable and capable.

We're building upon one of our most significant assets, Dell.com, which provides a valuable and persistent connection with our customers for commerce, support and community in more than 160 countries. It's because of them that we're investing millions of dollars in our online business strategy to provide a richer experience for our customers.

More than ever, we are using our influence to promote a healthy, sustainable environment for us all, from enabling consumers around the world to recycle their Dell computers for free, to ensuring that retired computer components don't harm the environment, to supporting programs that help connect children in underserved communities for a more promising future. We'll continue to make business decisions that are grounded in being a thoughtful corporate citizen because we believe it's our responsibility to make certain that people everywhere live in communities where they can achieve their dreams.

As I look back on our accomplishments over the past year, I am inspired by our progress and confident about the course we have set for our future. Our Dell team members around the world are united toward a common purpose and goal. Our focus remains on defining and delivering the best possible solutions for our millions of customers around the world.

I am very committed to our growth and strategic direction and am more excited than ever about our shared future.

A handwritten signature in black ink, appearing to read "Michael S. Dell". The signature is fluid and cursive, with the first name "Michael" being more prominent and the last name "Dell" following in a similar style.

Michael S. Dell