



June 2011

To our customers, shareholders and colleagues,

When I consider the challenges and opportunities that exist in our world, I am more convinced than ever that our industry can be an important catalyst for global advancements and for enabling human potential. From large enterprises and public sector organizations to small businesses and home technology users, IT is revolutionizing the way we connect, share and live our lives. Technology has become the backbone of science, medicine and education, giving the world's brightest minds the tools to solve problems we once thought unsolvable.

It is an exciting time to be in our industry and, as you will see from our fiscal year 2011 results, an exciting time to be at Dell. We are committed to innovating and problem solving at a global level, and for us that commitment starts with our customers. It is a 27-year old promise that continues to drive our business.

More than a year ago we committed to a growth strategy to deliver the most efficient and flexible IT solutions to meet the changing needs of our millions of customers worldwide. This strategy was built around two primary objectives – accelerating our investment in data center solutions and services, and improving our execution in our value chain and the way we design, build and deliver products for all our customers.

Over the past year we have made great progress against that strategy. Dell today boasts its strongest-ever portfolio of differentiated products, solutions and intellectual property – backed by new skills and capabilities in our global workforce. We have also fundamentally redefined our operations to optimize our global value chain, and it showed in our fiscal year results. I am very pleased with this progress and energized by the tremendous response we have seen from our customers.

Fiscal Year 2011 Highlights

We ended fiscal year 2011 with record-breaking revenue and our best earnings per share performance in five years. Our intense focus on successfully executing a growth strategy paid off, all while driving greater operational efficiency and productivity. Revenue grew 16 percent to \$61.5 billion, marking the largest single-year dollar increase in company history.

GAAP operating income grew 58 percent to \$3.4 billion, or 5.6 percent of revenue, and non-GAAP operating income grew 40 percent to \$4.1 billion, or 6.7 percent of revenue. We delivered GAAP EPS of \$1.35, an increase of 85 percent, and non-GAAP EPS of \$1.59, a 51 percent increase. Cash flow from operations was \$4.0 billion, and we ended the year with \$15.1 billion in cash and investments.

Thanks to the unified Dell team and our commitment to strengthening our portfolio of offerings, in fiscal year 2011 we developed key solutions to address data management and security, the changing landscape of end user devices, and the critical IT services – like cloud – required to stitch together a powerful IT infrastructure that enables customers to do and achieve more.

A key driver behind our financial success last year was our enterprise solutions and services businesses, which together grew 27 percent year-over-year. Dell Services is a \$7.7 billion global franchise and, including our IT function, is now comprised of more than 43,000 team members focused on delivering world-class problem solving on behalf of our customers.

We continued to build out our intellectual property portfolio and introduce new talent into Dell with a series of strategic acquisitions, primarily in the United States. We welcomed Boomi, Exanet, InSite One, KACE, Ocarina Networks and Scalent to the Dell family in fiscal year 2011, acquiring some of the best storage, systems management, cloud computing and software capabilities in the industry. And in early fiscal year 2012 we completed our acquisitions of SecureWorks and Compellent, key additions to further enhance our robust data center portfolio. We will continue to grow these teams and are hiring thousands of new engineering, development and sales experts in the United States and around the world.

These expanded solutions capabilities are giving us opportunities to serve our customers in new ways that matter most to them. For instance, we are helping our healthcare customers around the world with mobile clinical computing solutions and cloud-based secure electronic health records systems – with the ultimate goal of delivering better care to their patients. Healthcare is an area where we are investing heavily in our intellectual property and talent, and it's paying off. According to global analyst firm Gartner, Inc., Dell is now the No. 1 healthcare IT services provider in the world.

We were also successful in increasing profitability in our PC business while significantly improving product availability and order-to-delivery times. For our customers, this meant we delivered quality products and services at the right place, at the right time and at the right price.

Fiscal Year 2012 and Beyond

We exited fiscal year 2011 pleased with our progress, but with the knowledge that we have even greater opportunities ahead. Our industry is changing at a never-before-seen pace, and we're energized and eager to lead to better serve our customers.

As you continue to see Dell evolve, one thing remains the same: our commitment to the global community and the world we share. We dedicate one percent of pre-tax profits to our global giving programs, focused primarily on breakthrough educational initiatives that are closing the technology gap. We are also rallying our most valuable asset, our people, around important causes worldwide through industry-leading volunteer programs and initiatives. Our environmental leadership earned us the *Newsweek* ranking of "Greenest Company in America" in 2011. We continue to innovate to reduce our own carbon footprint, and are more focused than ever on making "green" more practical and convenient for our customers.

Fiscal year 2011 was a year of getting fit: increasing our own operational efficiencies, investing in our people and expanding our solutions portfolio and intellectual property. We're off to an exciting start in 2012 and Dell is healthier and stronger than ever. I am optimistic and excited to see what lies ahead for us, our customers and our world.



Michael Dell

For reconciliation of each non-GAAP financial measure in this letter to the most directly comparable financial measure calculated and presented in accordance with GAAP, please refer to the Dell Inc. Form 10-K portion of this Annual Report.