

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	
	January 28, 2011	October 29, 2010	January 29, 2010	Sequential	Yr. to Yr.
Net revenue					
Products.....	\$ 12,751	\$ 12,520	\$ 12,096	2%	5%
Services, including software related	2,941	2,874	2,804	2%	5%
Net revenue	<u>15,692</u>	<u>15,394</u>	<u>14,900</u>	2%	5%
Cost of net revenue					
Products.....	10,337	10,415	10,501	(1%)	(2%)
Services, including software related	2,064	1,976	1,930	4%	7%
Total cost of net revenue.....	<u>12,401</u>	<u>12,391</u>	<u>12,431</u>	0%	(0%)
Gross margin	3,291	3,003	2,469	10%	33%
Selling, general and administrative	1,977	1,816	1,780	9%	11%
Research, development and engineering	169	163	179	4%	(6%)
Total operating expenses.....	<u>2,146</u>	<u>1,979</u>	<u>1,959</u>	8%	10%
Operating income	1,145	1,024	510	12%	124%
Interest and other, net ⁽¹⁾	(18)	52	(41)	(134%)	57%
Income before income taxes	1,127	1,076	469	5%	140%
Income tax provision	200	254	135	(21%)	49%
Net income	<u>\$ 927</u>	<u>\$ 822</u>	<u>\$ 334</u>	13%	177%
Earnings per share:					
Basic	<u>\$ 0.48</u>	<u>\$ 0.42</u>	<u>\$ 0.17</u>	14%	182%
Diluted	<u>\$ 0.48</u>	<u>\$ 0.42</u>	<u>\$ 0.17</u>	14%	182%
Weighted average shares outstanding:					
Basic	1,924	1,939	1,957	(1%)	(2%)
Diluted	1,938	1,949	1,971	(1%)	(2%)
<u>Percentage of Total Net Revenue:</u>					
Gross margin.....	21.0%	19.5%	16.6%		
Selling, general and administrative.....	12.6%	11.8%	12.0%		
Research and development.....	1.1%	1.0%	1.2%		
Operating expenses.....	13.7%	12.8%	13.2%		
Operating income.....	7.3%	6.7%	3.4%		
Income before income taxes.....	7.2%	7.0%	3.2%		
Net income.....	5.9%	5.3%	2.2%		
Income tax rate	17.8%	23.6%	28.7%		
<u>Net Revenue by Product Category:</u>					
Servers and Networking	\$ 2,090	\$ 1,844	\$ 1,804	13%	16%
Storage.....	574	543	599	6%	(4%)
Services	1,943	1,924	1,922	1%	1%
Software and Peripherals	2,651	2,579	2,477	3%	7%
Mobility.....	4,850	4,858	4,653	(0%)	4%
Desktop PCs.....	3,584	3,646	3,445	(2%)	4%
Consolidated net revenue.....	<u>\$ 15,692</u>	<u>\$ 15,394</u>	<u>\$ 14,900</u>	2%	5%
<u>Percentage of Total Net Revenue:</u>					
Servers and Networking	13%	12%	12%		
Storage.....	4%	3%	4%		
Services	12%	12%	13%		
Software and Peripherals	17%	17%	17%		
Mobility.....	31%	32%	31%		
Desktop PCs.....	23%	24%	23%		
<u>Net Revenue by Global Segment:</u>					
Large Enterprise.....	\$ 4,692	\$ 4,326	\$ 4,197	8%	12%
Public.....	3,973	4,442	3,820	(11%)	4%
Small and Medium Business.....	3,749	3,665	3,336	2%	12%
Consumer	3,278	2,961	3,547	11%	(8%)
Consolidated net revenue.....	<u>\$ 15,692</u>	<u>\$ 15,394</u>	<u>\$ 14,900</u>	2%	5%
<u>Percentage of Total Net Revenue:</u>					
Large Enterprise.....	30%	28%	28%		
Public.....	25%	29%	26%		
Small and Medium Business.....	24%	24%	22%		
Consumer	21%	19%	24%		
<u>Consolidated Operating Income:</u>					
Large Enterprise.....	\$ 502	\$ 400	\$ 281		
Public.....	366	451	333		
Small and Medium Business.....	450	391	282		
Consumer	69	-	9		
Consolidated segment operating income.....	1,387	1,242	905		
Severance and facility actions	(17)	(31)	(86)		
Broad based long-term incentives	(101)	(75)	(107)		
Amortization of intangible assets.....	(85)	(89)	(86)		
Acquisition-related.....	(39)	(23)	(116)		
Consolidated operating income	<u>\$ 1,145</u>	<u>\$ 1,024</u>	<u>\$ 510</u>		

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

⁽¹⁾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)

	Fiscal Year Ended		% Growth Rates
	January 28, 2011 ⁽¹⁾	January 29, 2010 ⁽¹⁾	
Net revenue			
Products.....	\$ 50,002	\$ 43,697	14%
Services, including software related	11,492	9,205	25%
Net revenue	<u>61,494</u>	<u>52,902</u>	16%
Cost of net revenue			
Products.....	42,068	37,534	12%
Services, including software related	8,030	6,107	31%
Total cost of net revenue.....	<u>50,098</u>	<u>43,641</u>	15%
Gross margin	11,396	9,261	23%
Selling, general and administrative	7,302	6,465	13%
Research, development and engineering	661	624	6%
Total operating expenses.....	<u>7,963</u>	<u>7,089</u>	12%
Operating income	3,433	2,172	58%
Interest and other, net ⁽²⁾	(83)	(148)	44%
Income before income taxes	3,350	2,024	66%
Income tax provision	715	591	21%
Net income	<u>\$ 2,635</u>	<u>\$ 1,433</u>	84%
Earnings per share:			
Basic	<u>\$ 1.36</u>	<u>\$ 0.73</u>	86%
Diluted	<u>\$ 1.35</u>	<u>\$ 0.73</u>	85%
Weighted average shares outstanding:			
Basic	1,944	1,954	(1%)
Diluted	1,955	1,962	(0%)
<u>Percentage of Total Net Revenue:</u>			
Gross margin.....	18.5%	17.5%	
Selling, general and administrative.....	11.9%	12.2%	
Research and development.....	1.0%	1.2%	
Operating expenses.....	12.9%	13.4%	
Operating income.....	5.6%	4.1%	
Income before income taxes.....	5.4%	3.8%	
Net income.....	4.3%	2.7%	
Income tax rate	21.3%	29.2%	
<u>Net Revenue by Product Category:</u>			
Servers and Networking	\$ 7,609	\$ 6,032	26%
Storage.....	2,295	2,192	5%
Services ⁽¹⁾	7,673	5,622	36%
Software and Peripherals	10,261	9,499	8%
Mobility.....	18,971	16,610	14%
Desktop PCs.....	14,685	12,947	13%
Consolidated net revenue.....	<u>\$ 61,494</u>	<u>\$ 52,902</u>	16%
<u>Percentage of Total Net Revenue:</u>			
Servers and Networking	12%	11%	
Storage.....	4%	4%	
Services ⁽¹⁾	12%	11%	
Software and Peripherals	17%	18%	
Mobility.....	31%	31%	
Desktop PCs.....	24%	25%	
<u>Net Revenue by Global Segment:</u>			
Large Enterprise.....	\$ 17,813	\$ 14,285	25%
Public.....	16,851	14,484	16%
Small and Medium Business.....	14,473	12,079	20%
Consumer	12,357	12,054	3%
Consolidated net revenue.....	<u>\$ 61,494</u>	<u>\$ 52,902</u>	16%
<u>Percentage of Total Net Revenue:</u>			
Large Enterprise.....	29%	27%	
Public.....	27%	27%	
Small and Medium Business.....	24%	23%	
Consumer	20%	23%	
<u>Consolidated Operating Income:</u>			
Large Enterprise.....	\$ 1,473	\$ 819	
Public.....	1,484	1,361	
Small and Medium Business.....	1,477	1,040	
Consumer	65	107	
Consolidated segment operating income.....	4,499	3,327	
Severance and facility actions	(129)	(481)	
Broad based long-term incentives	(350)	(353)	
Amortization of intangible assets.....	(349)	(205)	
Acquisition-related.....	(98)	(116)	
Other ⁽³⁾	(140)	-	
Consolidated operating income	<u>\$ 3,433</u>	<u>\$ 2,172</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 fiscal year ended January 28, 2011 includes Dell's receipt of a \$72 million merger termination fee.

⁽³⁾ Other for the fiscal year ended January 28, 2011 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)

	January 28, 2011	October 29, 2010	January 29, 2010
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 13,913	\$ 12,889	\$ 10,635
Short-term investments	452	492	373
Accounts receivable, net	6,493	6,407	5,837
Financing receivables, net	3,643	3,588	2,706
Inventories, net	1,301	1,294	1,051
Other current assets	3,219	3,118	3,643
Total current assets	<u>29,021</u>	<u>27,788</u>	<u>24,245</u>
Property, plant and equipment, net	1,953	1,948	2,181
Investments	704	662	781
Long-term financing receivables, net	799	709	332
Goodwill	4,365	4,259	4,074
Purchased intangible assets, net	1,495	1,553	1,694
Other non-current assets	262	235	345
Total assets	<u>\$ 38,599</u>	<u>\$ 37,154</u>	<u>\$ 33,652</u>
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt	\$ 851	\$ 826	\$ 663
Accounts payable	11,293	11,278	11,373
Accrued and other	4,181	3,898	3,884
Short-term deferred services revenue	3,158	3,093	3,040
Total current liabilities	<u>19,483</u>	<u>19,095</u>	<u>18,960</u>
Long-term debt	5,146	5,168	3,417
Long-term deferred services revenue	3,518	3,447	3,029
Other non-current liabilities	2,686	2,631	2,605
Total liabilities	<u>30,833</u>	<u>30,341</u>	<u>28,011</u>
Stockholders' equity	7,766	6,813	5,641
Total liabilities and equity	<u>\$ 38,599</u>	<u>\$ 37,154</u>	<u>\$ 33,652</u>
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	40	41	38
Days supply in inventory	9	9	8
Days in accounts payable	<u>(82)</u>	<u>(82)</u>	<u>(82)</u>
Cash conversion cycle	<u>(33)</u>	<u>(32)</u>	<u>(36)</u>
 Average total revenue/unit (approximate)	 \$ 1,360	 \$ 1,380	 \$ 1,340

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 January 28, 2011, October 29, 2010, and January 29, 2010, DSO and days of customer shipments not yet recognized were 37 and 3 days, 38 and 3 days, 35 and 3 days, respectively.

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

	Three Months Ended		Fiscal Year Ended	
	January 28, 2011	January 29, 2010⁽¹⁾	January 28, 2011	January 29, 2010⁽¹⁾
Cash flows from operating activities:				
Net income.....	\$ 927	\$ 334	\$ 2,635	\$ 1,433
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	225	259	970	852
Stock-based compensation	107	101	332	312
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(27)	1	(4)	59
Provision for doubtful accounts - including financing receivables	83	139	382	429
Other	12	63	(19)	50
Changes in assets and liabilities, net of effects from acquisitions:				
Accounts receivable	(119)	(204)	(707)	(660)
Financing receivables	(250)	(529)	(709)	(1,085)
Inventories	(7)	(100)	(248)	(183)
Other assets	(227)	(318)	516	(225)
Accounts payable	24	1,282	(151)	2,833
Deferred services revenue.....	149	101	551	135
Accrued and other liabilities	586	139	421	(44)
Change in cash from operating activities	<u>1,483</u>	<u>1,268</u>	<u>3,969</u>	<u>3,906</u>
Cash flows from investing activities:				
Investments:				
Purchases	(174)	(201)	(1,360)	(1,383)
Maturities and sales	174	231	1,358	1,538
Capital expenditures	(160)	(118)	(444)	(367)
Proceeds from sale of facility and land.....	-	-	18	16
Purchase of financing receivables.....	-	-	(430)	-
Collections on purchased financing receivables.....	49	-	69	-
Acquisition of business, net of cash received	(130)	(3,610)	(376)	(3,613)
Change in cash from investing activities	<u>(241)</u>	<u>(3,698)</u>	<u>(1,165)</u>	<u>(3,809)</u>
Cash flows from financing activities:				
Repurchase of common stock	(200)	-	(800)	-
Issuance of common stock under employee plans.....	1	2	12	2
Issuance (repayment) of commercial paper (maturity 90 days or less), net	-	33	(176)	76
Proceeds from debt	515	310	3,069	2,058
Repayments of debt	(515)	(60)	(1,630)	(122)
Other	-	(2)	2	(2)
Change in cash from financing activities	<u>(199)</u>	<u>283</u>	<u>477</u>	<u>2,012</u>
Effect of exchange rate changes on cash and cash equivalents.....	(19)	(13)	(3)	174
Change in cash and cash equivalents.....	1,024	(2,160)	3,278	2,283
Cash and cash equivalents at beginning of period.....	12,889	12,795	10,635	8,352
Cash and cash equivalents at end of period.....	<u>\$ 13,913</u>	<u>\$ 10,635</u>	<u>\$ 13,913</u>	<u>\$ 10,635</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	
	January 28, 2011	October 29, 2010	January 29, 2010	Sequential	Yr. to Yr.
GAAP gross margin.....	\$ 3,291	\$ 3,003	\$ 2,469	10%	33%
Non-GAAP adjustments:					
Amortization of intangibles.....	69	71	71		
Severance and facility actions.....	6	4	55		
Acquisition-related.....	2	-	1		
Non-GAAP gross margin.....	<u>\$ 3,368</u>	<u>\$ 3,078</u>	<u>\$ 2,596</u>	9%	30%
GAAP operating expenses.....	\$ 2,146	\$ 1,979	\$ 1,959	8%	10%
Non-GAAP adjustments:					
Amortization of intangibles.....	(16)	(18)	(15)		
Severance and facility actions.....	(11)	(27)	(31)		
Acquisition-related.....	(37)	(23)	(115)		
Non-GAAP operating expenses.....	<u>\$ 2,082</u>	<u>\$ 1,911</u>	<u>\$ 1,798</u>	9%	16%
GAAP operating income	\$ 1,145	\$ 1,024	\$ 510	12%	124%
Non-GAAP adjustments:					
Amortization of intangibles.....	85	89	86		
Severance and facility actions.....	17	31	86		
Acquisition-related.....	39	23	116		
Non-GAAP operating income.....	<u>\$ 1,286</u>	<u>\$ 1,167</u>	<u>\$ 798</u>	10%	61%
GAAP net income.....	\$ 927	\$ 822	\$ 334	13%	177%
Non-GAAP adjustments:					
Amortization of intangibles.....	85	89	86		
Severance and facility actions.....	17	31	86		
Acquisition-related.....	39	23	116		
Other ⁽¹⁾	-	(72)	-		
Aggregate adjustment for income taxes.....	(50)	(18)	(78)		
Non-GAAP net Income.....	<u>\$ 1,018</u>	<u>\$ 875</u>	<u>\$ 544</u>	16%	87%
GAAP earnings per share - diluted.....	\$ 0.48	\$ 0.42	\$ 0.17	14%	182%
Non-GAAP adjustments per share - diluted.....	0.05	0.03	0.11		
Non-GAAP earnings per share - diluted.....	<u>\$ 0.53</u>	<u>\$ 0.45</u>	<u>\$ 0.28</u>	18%	89%
GAAP Diluted WAS.....	1,938	1,949	1,971		
<i>Percentage of Total Net Revenue:</i>					
GAAP gross margin.....	21.0%	19.5%	16.6%		
Non-GAAP adjustment.....	0.5%	0.5%	0.8%		
Non-GAAP gross margin.....	<u>21.5%</u>	<u>20.0%</u>	<u>17.4%</u>		
GAAP operating expenses.....	13.7%	12.8%	13.2%		
Non-GAAP adjustment.....	(0.4%)	(0.4%)	(1.1%)		
Non-GAAP operating expenses.....	<u>13.3%</u>	<u>12.4%</u>	<u>12.1%</u>		
GAAP operating income.....	7.3%	6.7%	3.4%		
Non-GAAP adjustment.....	0.9%	0.9%	2.0%		
Non-GAAP operating income.....	<u>8.2%</u>	<u>7.6%</u>	<u>5.4%</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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	Fiscal Year Ended		% Growth Rates
	January 28, 2011	January 29, 2010	
GAAP gross margin.....	\$ 11,396	\$ 9,261	23%
Non-GAAP adjustments:			
Amortization of intangibles.....	278	151	
Severance and facility actions.....	53	236	
Acquisition-related.....	4	1	
Non-GAAP gross margin.....	<u>\$ 11,731</u>	<u>\$ 9,649</u>	22%
GAAP operating expenses.....	\$ 7,963	\$ 7,089	12%
Non-GAAP adjustments:			
Amortization of intangibles.....	(71)	(54)	
Severance and facility actions.....	(76)	(245)	
Acquisition-related.....	(94)	(115)	
Other ⁽¹⁾	(140)	-	
Non-GAAP operating expenses.....	<u>\$ 7,582</u>	<u>\$ 6,675</u>	14%
GAAP operating income	\$ 3,433	\$ 2,172	58%
Non-GAAP adjustments:			
Amortization of intangibles.....	349	205	
Severance and facility actions.....	129	481	
Acquisition-related.....	98	116	
Other ⁽¹⁾	140	-	
Non-GAAP operating income.....	<u>\$ 4,149</u>	<u>\$ 2,974</u>	40%
GAAP net income.....	\$ 2,635	\$ 1,433	84%
Non-GAAP adjustments:			
Amortization of intangibles.....	349	205	
Severance and facility actions.....	129	481	
Acquisition-related.....	98	116	
Other ⁽¹⁾	68	-	
Aggregate adjustment for income taxes.....	(173)	(181)	
Non-GAAP net Income.....	<u>\$ 3,106</u>	<u>\$ 2,054</u>	51%
GAAP earnings per share - diluted.....	\$ 1.35	\$ 0.73	85%
Non-GAAP adjustments per share - diluted.....	0.24	0.32	
Non-GAAP earnings per share - diluted.....	<u>\$ 1.59</u>	<u>\$ 1.05</u>	51%
GAAP Diluted WAS.....	1,955	1,962	
<u>Percentage of Total Net Revenue:</u>			
GAAP gross margin.....	18.5%	17.5%	
Non-GAAP adjustment.....	0.6%	0.7%	
Non-GAAP gross margin.....	<u>19.1%</u>	<u>18.2%</u>	
GAAP operating expenses.....	12.9%	13.4%	
Non-GAAP adjustment.....	(0.6%)	(0.8%)	
Non-GAAP operating expenses.....	<u>12.3%</u>	<u>12.6%</u>	
GAAP operating income.....	5.6%	4.1%	
Non-GAAP adjustment.....	1.1%	1.5%	
Non-GAAP operating income.....	<u>6.7%</u>	<u>5.6%</u>	

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

⁽¹⁾ Other for the fiscal year ended January 28, 2011 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 uses non-GAAP financial measures to supplement the financial information presented on a GAAP basis. 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 Dell's 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 from that used to prepare GAAP-based financial measures. Moreover, Dell believes these non-GAAP financial measures will provide investors with useful information to help them evaluate Dell's operating results by facilitating an enhanced understanding of Dell's operating performance, and enabling them to make more meaningful period to period comparisons. Non-GAAP operating income growth as projected for Fiscal 2012, which is a forward looking non-GAAP financial measure, excludes the following items, some of which Dell cannot forecast with certainty or accuracy due to their inherently indefinite and contingent nature, thereby preventing Dell from reconciling its projections to GAAP: acquisition related charges, amortization of purchased intangible assets related to acquisitions, and severance and facility action costs. The historical non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude these same items as well as 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. Dell provides more detail below regarding each of these items and our reasons for excluding them. In future fiscal periods, Dell expects that it may again exclude such items and may incur income and expenses similar to these excluded items. 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.

The non-GAAP financial measures for the periods indicated in the tables above reflect adjustments related to the following items:

- *Acquisition-related Costs* - 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 Intangible Assets* - 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 consolidated 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 Actions* - 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. While Dell does expect to continue to incur severance and facility costs with any new cost reduction activities, 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.

- *Other Fees and Settlements* - Dell also adjusts its GAAP results for certain fees and settlements. During the third quarter of Fiscal 2011, Dell received a \$72 million fee in connection with the termination of a merger agreement. 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, and also 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 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. Dell's non-GAAP financial measures may not be comparable to similarly titled measures of other companies. 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. Further, 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. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as substitute for gross margin, operating expenses, operating income, net income, and earnings per share prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. 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.