

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	
	July 30, 2010 ⁽¹⁾	April 30, 2010 ⁽¹⁾	July 31, 2009	Sequential	Yr. to Yr.
Net revenue					
Products.....	\$ 12,645	\$ 12,086	\$ 10,623	5%	19%
Services, including software related	2,889	2,788	2,141	4%	35%
Net revenue	<u>15,534</u>	<u>14,874</u>	<u>12,764</u>	4%	22%
Cost of net revenue					
Products.....	10,931	10,385	8,978	5%	22%
Services, including software related	2,017	1,973	1,395	2%	45%
Total cost of net revenue.....	<u>12,948</u>	<u>12,358</u>	<u>10,373</u>	5%	25%
Gross margin	2,586	2,516	2,391	3%	8%
Selling, general and administrative	1,679	1,830	1,571	(8%)	7%
Research, development and engineering	162	167	149	(3%)	9%
Total operating expenses.....	<u>1,841</u>	<u>1,997</u>	<u>1,720</u>	(8%)	7%
Operating income	745	519	671	44%	11%
Interest and other, net	(49)	(68)	(42)	28%	(16%)
Income before income taxes	696	451	629	55%	11%
Income tax provision	151	110	157	38%	(4%)
Net income	<u>\$ 545</u>	<u>\$ 341</u>	<u>\$ 472</u>	60%	16%
Earnings per share:					
Basic	<u>\$ 0.28</u>	<u>\$ 0.17</u>	<u>\$ 0.24</u>	65%	17%
Diluted	<u>\$ 0.28</u>	<u>\$ 0.17</u>	<u>\$ 0.24</u>	65%	17%
Weighted average shares outstanding:					
Basic	1,952	1,961	1,955	(0%)	(0%)
Diluted	1,960	1,973	1,960	(1%)	0%
<u>Percentage of Total Net Revenue:</u>					
Gross margin.....	16.6%	16.9%	18.7%		
Selling, general and administrative.....	10.8%	12.3%	12.3%		
Research and development.....	1.0%	1.1%	1.2%		
Operating expenses.....	11.8%	13.4%	13.5%		
Operating income.....	4.8%	3.5%	5.2%		
Income before income taxes.....	4.5%	3.0%	4.9%		
Net income.....	3.5%	2.3%	3.7%		
Income tax rate	21.7%	24.4%	25.0%		
<u>Net Revenue by Product Category:</u>					
Servers and Networking	\$ 1,890	\$ 1,785	\$ 1,403	6%	35%
Storage.....	624	554	551	13%	13%
Services ⁽¹⁾	1,915	1,891	1,218	1%	57%
Software and Peripherals	2,535	2,496	2,382	2%	6%
Mobility.....	4,700	4,563	3,891	3%	21%
Desktop PCs.....	3,870	3,585	3,319	8%	17%
Consolidated net revenue.....	<u>\$ 15,534</u>	<u>\$ 14,874</u>	<u>\$ 12,764</u>	4%	22%
<u>Percentage of Total Net Revenue:</u>					
Servers and Networking	12%	12%	11%		
Storage.....	4%	4%	4%		
Services ⁽¹⁾	12%	13%	10%		
Software and Peripherals	17%	17%	19%		
Mobility.....	30%	30%	30%		
Desktop PCs.....	25%	24%	26%		
<u>Net Revenue by Global Segment:</u>					
Large Enterprise.....	\$ 4,549	\$ 4,246	\$ 3,285	7%	38%
Public.....	4,580	3,856	3,798	19%	21%
Small and Medium Business.....	3,535	3,524	2,820	0%	25%
Consumer	2,870	3,248	2,861	(12%)	0%
Consolidated net revenue.....	<u>\$ 15,534</u>	<u>\$ 14,874</u>	<u>\$ 12,764</u>	4%	22%
<u>Percentage of Total Net Revenue:</u>					
Large Enterprise.....	29%	28%	26%		
Public.....	30%	26%	30%		
Small and Medium Business.....	23%	24%	22%		
Consumer	18%	22%	22%		
<u>Consolidated Operating Income:</u>					
Large Enterprise.....	\$ 288	\$ 283	\$ 172		
Public.....	369	298	383		
Small and Medium Business.....	323	313	246		
Consumer	(21)	17	89		
Consolidated segment operating income.....	959	911	890		
Severance and facility actions	(24)	(57)	(87)		
Broad based long-term incentives	(87)	(87)	(92)		
Amortization of intangible assets.....	(87)	(88)	(40)		
Acquisition-related.....	(16)	(20)	-		
Other ⁽²⁾	-	(140)	-		
Consolidated operating income	<u>\$ 745</u>	<u>\$ 519</u>	<u>\$ 671</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, from the date of acquisition.

⁽²⁾ 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 Income and Related Financial Highlights
(in millions, except per share data and percentages)
(unaudited)

	Six Months Ended		% Growth Rates
	July 30, 2010⁽¹⁾	July 31, 2009	
Net revenue			
Products.....	\$ 24,731	\$ 20,855	19%
Services, including software related	5,677	4,251	34%
Net revenue	<u>30,408</u>	<u>25,106</u>	21%
Cost of net revenue			
Products.....	21,316	17,764	20%
Services, including software related	3,990	2,783	43%
Total cost of net revenue.....	<u>25,306</u>	<u>20,547</u>	23%
Gross margin	5,102	4,559	12%
Selling, general and administrative	3,509	3,184	10%
Research, development and engineering	329	290	13%
Total operating expenses.....	<u>3,838</u>	<u>3,474</u>	10%
Operating income	1,264	1,085	16%
Interest and other, net	(117)	(44)	(166%)
Income before income taxes	1,147	1,041	10%
Income tax provision	261	279	(6%)
Net income	<u>\$ 886</u>	<u>\$ 762</u>	16%
Earnings per share:			
Basic	<u>\$ 0.45</u>	<u>\$ 0.39</u>	15%
Diluted	<u>\$ 0.45</u>	<u>\$ 0.39</u>	15%
Weighted average shares outstanding:			
Basic	1,956	1,952	0%
Diluted	1,967	1,956	1%
<u>Percentage of Total Net Revenue:</u>			
Gross margin.....	16.8%	18.2%	
Selling, general and administrative.....	11.5%	12.7%	
Research and development.....	1.1%	1.1%	
Operating expenses.....	12.6%	13.8%	
Operating income.....	4.2%	4.3%	
Income before income taxes.....	3.8%	4.1%	
Net income.....	2.9%	3.0%	
Income tax rate	22.8%	26.8%	
<u>Net Revenue by Product Category:</u>			
Servers and Networking	\$ 3,675	\$ 2,689	37%
Storage.....	1,178	1,085	9%
Services ⁽¹⁾	3,806	2,456	55%
Software and Peripherals	5,031	4,628	9%
Mobility.....	9,263	7,766	19%
Desktop PCs.....	7,455	6,482	15%
Consolidated net revenue.....	<u>\$ 30,408</u>	<u>\$ 25,106</u>	21%
<u>Percentage of Total Net Revenue:</u>			
Servers and Networking	12%	11%	
Storage.....	4%	4%	
Services ⁽¹⁾	12%	10%	
Software and Peripherals	17%	18%	
Mobility.....	30%	31%	
Desktop PCs.....	25%	26%	
<u>Net Revenue by Global Segment:</u>			
Large Enterprise.....	\$ 8,795	\$ 6,685	32%
Public.....	8,436	6,969	21%
Small and Medium Business.....	7,059	5,787	22%
Consumer	6,118	5,665	8%
Consolidated net revenue.....	<u>\$ 30,408</u>	<u>\$ 25,106</u>	21%
<u>Percentage of Total Net Revenue:</u>			
Large Enterprise.....	29%	27%	
Public.....	28%	28%	
Small and Medium Business.....	23%	23%	
Consumer	20%	22%	
<u>Consolidated Operating Income:</u>			
Large Enterprise.....	\$ 571	\$ 364	
Public.....	667	676	
Small and Medium Business.....	636	476	
Consumer	(4)	88	
Consolidated segment operating income.....	1,870	1,604	
Severance and facility actions	(81)	(272)	
Broad based long-term incentives	(174)	(168)	
Amortization of intangible assets.....	(175)	(79)	
Acquisition-related.....	(36)	-	
Other ⁽²⁾	(140)	-	
Consolidated operating income	<u>\$ 1,264</u>	<u>\$ 1,085</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, from the date of acquisition.

⁽²⁾ 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)

	July 30, 2010	April 30, 2010	July 31, 2009 ⁽²⁾
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 11,694	\$ 10,255	\$ 11,699
Short-term investments	744	627	299
Accounts receivable, net	6,565	5,880	5,403
Financing receivables, net	3,272	3,221	2,252
Inventories, net	1,372	1,182	839
Other current assets	3,562	3,619	3,348
Total current assets	<u>27,209</u>	<u>24,784</u>	<u>23,840</u>
Property, plant and equipment, net	1,980	2,049	2,117
Investments	633	714	746
Long-term financing receivables, net	622	528	263
Goodwill	4,264	4,181	1,748
Purchased intangible assets, net	1,638	1,658	646
Other non-current assets	294	327	698
Total assets	<u>\$ 36,640</u>	<u>\$ 34,241</u>	<u>\$ 30,058</u>
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt	\$ 1,627	\$ 1,079	\$ 49
Accounts payable	12,465	11,402	9,698
Accrued and other	3,812	3,549	3,709
Short-term deferred services revenue	3,009	2,950	2,831
Total current liabilities	<u>20,913</u>	<u>18,980</u>	<u>16,287</u>
Long-term debt	3,623	3,582	3,394
Long-term deferred services revenue	3,311	3,194	3,051
Other non-current liabilities	2,632	2,607	2,701
Total liabilities	<u>30,479</u>	<u>28,363</u>	<u>25,433</u>
Stockholders' equity	6,161	5,878	4,625
Total liabilities and equity	<u>\$ 36,640</u>	<u>\$ 34,241</u>	<u>\$ 30,058</u>
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	41	38	42
Days supply in inventory	10	9	7
Days in accounts payable	(87)	(83)	(84)
Cash conversion cycle	<u>(36)</u>	<u>(36)</u>	<u>(35)</u>
 Average total revenue/unit (approximate)	 \$ 1,340	 \$ 1,360	 \$ 1,280

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 July 30, 2010, April 30, 2010, and July 31, 2009, DSO and days of customer shipments not yet recognized were 38 and 3 days, 35 and 3 days, 38 and 4 days, respectively.

⁽²⁾ Prior period amounts have been revised to reflect a reclassification between short-term deferred service revenue and accrued and other.

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

	Three Months Ended		Six Months Ended	
	July 30, 2010	July 31, 2009 ⁽¹⁾	July 30, 2010	July 31, 2009 ⁽¹⁾
Cash flows from operating activities:				
Net income.....	\$ 545	\$ 472	\$ 886	\$ 762
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	264	201	511	402
Stock-based compensation	80	79	156	146
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	7	26	37	26
Deferred income taxes	(24)	(114)	(55)	(140)
Provision for doubtful accounts - including financing receivables	95	105	217	210
Other	4	1	4	19
Changes in assets and liabilities, net of effects from acquisitions:				
Accounts receivable	(777)	(973)	(896)	(593)
Financing receivables	(205)	(352)	(413)	(379)
Inventories	(186)	5	(318)	29
Other assets	(33)	(571)	36	(24)
Accounts payable	1,109	1,801	1,131	1,318
Deferred services revenue.....	193	69	265	44
Accrued and other liabilities	263	327	12	17
Change in cash from operating activities	<u>1,335</u>	<u>1,076</u>	<u>1,573</u>	<u>1,837</u>
Cash flows from investing activities:				
Investments:				
Purchases	(713)	(348)	(1,063)	(776)
Maturities and sales	669	340	838	982
Capital expenditures	(145)	(99)	(191)	(179)
Proceeds from sale of facility and land.....	18	16	18	16
Acquisition of business, net of cash received	(89)	-	(222)	(3)
Change in cash from investing activities	<u>(260)</u>	<u>(91)</u>	<u>(620)</u>	<u>40</u>
Cash flows from financing activities:				
Repurchase of common stock	(200)	-	(400)	-
Issuance of common stock under employee plans.....	2	-	9	-
Issuance of commercial paper (maturity 90 days or less), net	490	(100)	724	(100)
Proceeds from debt	341	994	609	1,491
Repayments of debt	(253)	-	(819)	(12)
Other	(1)	-	2	-
Change in cash from financing activities	<u>379</u>	<u>894</u>	<u>125</u>	<u>1,379</u>
Effect of exchange rate changes on cash and cash equivalents.....	(15)	129	(19)	91
Change in cash and cash equivalents.....	1,439	2,008	1,059	3,347
Cash and cash equivalents at beginning of period.....	10,255	9,691	10,635	8,352
Cash and cash equivalents at end of period.....	<u>\$ 11,694</u>	<u>\$ 11,699</u>	<u>\$ 11,694</u>	<u>\$ 11,699</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	
	July 30, 2010	April 30, 2010	July 31, 2009	Sequential	Yr. to Yr.
GAAP gross margin.....	\$ 2,586	\$ 2,516	\$ 2,391	3%	8%
Non-GAAP adjustments:					
Amortization of intangibles.....	70	68	27		
Severance and facility actions.....	14	29	14		
Acquisition-related.....	1	1	-		
Non-GAAP gross margin.....	<u>\$ 2,671</u>	<u>\$ 2,614</u>	<u>\$ 2,432</u>	2%	10%
GAAP operating expenses.....	\$ 1,841	\$ 1,997	\$ 1,720	(8%)	7%
Non-GAAP adjustments:					
Amortization of intangibles.....	(17)	(20)	(13)		
Severance and facility actions.....	(10)	(28)	(73)		
Acquisition-related.....	(15)	(19)	-		
Other ⁽¹⁾	-	(140)	-		
Non-GAAP operating expenses.....	<u>\$ 1,799</u>	<u>\$ 1,790</u>	<u>\$ 1,634</u>	1%	10%
GAAP operating income	\$ 745	\$ 519	\$ 671	44%	11%
Non-GAAP adjustments:					
Amortization of intangibles.....	87	88	40		
Severance and facility actions.....	24	57	87		
Acquisition-related.....	16	20	-		
Other ⁽¹⁾	-	140	-		
Non-GAAP operating income.....	<u>\$ 872</u>	<u>\$ 824</u>	<u>\$ 798</u>	6%	9%
GAAP net income.....	\$ 545	\$ 341	\$ 472	60%	16%
Non-GAAP adjustments:					
Amortization of intangibles.....	87	88	40		
Severance and facility actions.....	24	57	87		
Acquisition-related.....	16	20	-		
Other ⁽¹⁾	-	140	-		
Aggregate adjustment for income taxes.....	(43)	(62)	(24)		
Non-GAAP net income.....	<u>\$ 629</u>	<u>\$ 584</u>	<u>\$ 575</u>	8%	9%
GAAP earnings per share - diluted.....	\$ 0.28	\$ 0.17	\$ 0.24	65%	17%
Non-GAAP adjustments per share - diluted.....	0.04	0.13	0.05		
Non-GAAP earnings per share - diluted.....	<u>\$ 0.32</u>	<u>\$ 0.30</u>	<u>\$ 0.29</u>	7%	10%
GAAP Diluted WAS.....	1,960	1,973	1,960		
<i>Percentage of Total Net Revenue:</i>					
GAAP gross margin.....	16.6%	16.9%	18.7%		
Non-GAAP adjustment.....	0.6%	0.7%	0.4%		
Non-GAAP gross margin.....	<u>17.2%</u>	<u>17.6%</u>	<u>19.1%</u>		
GAAP operating expenses.....	11.8%	13.4%	13.5%		
Non-GAAP adjustment.....	(0.2%)	(1.4%)	(0.7%)		
Non-GAAP operating expenses.....	<u>11.6%</u>	<u>12.0%</u>	<u>12.8%</u>		
GAAP operating income.....	4.8%	3.5%	5.2%		
Non-GAAP adjustment.....	0.8%	2.0%	1.1%		
Non-GAAP operating income.....	<u>5.6%</u>	<u>5.5%</u>	<u>6.3%</u>		

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

⁽¹⁾ Includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter.

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

	Six Months Ended		% Growth Rates
	July 30, 2010	July 31, 2009	
GAAP gross margin.....	\$ 5,102	\$ 4,559	12%
Non-GAAP adjustments:			
Amortization of intangibles.....	138	53	
Severance and facility actions.....	43	79	
Acquisition-related.....	2	-	
Non-GAAP gross margin.....	<u>\$ 5,285</u>	<u>\$ 4,691</u>	13%
GAAP operating expenses.....	\$ 3,838	\$ 3,474	10%
Non-GAAP adjustments:			
Amortization of intangibles.....	(37)	(26)	
Severance and facility actions.....	(38)	(193)	
Acquisition-related.....	(34)	-	
Other ⁽¹⁾	(140)	-	
Non-GAAP operating expenses.....	<u>\$ 3,589</u>	<u>\$ 3,255</u>	10%
GAAP operating income	\$ 1,264	\$ 1,085	16%
Non-GAAP adjustments:			
Amortization of intangibles.....	175	79	
Severance and facility actions.....	81	272	
Acquisition-related.....	36	-	
Other ⁽¹⁾	140	-	
Non-GAAP operating income.....	<u>\$ 1,696</u>	<u>\$ 1,436</u>	18%
GAAP net income.....	\$ 886	\$ 762	16%
Non-GAAP adjustments:			
Amortization of intangibles.....	175	79	
Severance and facility actions.....	81	272	
Acquisition-related.....	36	-	
Other ⁽¹⁾	140	-	
Aggregate adjustment for income taxes.....	(105)	(52)	
Non-GAAP net income.....	<u>\$ 1,213</u>	<u>\$ 1,061</u>	14%
GAAP earnings per share - diluted.....	\$ 0.45	\$ 0.39	15%
Non-GAAP adjustments per share - diluted.....	0.17	0.15	
Non-GAAP earnings per share - diluted.....	<u>\$ 0.62</u>	<u>\$ 0.54</u>	15%
GAAP Diluted WAS.....	1,967	1,956	
<i>Percentage of Total Net Revenue:</i>			
GAAP gross margin.....	16.8%	18.2%	
Non-GAAP adjustment.....	0.6%	0.5%	
Non-GAAP gross margin.....	<u>17.4%</u>	<u>18.7%</u>	
GAAP operating expenses.....	12.6%	13.8%	
Non-GAAP adjustment.....	(0.8%)	(0.8%)	
Non-GAAP operating expenses.....	<u>11.8%</u>	<u>13.0%</u>	
GAAP operating income.....	4.2%	4.3%	
Non-GAAP adjustment.....	1.4%	1.4%	
Non-GAAP operating income.....	<u>5.6%</u>	<u>5.7%</u>	

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

⁽¹⁾ Includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter.

USE OF NON-GAAP FINANCIAL MEASURES

Dell provides non-GAAP financial information to investors to supplement GAAP financial information. 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 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 than that used to prepare GAAP-based financial measures, and exclude certain amounts pertaining to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Non-GAAP operating income growth as projected for Fiscal 2011, which is a forward looking non-GAAP financial measure, excludes the following items, some of which Dell cannot forecast; acquisition related charges, amortization of purchased intangible assets related to acquisitions, severance and facility action costs, 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. The historical non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude these same items. In the future, Dell expects that it may again exclude such items and may incur expenses similar to these excluded items, including in connection with any future acquisitions. 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. Dell believes the non-GAAP financial measures will provide investors with useful information to help them evaluate Dell's operating results and projections. These non-GAAP financial measures facilitate an enhanced understanding of historical results and projections, and enable more meaningful period to period comparisons.

This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for gross margin, operating expenses, operating income, net income, and earnings per share prepared in accordance with GAAP.

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

- 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 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 GAAP 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 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. Management measures the performance of Dell excluding the effects of severance and facility action costs and has been, for recent quarters, providing the effects to investors to supplement GAAP financial information. 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.
- 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. During the first quarter of Fiscal 2011, Dell also incurred \$40 million for a securities litigation class action lawsuit that was filed against Dell during Fiscal 2007. Dell is excluding these settlements from the operating results of the first half of Fiscal 2011 for the purpose of calculating the non-GAAP financial measures because it believes these 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. 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. Lastly, 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. Non-GAAP financial measures are not an alternative to GAAP financial measures and should be read only in conjunction with financial information presented on a GAAP basis when available. 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.