

Business Description

Note about Forward Looking Statements

This report contains forward-looking statements that are based on Dell's current expectations. Actual results in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks and uncertainties. For a discussion of risk factors affecting our business and prospects, see "Part I — Item 1A — Risk Factors."

All percentage amounts and ratios were calculated using the underlying data in thousands. Unless otherwise noted, all references to industry share and total industry growth data are for computer systems (including desktops, notebooks, and x86 servers), and are based on information provided by IDC Worldwide Quarterly PC Tracker, February 17, 2009. Industry share data is for the full calendar year and all our growth rates are on a fiscal year-over-year basis. Unless otherwise noted, all references to time periods refer to our fiscal periods.

ITEM 1 — BUSINESS

General

Dell listens to customers and delivers innovative technology and services they trust and value. As a leading technology company, we offer a broad range of product categories, including mobility products, desktop PCs, software and peripherals, servers and networking, services, and storage. According to IDC, we are the number one supplier of computer systems in the United States and the number two supplier worldwide.

Our company is a Delaware corporation and was founded in 1984 by Michael Dell on a simple concept: by selling computer systems directly to customers, we can best understand their needs and efficiently provide the most effective computing solutions to meet those needs. Over time we have expanded our business model to include a broader portfolio of products, including services, and we have also added new distribution Partners, such as retail, system integrators, value added resellers, and distributors, which allow us to reach even more end-users around the world. Our corporate headquarters are located in Round Rock, Texas, and we conduct operations worldwide through our subsidiaries. To optimize our global supply chain to best serve our global customer base, we have manufacturing locations around the world and are expanding our relationships with third-Party original equipment manufacturers. When we refer to our company and its business in this report, we are referring to the business and activities of our consolidated subsidiaries. We operate principally in one industry, and we manage our business in four operating segments: Americas Commercial; Europe, Middle East and Africa ("EMEA") Commercial; Asia Pacific-Japan ("APJ") Commercial; and Global Consumer.

We are committed to managing and operating our business in a responsible and sustainable manner around

the globe. This includes our commitment to environmental responsibility in all areas of our business. See "Part I — Item 1 — Business — Sustainability." This also includes our focus on maintaining a strong control environment, high ethical standards, and financial reporting integrity. See "Part II — Item 9A — Controls and Procedures."

Business Strategy

Direct relationships with our customers give us an advantage of seeing changing customer requirements and needs earlier than companies who do not have the same breadth of direct relationships. As a result, we are able to develop products with simpler and more productive technology to better serve our customers. As we continue to expand our global presence, we are further diversifying our revenue and profit streams. Our strategy is to focus on higher margin products, services, and solutions to increase overall profitability as we balance our liquidity, profitability, and growth. We are also focused on improving our competitiveness by reducing overall costs. In May 2008, we announced a \$3 billion cost reduction initiative, which includes both cost of goods sold and operating expenses. In the fourth quarter of Fiscal 2009, we identified additional savings opportunities and have increased our cost-reduction target to \$4 billion by the end of Fiscal 2011. Our growth strategy involves reaching more customers worldwide through new distribution Partners, such as retail, expanding our relationships with value-added resellers and distributors, and augmenting select areas of our business through targeted acquisitions. Our goal continues to be to optimize the balance of liquidity, profitability, and growth with a focus on increasing the mix of our product portfolio to higher margin products and recurring revenue streams.

- *Provide great value to customers and Partners through direct relationships.* We are committed to innovating without legacy, creating efficient solutions, and providing price, performance, and feature leadership across all of our businesses. In addition, we will deliver the power of cloud computing and connect with our customers through the Internet. We are focused on helping customers identify and remove unnecessary cost and complexity in IT architecture and operations. In addition, we seek to broaden our profit stream to capture complementary opportunities in new solutions for customers that include search, services, and 3G originations. To that end, during Fiscal 2009 we released a broad lineup of dedicated virtualization solutions, including software, servers, services, and storage.
- *Optimize the balance of liquidity, profitability, and growth with a focus on increasing the mix of our product portfolio to higher margin products and recurring revenue streams.* We will balance our mix of products and services to increase profitability over time. We are committed to shifting our solutions portfolio to higher margin solutions and recurring revenue streams in software, servers, services, and storage. Our services business has growth opportunities both in driving attachment of services onto existing product platforms and expanding into new solution offerings. We expect to expand our presence in the enterprise solution arena as we add more capabilities that are attractive to existing and new customers. We are committed to improving our storage and server products and services as evidenced by our new building IT-as-a-Service solution, an integrated service delivery platform that is simple, modular, and flexible, and which provides businesses with remote and lifecycle management, e-mail backup, and software license management, among other services. In addition to services, system software presents another opportunity for us to further strengthen our portfolio.

Product Development

We focus on developing standards-based technologies that incorporate highly desirable features and capabilities at competitive prices. We employ a collaborative approach to product design and development where our engineers, along with direct customer input, design innovative solutions and work with a global network of technology companies to architect new system designs, influence the direction of future development, and integrate new technologies into our products. Through this collaborative, customer-focused approach, we strive

to deliver new and relevant products and services to the market quickly and efficiently. We are continuing to expand our use of original design manufacturing Partnerships and manufacturing outsourcing relationships to generate cost efficiencies, deliver products faster, and better serve our customers in certain product categories, customer segments, and geographical areas. Our research, development, and engineering expenses were \$665 million for Fiscal 2009, \$693 million for Fiscal 2008, and \$498 million for Fiscal 2007, including acquisition related in-process research and development of \$2 million for Fiscal 2009 and \$83 million for Fiscal 2008.

Products and Services

We design, develop, manufacture, market, sell, and support a wide range of products that in many cases are customized to individual customer requirements. Our product categories include mobility products, desktop PCs, software and peripherals, servers and networking, services, and storage. See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Revenue by Product and Service Categories” and Note 11 of Notes to Consolidated Financial Statements included in “Part II — Item 8 — Financial Statements and Supplementary Data.”

- *Mobility* — The XPS™ and Alienware™ lines of notebook computers are targeted at customers seeking the best experiences and designs available, from sleek, elegant, thin, and light notebooks to the highest performance gaming systems. In Fiscal 2009, we introduced the new stylish Studio line of consumer notebooks with powerful multimedia elements. The Inspiron™ line of notebook computers is designed for consumers seeking the latest technology and high performance in a stylish and affordable package. In Fiscal 2009, we added the 3G enabled Mini, a light, highly mobile notebook, to the Inspiron line. The Latitude™ line is designed to help business, government, and institutional customers manage their total cost of ownership through managed product lifecycles and the latest offerings in performance, security, and communications. The Vostro™ line is designed to customize technology, services, and expertise to suit the specific needs of small businesses. The Dell Precision™ line of mobile workstations is intended for professional users who demand exceptional performance to run sophisticated applications. This year, we also had the largest global product launch in our company’s history with our new E-Series commercial Latitude and Dell Precision notebooks.

- *Desktop PCs* — The XPS™ and Alienware™ lines of desktop computers are targeted at customers seeking the best experiences and designs available, from multimedia capability to the highest gaming performance. The OptiPlex™ line is designed to help business, government, and institutional customers manage their total cost of ownership by offering a portfolio of secure, manageable, and stable lifecycle products. The Inspiron™ line of desktop computers is designed for mainstream PC users requiring the latest features for their productivity and entertainment needs. The Vostro™ line is designed to provide technology and services to suit the specific needs of small businesses. In July 2008, we introduced the Studio line of compact and stylish consumer desktops, which includes the Hybrid, our most power efficient consumer desktop.

Dell Precision™ desktop workstations are intended for professional users who demand exceptional performance from hardware platforms optimized and certified to run sophisticated applications, such as those needed for three-dimensional computer-aided design, digital content creation, geographic information systems, computer animation, software development, computer-aided engineering, game development, and financial analysis.

- *Software and Peripherals* — We offer Dell-branded printers and displays and a multitude of competitively priced third-Party peripheral products, including software titles, printers, televisions, notebook accessories, networking and wireless products, digital cameras, power adapters, scanners, and other products.
 - *Software.* We sell a wide range of third-Party software products, including operating systems, business and office applications, anti-virus and related security software, entertainment software, and products in various other categories. In Fiscal 2009, we launched the Dell Download Store, an online software store for consumers and small-and-medium-sized businesses.
 - *Printers.* We offer a wide array of Dell-branded printers, ranging from all-in-one ink jet printers for consumers to large multifunction devices for corporate workgroups. In Fiscal 2009, we further expanded our product portfolio and launched the world's smallest color laser printer. Dell-branded printers continue to win awards for reliability and value.

- *Displays.* We offer a broad line of branded and non-branded display products, including flat panel monitors and projectors. We continue to win awards for quality, performance, and value across our monitors and projector product lines. The M109s on-the-go projector was the first pocket projector to ship in the industry at the end of calendar 2008 and won the prestigious CES Innovations 2009 award in January 2009.

- *Servers and Networking* — Our standards-based PowerEdge™ line of servers is designed to offer customers affordable performance, reliability, and scalability. Options include high performance rack, blade, and tower servers for enterprise customers and value tower servers for small organizations, networks, and remote offices. We also offer customized Dell server solutions for very large data center customers. During the Fiscal 2009, we released a broad line-up of dedicated virtualization solutions, including new servers, tools, and services. We expect to refresh our servers and networking product portfolio in Fiscal 2010.

Our PowerConnect™ switches connect computers and servers in small-to-medium-sized networks. PowerConnect™ products offer customers enterprise-class features and reliability at a high value for our customers.

- *Services* — Our global services business offers a broad range of configurable IT services that help commercial customers and channel Partners plan, implement, and manage IT operations and consumers install, protect, and maintain their computer systems and accessories. Our service solutions help customers simplify IT, thus maximizing the performance, reliability, and cost-effectiveness of IT operations.
 - *Infrastructure Consulting Services.* Our consulting services help customers evaluate, design, and implement standards-based IT infrastructures. These customer-oriented consulting services are designed to be focused and efficient, providing customers access to our experience and guidance on how to best architect and operate IT operations.
 - *Deployment Services.* Our deployment services simplify and accelerate the deployment of enterprise products and computer systems in customers' environments. Our processes and deployment technologies enable customers to get

systems up and running quickly and reliably, with minimal end-user disruption.

- *Asset Recovery and Recycling Services.* We offer a variety of flexible services for the secure and environmentally safe recovery and disposal of owned and leased IT equipment. Various options, including resale, recycling, donation, redeployment, employee purchase, and lease return, help customers retain value while facilitating regulatory compliance and minimizing storage costs.
- *Training Services.* We help customers develop the skills and knowledge of key technologies and systems needed to increase their productivity. Courses include hardware and software training as well as computer system skills and professional development classes available through instructor-led, virtual, or self-directed online courses.
- *Support Services.* Our suite of scalable support services is designed for IT professionals and end-users whose needs range from basic phone support to rapid response and resolution of complex problems. We offer flexible levels of support that span from desktop and notebook PCs to complex servers and storage systems, helping customers maximize uptime and stay productive. Our support services include warranty services and proactive maintenance offerings to help prevent problems as well as rapid response and resolution of problems. These services are supported by our network of Global Command Centers in the U.S., Ireland, China, Japan, and Malaysia, providing rapid, around-the-clock support for critical commercial systems.
- *Managed Services.* We offer a full suite of managed service solutions for companies who desire outsourcing of some or all of their IT management. From planning to deployment to ongoing technical support, our managed services are modular in nature so that customers can customize a plan based on their current and future needs. We can manage a portion of their IT tasks or provide an end-to-end solution.
- *Storage* — We offer a comprehensive portfolio of advanced storage solutions, including storage area networks, network-attached storage, direct-attached storage, disk and tape backup systems, and removable disk backup. With our advanced storage solutions for mainstream buyers, we offer customers functionality

and value while reducing complexity in the enterprise. Our storage systems are easy to deploy, manage, and maintain. The flexibility and scalability offered by Dell PowerVault™, Dell EqualLogic™, and Dell | EMC storage systems help organizations optimize storage for diverse environments with varied requirements. During the fiscal year, we expanded our storage portfolio by adding increasingly flexible storage choices that allow customers to grow capacity, add performance and protect their data in a more economical manner.

Financial Services

We offer or arrange various customer financial services for our business and consumer customers in the U.S. through Dell Financial Services L.L.C. (“DFS”), a wholly-owned subsidiary of Dell. DFS offers a wide range of financial services, including originating, collecting, and servicing customer receivables related to the purchase of Dell products. DFS offers private label credit financing programs through CIT Bank to qualified consumer and small business customers and offers leases and fixed-term financings to business customers. Financing through DFS is one of many sources of funding that our customers may select. For additional information about our financing arrangements, see “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financing Receivables and Off-Balance Sheet Arrangements” and Note 6 of Notes to Consolidated Financial Statements included in “Part II — Item 8 — Financial Statements and Supplementary Data.”

Sales and Marketing

We sell our products and services directly to customers through dedicated sales representatives, telephone-based sales, online at www.dell.com, and through a variety of indirect sales channels. Our customers include large corporate, government, healthcare, and education accounts, as well as small and medium businesses and individual consumers. Within each of our geographic regions, we have divided our sales and marketing resources among these various customer groups. No single customer accounted for more than 10% of our consolidated net revenue during any of the last three fiscal years.

Our sales and marketing efforts are organized around the evolving needs of our customers. Our direct business model provides direct communication with our customers; thereby allowing us to refine our products and marketing programs for specific customer groups. Customers may offer suggestions for current and future Dell products, services, and operations on an interactive

portion of our website called Dell IdeaStorm. This constant flow of communication allows us to rapidly gauge customer satisfaction and target new or existing products.

For large business and institutional customers, we maintain a field sales force throughout the world. Dedicated account teams, which include field-based system engineers and consultants, form long-term relationships to provide our largest customers with a single source of assistance, develop specific tailored solutions for these customers, and provide us with customer feedback. For large, multinational customers, we offer several programs designed to provide single points of contact and accountability with global account specialists, special global pricing, and consistent global service and support programs. We also maintain specific sales and marketing programs targeted at federal, state, and local governmental agencies, as well as at specific healthcare and educational customers.

We market our products and services to small and medium businesses and consumers primarily by advertising on television and the Internet, advertising in a variety of print media, and mailing or emailing a broad range of direct marketing publications, such as promotional materials, catalogs, and customer newsletters.

Our business strategy also includes indirect sales channels. Outside the U.S., we sell products indirectly through selected Partners to benefit from the Partner's existing end-user customer relationships and valuable knowledge of traditional customs and logistics in the country, to mitigate credit and country risk, and because sales in some countries may be too small to warrant a direct sales business unit. In the U.S., we sell products indirectly through third-Party solution providers, system integrators, and third-Party resellers. PartnerDirect brings our existing Partner initiatives under one umbrella globally. PartnerDirect includes Partner training and certification, deal registration, dedicated sales and customer care, and a dedicated web portal. We also offer select consumer products in retail stores in several countries in the Americas, EMEA, and APJ. Our goal is to have strategic relationships with a number of major retailers in our larger geographic regions. During Fiscal 2009, we continued to expand our global retail presence, and we now reach over 24,000 retail locations worldwide. Our retailers include Best Buy, Staples, Wal-Mart, GOME, and Carrefour, among others.

Competition

We operate in an industry in which there are rapid technological advances in hardware, software, and service offerings and face on-going product and price competition in all areas of our business from branded and generic competitors. We compete based on our ability to offer profitable and competitive solutions to our customers that provide the most current and desired product features as well as customer service, quality, and reliability. This is enabled by our direct relationships with customers, which allow us to recognize changing customer needs faster than other companies. This connection with our customers allows us to best serve customer needs and offers us a competitive advantage.

According to IDC, we gained 0.2 points of share during calendar 2008 as our 11.1% growth in units outpaced the industry's overall worldwide computer systems growth of 9.7%. Our gain in share was driven by a strong overall performance in the first half of Fiscal 2009 followed by a decline in unit shipments in our commercial business in the second half of the year, which was Partially offset by strength in our global consumer business. Our commercial business's slower unit growth in the second half of Fiscal 2009 reflects our decision in an eroding demand environment to selectively pursue unit growth opportunities while protecting profitability. During the second half of Fiscal 2009, the entire industry faced a challenging IT end-user demand environment as current economic conditions influenced global customer spending behavior.

Technology companies grow by expanding product offerings and penetrating new geographies. To achieve this growth, companies innovate and will also lower price. Our ability to maintain or gain share is predicated on our ability to be competitive on product features and functionality, geographic penetration, and pricing. Additionally, our efforts to balance our mix of products and services to optimize profitability, liquidity, and growth may put pressure on our industry unit share position in the short-term. At the end of Fiscal 2009, we remained the number one supplier of computer systems in the U.S. and the number two supplier worldwide.

Manufacturing and Materials

We manufacture many of the products we sell and have manufacturing locations worldwide to service our global customer base. See "Part I — Item 2 — Properties" for information about our manufacturing locations. In addition, we are continuing to expand our use of original

design manufacturing Partnerships and manufacturing outsourcing relationships to generate cost efficiencies, deliver products faster, and better serve our customers in certain segments and geographical areas.

Our manufacturing process consists of assembly, software installation, functional testing, and quality control. Testing and quality control processes are also applied to components, parts, sub-assemblies, and systems obtained from third-Party suppliers. Quality control is maintained through the testing of components, sub-assemblies, and systems at various stages in the manufacturing process. Quality control also includes a burn-in period for completed units after assembly, ongoing production reliability audits, failure tracking for early identification of production and component problems, and information from customers obtained through services and support programs. We are certified worldwide by the International Standards Organization to the requirements of ISO 9001: 2000. This certification includes our design, manufacture, and service of computer products in all of our locations.

We purchase materials, supplies, product components, and products from a large number of vendors. In some cases, multiple sources of supply are not available and we have to rely on single-source vendors. In other cases, we may establish a working relationship with a single source or a limited number of sources if we believe it is advantageous due to performance, quality, support, delivery, capacity, or price considerations. This relationship and dependency has not caused material disruptions in the past, and we believe that any disruption that may occur because of our dependency on single- or limited-source vendors would not disproportionately disadvantage us relative to our competitors. See “Part I — Item 1A — Risk Factors” for information about the risks associated with single- or limited-source suppliers.

We are actively reviewing all aspects of our facilities, logistics, supply chain, and manufacturing footprints. This review is focused on identifying efficiencies and cost reduction opportunities and migration to a more variable cost manufacturing model, while maintaining a strong customer experience. Examples of these actions include the closure of our desktop manufacturing facility in Austin, Texas, the sale of our call center in El Salvador, the recent announcement of our migration and closure of manufacturing operations from our Limerick, Ireland facility to our Polish facility and to original design manufacturers, and the sale of our customer contact center in the Philippines.

Patents, Trademarks, and Licenses

As of January 30, 2009, we held a worldwide portfolio of 2,253 patents and had an additional 2,514 patent applications pending. We also hold licenses to use numerous third-Party patents. To replace expiring patents, we obtain new patents through our ongoing

research and development activities. The inventions claimed in our patents and patent applications cover aspects of our current and possible future computer system products, manufacturing processes, and related technologies. Our product, business method, and manufacturing process patents may establish barriers to entry in many product lines. While we use our patented inventions and also license them to others, we are not substantially dependent on any single patent or group of related patents. We have entered into a variety of intellectual property licensing and cross-licensing agreements. We have also entered into various software licensing agreements with other companies. We anticipate that our worldwide patent portfolio will be of value in negotiating intellectual property rights with others in the industry.

We have obtained U.S. federal trademark registration for the DELL word mark and the Dell logo mark. We own registrations for 71 of our other marks in the U.S. At January 30, 2009, we had pending applications for registration of 45 other trademarks. We believe that establishment of the DELL word mark and logo mark in the U.S. is material to our operations. We have also applied for or obtained registration of the DELL mark and several other marks in approximately 184 other countries.

From time to time, other companies and individuals assert exclusive patent, copyright, trademark, or other intellectual property rights to technologies or marks that are important to the technology industry or our business. We evaluate each claim relating to our products and, if appropriate, seek a license to use the protected technology. The licensing agreements generally do not require the licensor to assist us in duplicating its patented technology, nor do these agreements protect us from trade secret, copyright, or other violations by us or our suppliers in developing or selling these products.

Employees

At the end of Fiscal 2009, we had approximately 78,900 total employees (consisting of 76,500 regular employees and 2,400 temporary employees), compared to approximately 88,200 total employees (consisting of 82,700 regular employees and 5,500 temporary employees) at the end of Fiscal 2008. Approximately 25,900 of the regular employees at the end of Fiscal 2009 were located in the U.S., and approximately 50,600 regular employees were located in other countries.

We continue to comprehensively review costs across all processes and organizations, from product development and procurement through service and support delivery, with a goal to reduce costs, simplify structure, eliminate redundancies, and better align cost of goods sold and operating expenses with the current business environment and strategic growth opportunities. As Part of this overall effort, we expect to further reduce our

overall headcount; however, we may add headcount in certain strategic growth areas. We also may realign, sell, or close additional facilities depending on a number of factors, including end-user demand, capabilities, and our migration to a more variable cost manufacturing model. These actions will result in additional business realignment costs in the future, although no plans were finalized at January 30, 2009.

Government Regulation and Environment

Our business is subject to regulation by various federal and state governmental agencies. Such regulation includes the radio frequency emission regulatory activities of the U.S. Federal Communications Commission; the anti-trust regulatory activities of the U.S. Federal Trade Commission, the DePartment of Justice, and the European Union; the consumer protection laws of the Federal Trade Commission; the export regulatory activities of the U.S. DePartment of Commerce and the U.S. DePartment of Treasury; the import regulatory activities of U.S. Customs and Border Protection; the product safety regulatory activities of the U.S. Consumer Product Safety Commission; the investor protection and capital markets regulatory activities of the Securities and Exchange Commission; and environmental regulation by a variety of regulatory authorities in each of the areas in which we conduct business. We are also subject to regulation in other countries where we conduct business. We were not assessed any environmental fines, nor did we have any material environmental remediation or other environmental costs, during Fiscal 2009.

Sustainability

Our focus on business efficiencies and customer satisfaction drives our environmental stewardship program in all areas of our business — reducing product energy consumption, reducing or eliminating materials for disposal, prolonging product life spans, and providing effective and convenient equipment recovery solutions. We are committed to becoming the “greenest technology company on the planet” — a long-term initiative we announced in June 2007. This multi-faceted campaign focuses on driving internal business innovations and efficiencies; enhancing customer satisfaction; and Partnering with suppliers, stakeholders, and people who care about the environment.

In Fiscal 2008, we announced our commitment to becoming carbon neutral in our operations. We were the first company in our industry to offer a free worldwide recycling program for our consumers. We also provided no-charge recycling of any brand of used computer or printer with the purchase of a new Dell computer or printer. We have streamlined our transportation network to reduce transit times, minimize air freight, and reduce emissions. When developing and designing products, we select materials guided by a precautionary approach. This means eliminating environmentally sensitive substances

(where reasonable alternatives exist) from our products and working towards developing reliable, environmentally sound, and commercially scalable solutions. We also created a series of tools that help customers assess their current operations and uncover ways to achieve their own environmental goals.

Backlog

We believe that backlog is not a meaningful indicator of net revenue that can be expected for any period. There can be no assurance that the backlog at any point in time will translate into net revenue in any subsequent period, as unfilled orders can generally be canceled at any time by the customer. Our business model generally gives us flexibility to manage backlog at any point in time by expediting shipping or prioritizing customer orders toward products that have shorter lead times, thereby reducing backlog and increasing current period revenue. Even though backlog at the end of Fiscal 2009 was higher than at the end of Fiscal 2008 and Fiscal 2007, it was not material.

Operating Business Segments

We conduct operations worldwide. Effective the first quarter of Fiscal 2009, we combined our consumer businesses of EMEA, APJ, and Americas International (formerly reported through Americas Commercial) with our U.S. Consumer business and re-aligned our management and financial reporting structure. As a result, effective May 2, 2008, our operating segments consisted of the following four segments: Americas Commercial, EMEA Commercial, APJ Commercial, and Global Consumer. Our commercial business includes sales to large corporate, government, healthcare, education, small and medium business customers, and value-added resellers and is managed through the Americas Commercial, EMEA Commercial, and APJ Commercial segments. The Americas Commercial segment, which is based in Round Rock, Texas, encompasses the U.S., Canada, and Latin America. The EMEA Commercial segment, based in Bracknell, England, covers Europe, the Middle East, and Africa; and the APJ Commercial segment, based in Singapore, encompasses the Asian countries of the Pacific Rim as well as Australia, New Zealand, and India. The Global Consumer segment, which is based in Round Rock, Texas, includes global sales and product development for individual consumers and retailers around the world. We revised previously reported operating segment information to conform to our new operating segments in effect during the first quarter of Fiscal 2009.

On December 31, 2008, we announced our intent during Fiscal 2010 to move from geographic commercial segments to global business units reflecting the impact of

globalization on our customer base. Customer requirements now share more commonality based on their sector rather than physical location. We expect to combine our current Americas Commercial, EMEA Commercial, and APJ Commercial segments and realign our management structure. After this realignment, our operating structure will consist of the following segments: Global Large Enterprise, Global Public, Global Small and Medium Business (“SMB”), and our existing Global Consumer segment. We believe that these four distinct, global business organizations can capitalize on our competitive advantages and strengthen execution. We will begin reporting these four global businesses once we complete the realignment of our management and financial reporting structure, which is expected to be in the first half of Fiscal 2010.

We have invested in high growth countries such as Brazil, Russia, India, and China (“BRIC”) to design and manufacture products and support our customers, and we expect to continue our global expansion in the years ahead. Our continued expansion outside of the U.S. creates additional complexity in coordinating the design, development, procurement, manufacturing, distribution, and support of our increasingly complex product and service offerings. As a result, we plan to continue to add additional resources to our offices in Singapore to better coordinate certain global activities, including the management of our original design manufacturers and utilization of non-U.S. Dell and supplier production capacity where most needed in light of product demand levels that vary by region. The expanded global operations in Singapore also coordinate product design and development efforts with procurement activities and sources of supply. We intend to continue to expand our global capabilities as our international business continues to grow. For financial information about the results of our reportable operating segments for each of the last three fiscal years, see “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Revenues by Segment” and Note 11 of Notes to Consolidated Financial Statements included in

“Part II — Item 8 — Financial Statements and Supplementary Data.” For information about percentages of revenue outside the U.S. for each of the last three fiscal years, see “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our corporate headquarters are located in Round Rock, Texas. Our manufacturing and distribution facilities are located in Austin, Texas; Winston-Salem, North Carolina; Lebanon and Nashville, Tennessee; Miami, Florida; Limerick and Athlone, Ireland; Penang, Malaysia; Xiamen, China; Hortolândia, Brazil; Chennai, India; and Lodz, Poland. For additional information, see “Part I — Item 2 — Properties.”

Trademarks and Service Marks

Unless otherwise noted, trademarks appearing in this report are trademarks owned by us. We disclaim proprietary interest in the marks and names of others. EMC is a registered trademark of EMC Corporation.

Available Information

We maintain an Internet website at www.dell.com. All of our reports filed with the Securities and Exchange Commission (“SEC”) (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and Section 16 filings) are accessible through the Investor Relations section of our website at www.dell.com/investor, free of charge, as soon as reasonably practicable after electronic filing. The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Information on our website is not incorporated by reference into this report.

Executive Officers of Dell

The following table sets forth the name, age, and position of each of the persons who were serving as our executive officers as of March 5, 2009:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Michael S. Dell	44	Chairman of the Board and Chief Executive Officer
Bradley R. Anderson	49	Senior Vice President, Enterprise Product Group
Paul D. Bell	48	President, Global Public
Jeffrey W. Clarke	46	Vice Chairman, Operations and Technology
Andrew C. Esparza	50	Senior Vice President, Human Resources
Stephen J. Felice	51	President, Global Small and Medium Business
Ronald G. Garriques.....	45	President, Global Consumer
Brian T. Gladden	44	Senior Vice President and Chief Financial Officer
Erin Nelson.....	39	Vice President, Chief Marketing Officer
Stephen F. Schuckenbrock.....	48	President, Global Large Enterprise
Lawrence P. Tu.....	54	Senior Vice President, General Counsel and Secretary

Set forth below is biographical information about each of our executive officers.

Michael S. Dell — Mr. Dell currently serves as Chairman of the Board of Directors and Chief Executive Officer. He has held the title of Chairman of the Board since he founded the Company in 1984. Mr. Dell served as Chief Executive Officer of Dell from 1984 until July 2004 and resumed that role in January 2007. He serves on the Foundation Board of the World Economic Forum, serves on the executive committee of the International Business Council, and is a member of the U.S. Business Council. He also sits on the governing board of the Indian School of Business in Hyderabad, India.

Bradley R. Anderson — Mr. Anderson joined us in July 2005 and has served as Senior Vice President, Enterprise Product Group since January 2009. In this role, he is responsible for worldwide engineering, design, development and marketing of Dell's enterprise products including servers, networking and storage systems. From July 2005 until January 2009, Mr. Anderson served as Senior Vice President, Business Product Group. Prior to joining Dell, Mr. Anderson was Senior Vice President and General Manager of the Industry Standard Servers business at Hewlett-Packard Company ("HP"), where he was responsible for HP's server solutions. Previously, he was Vice President of Server, Storage, and Infrastructure for HP, where he led the team responsible for server, storage, peripheral, and infrastructure products. Before joining HP in 1996, Mr. Anderson held top management positions at Cray Research in executive staff, field

marketing, sales, finance, and corporate marketing. Mr. Anderson earned a Bachelor of Science in Petroleum Engineering from Texas A&M University and a Master of Business Administration from Harvard University. He serves on the Texas A&M Look College of Engineering Advisory Council.

Paul D. Bell — Mr. Bell has been with us since 1996 and currently serves as President, Global Public. In this role he is responsible for leading the teams that help governments, education, healthcare and other public organizations make full use of Information Technology. From March 2007 until January 2009, Mr. Bell served as Senior Vice President and President, Americas. In this role, Mr. Bell is responsible for all sales and customer support operations across the Americas region other than our consumer business. From February 2000 until March 2007, Mr. Bell served as Senior Vice President and President, Europe, Middle East, and Africa. Prior to this, Mr. Bell served as Senior Vice President, Home and Small Business. Prior to joining Dell in July 1996, Mr. Bell was a management consultant with Bain & Company for six years, including two years as a consultant on our account. Mr. Bell received Bachelor's degrees in Fine Arts and Business Administration from Pennsylvania State University and a Master of Business Administration degree from the Yale School of Organization and Management.

Jeffrey W. Clarke — Mr. Clarke currently serves as Vice Chairman, Operations and Technology. In this role he is responsible for worldwide engineering, design and development of Dell's business client products, including Dell OptiPlex Desktops, Latitude notebooks and Precision Workstations, and production of all company products worldwide. From January 2003 until January 2009, Mr. Clarke served as Senior Vice President, Business Product Group. Mr. Clarke joined Dell in 1987 as a quality engineer and has served in a variety of engineering and management roles. In 1995 Mr. Clarke became the director of desktop development, and from November 2001 to January 2003 he served as Vice President and General Manager, Relationship Product Group. Mr. Clarke received a Bachelor's degree in Electrical Engineering from the University of Texas at San Antonio.

Andrew C. Esparza — Mr. Esparza joined us in 1997 as a director of Human Resources in the Product Group. He was named Senior Vice President, Human Resources in March 2007 and was named an executive officer in September 2007. In this role, he is responsible for driving the strategy and supporting initiatives to attract, motivate, develop, and retain world-class talent in support of our business goals and objectives. He also has responsibility for corporate security and corporate responsibility on a worldwide basis. He currently is an executive sponsor for aDellante, our internal networking group responsible for the development of Hispanic employees within the company. Prior to joining Dell, he held human resource positions with NCR Corporation from 1985 until 1997 and Bechtel Power Corporation from 1981 until 1985. Mr. Esparza earned a Bachelor's degree in Business Administration with a concentration in Human Resource Management from San Diego State University.

Stephen J. Felice — Mr. Felice currently serves as President, Global Small and Medium Business. Mr. Felice leads the Dell organization that creates and delivers specific solutions and technology to more than 72 million small and medium-sized businesses globally. From March 2007 until January 2009, Mr. Felice served as Senior Vice President and President, Asia Pacific-Japan, after having served as Vice President, Asia Pacific-Japan since August 2005. Mr. Felice was responsible for our operations throughout the APJ region, including sales and customer service centers in Penang, Malaysia, and Xiamen, China. Mr. Felice joined us in February 1999 and has held various executive roles in our sales and consulting services organizations. From February 2002 until July 2005, Mr. Felice was Vice President, Corporate Business Group, Dell Americas. Prior to joining Dell, Mr. Felice served as Chief

Executive Officer and President of DecisionOne Corp. Mr. Felice also served as Vice President, Planning and Development, with Bell Atlantic Customer Services, and he spent five years with Shell Oil in Houston. Mr. Felice holds a Bachelor's degree in Business Administration from the University of Iowa and a Master of Business Administration degree from the University of Houston.

Ronald G. Garriques — Mr. Garriques joined us in February 2007 as President, Global Consumer Group. In this role he is responsible for Dell's portfolio of consumer products, including desktops, notebooks, software and peripherals as well as product design and sales. Before joining Dell, Mr. Garriques served in various leadership roles at Motorola from February 2001 to February 2007, where he was most recently Executive Vice President and President, responsible for the Mobile Devices division. He was also Senior Vice President and General Manager of the Europe, Middle East, and Africa region for the Personal Communications Services division, and Senior Vice President and General Manager of Worldwide Products Line Management for the Personal Communications Services division. Prior to joining Motorola, Mr. Garriques held management positions at AT&T Network Systems, Lucent Technologies, and Philips Consumer Communications. Mr. Garriques holds a Master's degree in Business Administration from The Wharton School at the University of Pennsylvania, a master's degree in Mechanical Engineering from Stanford University, and a Bachelor's degree in Mechanical Engineering from Boston University.

Brian T. Gladden — Mr. Gladden serves as Senior Vice President and Chief Financial Officer ("CFO"). In this role, he is responsible for all aspects of Dell's finance function including accounting, financial planning and analysis, tax, treasury, audit, information technology, and investor relations, and is also responsible for our global information systems and technology structure. Prior to joining Dell in June 2008, Mr. Gladden was President and CEO of SABIC Innovative Plastics Holding BV. Prior to joining SABIC Innovative Plastics, Mr. Gladden spent nearly 20 years with General Electric ("GE") in a variety of financial and management leadership roles. During his career with the company, he served as Vice President and General Manager of GE Plastics' resin business, CFO of GE Plastics and Vice President and CFO of GE Medical Systems Healthcare IT business. He was named a GE corporate officer in 2002 and had formerly served on GE's corporate audit staff for five years. Mr. Gladden earned a Bachelor of Science degree in Business Administration and Finance from Millersville University in Millersville, PA.

Erin Nelson — Ms. Nelson currently serves as Vice President and Chief Marketing Officer (“CMO”). In this role she is responsible for customer relationship management, communications, brand strategy, core research and analytics, and overall marketing agency management. Before becoming CMO in January 2009, Ms. Nelson spent three years in Europe, most recently as Vice President of Marketing for Dell’s business in Europe, the Middle East and Africa. Since joining Dell in 1999, she has held progressive leadership positions in U.S. consumer marketing, U.S. public sales, EMEA home and small-business marketing, as well as eBusiness. Prior to joining Dell, Ms. Nelson held positions in brand management at Procter & Gamble, corporate strategy at PepsiCo, and as a management consultant with A.T. Kearney. Ms. Nelson earned a Bachelor’s degree in Business Administration with a concentration in International Business and Marketing from the University of Texas at Austin.

Stephen F. Schuckenbrock — Mr. Schuckenbrock currently serves as President, Global Large Enterprise, leading the delivery of innovative and globally consistent Dell solutions and services to the world’s largest corporate IT users. Mr. Schuckenbrock joined us in January 2007 as Senior Vice President and President, Global Services. In September 2007, he assumed the additional role of Chief Information Officer, and served in those roles until January 2009. In those roles, he was responsible for all aspects of our services business, with worldwide responsibility for Dell enterprise service offerings, and was also responsible for our global

information systems and technology structure. Prior to joining us, Mr. Schuckenbrock served as Co-Chief Operating Officer and Executive Vice President of Global Sales and Services for Electronic Data Systems Corporation (“EDS”). Before joining EDS in 2003, he was Chief Operating Officer of The Feld Group, an information technology consulting organization. Mr. Schuckenbrock served as Global Chief Information Officer for PepsiCo from 1998 to 2000. Mr. Schuckenbrock earned a Bachelor’s degree in Business Administration from Elon University.

Lawrence P. Tu — Mr. Tu joined us as Senior Vice President, General Counsel and Secretary in July 2004, and is responsible for overseeing Dell’s global legal dePARTMENT, governmental affairs and ethics dePARTMENT. Before joining Dell, Mr. Tu served as Executive Vice President and General Counsel at NBC Universal for three years. Prior to his position at NBC, he was a Partner with the law firm of O’Melveny & Myers LLP, where he focused on energy, technology, internet, and media related transactions. He also served five years as managing Partner of the firm’s Hong Kong office. Mr. Tu’s prior experience also includes serving as General Counsel Asia-Pacific for Goldman Sachs, attorney for the U.S. State DePARTMENT, and law clerk for U.S. Supreme Court Justice Thurgood Marshall. Mr. Tu holds Juris Doctor and Bachelor of Arts degrees from Harvard University, as well as a Master’s degree from Oxford University, where he was a Rhodes Scholar.

ITEM 1A — RISK FACTORS

There are many risk factors that affect our business and results of operations, some of which are beyond our control. The following is a description of some of the important risk factors that may cause our actual results in future periods to differ substantially from those we currently expect or desire.

- *Weakening global economic conditions and instability in financial markets could harm our business and result in reduced net revenue and profitability.* We are a global company with customers in virtually every business and industry. There has been an erosion of global consumer confidence amidst concerns over declining asset values, fluctuating energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses, and sovereign nations. These concerns have slowed

global economic growth and have resulted in recessions in many countries, including the U.S. While these global economic issues persist, there are likely to be a number of follow-on effects on our business, including customers or potential customers reducing or delaying their technology investments, insolvency of key suppliers resulting in product delays, counterparty failures negatively impacting our treasury operations, the inability of customers to obtain credit to finance purchases of our products, and customer insolvencies, all of which could reduce demand for our product and services, impact our ability to effectively manage inventory levels and collect customer receivables, lengthen our cash conversion cycle and negatively impact liquidity, and ultimately decrease our net revenue and profitability.

- *Weakening economic conditions and instability in financial markets could harm our financial services activities.* Our financial services activities are negatively affected in four major ways by the current economic environment — spending softness, increasing loan delinquencies and defaults, increasing funding costs, and reduced availability of funding through securitizations. Decreased customer spending directly reduces the potential sales revenue that we can seek to finance. Loan delinquencies and defaults impact our net credit losses and have been increasing for more than a year. If this trend continues, we may need to increase our reserves in our customer receivables in the future. The debt and securitization markets have been experiencing and may continue to experience extreme volatility and disruption, resulting in higher credit spreads in the capital markets and higher funding costs for us, as well as reduced availability of funding from securitizing our financing receivables.

We have continued to utilize securitizations to fund our financing activities. During Fiscal 2009 and Fiscal 2008, Dell transferred \$1.4 billion and \$1.2 billion, respectively, of fixed-term leases and loans and revolving loans to unconsolidated qualified special purpose entities to facilitate the funding of financing receivables in the capital markets. Deterioration in our business performance, a credit rating downgrade, continued volatility in the securitization markets, or adverse changes in the economy could lead to reductions in debt availability for the qualified special purpose entities and could limit our ability to continue asset securitizations or other financing from debt or capital sources, reduce the amount of financing receivables that we originate, or could adversely affect the costs or terms on which we may be able to obtain capital, which could unfavorably affect our profitability or cash flows.

- *We face strong competition, which may adversely affect our market share, revenue, and profitability.* We operate in an industry in which there are rapid technological advances in hardware, software and service offerings, and face aggressive product and price competition from both branded and generic competitors. We compete based on our ability to profitably offer competitive solutions with the most current and desired product features, as well as on customer service, quality and reliability. We expect that competition will continue to be intense and that our competitors' products may be less costly, provide better performance or include additional features. Our efforts to balance our mix of products and services to optimize profitability, liquidity, and growth may also put pressure on our industry unit share position in the

short-term. As we continue to expand globally, we may see new and increased competition in different geographic regions. In addition, barriers to entry in our businesses generally are low and products can be distributed broadly and quickly at relatively low cost.

If our increasing reliance on third-Party original equipment manufacturers, original design manufacturing Partnerships, and manufacturing outsourcing relationships fails to generate cost efficiencies, our profitability could be adversely impacted. Our profitability is also affected by our ability to negotiate favorable pricing with our vendors, including vendor rebates, marketing funds, and other vendor funding. Because these supplier negotiations are continuous and reflect the ongoing competitive environment, the variability in timing and amount of incremental vendor discounts and rebates can affect our profitability. Our inability to establish a cost and product advantage, or determine alternative means to deliver value to our customers, may adversely affect our market share, revenue, and profitability.

- *Our ability to generate substantial non-U.S. net revenue faces many additional risks and uncertainties.* Sales outside the U.S. accounted for approximately 48% of our consolidated net revenue in Fiscal 2009. Our future growth rates and success are dependent on continued growth outside the U.S., including the key developing countries of Brazil, Russia, India, and China. Our international operations face many risks and uncertainties, including varied local economic and labor conditions, political instability, and changes in the regulatory environment, trade protection measures, tax laws (including U.S. taxes on foreign operations), copyright levies, and foreign currency exchange rates. Any of these factors could adversely affect our operations and profitability.
- *Our profitability may be affected by our product, customer, and geographic sales mix and by seasonal sales trends.* Our profit margins vary among products, customers, and geographies. In addition, our business is subject to certain seasonal sales trends. For example, sales to government customers (Particularly the U.S. federal government) are typically stronger in our third fiscal quarter, sales in EMEA are often weaker in our third fiscal quarter, and consumer sales are typically strongest during our fourth fiscal quarter. As a result of these factors, our overall profitability for any Particular period will be affected by the mix of products, customers, and geographies reflected in our sales for that period, as well as by seasonal trends.

- *Infrastructure failures and breaches in data security could harm our business.* We depend on our information technology and manufacturing infrastructure to achieve our business objectives. If a problem, such as a computer virus, intentional disruption by a third Party, natural disaster, manufacturing failure, telecommunications system failure, or lost connectivity impairs our infrastructure, we may be unable to book or process orders, manufacture, ship in a timely manner, or otherwise carry on our business. An infrastructure disruption could damage our reputation and cause us to lose customers and revenue, result in the unintentional disclosure of company or customer information, and require us to incur significant expense to eliminate these problems and address related data security concerns. The harm to our business could be even greater if it occurs during a period of disproportionately heavy demand.
- *Our inability to effectively manage product and services transitions could reduce the demand for our products and the profitability of our operations.* Continuing improvements in technology mean frequent new product introductions, short product life cycles, and improvement in product performance characteristics. In addition, we are increasingly sourcing new products and transitioning existing products through our original design manufacturing Partnerships and manufacturing outsourcing relationships in order to generate cost efficiencies, deliver products faster and better serve our customers in certain segments and geographical areas. These product transitions present execution challenges and risks. If we are unable to effectively manage a new product transition, our business and results of operations could be unfavorably affected.
- *Our growth strategy depends on our ability to successfully transform our sales capability and to add to the scope of our product and services offerings.* Our growth strategy involves reaching more customers worldwide through new distribution channels, such as consumer retail, expanding our relationships with value-added resellers, and augmenting select areas of our business through targeted acquisitions. Our goal continues to be to optimize the balance of liquidity, profitability, and growth with a focus on moving the weight of the product portfolio to higher margin products and recurring revenue streams. Our ability to grow sales of these higher margin products, services and solutions depends on our ability to successfully transition our sales capabilities and add to the breadth of our higher margin offerings through selective acquisitions. If we are unable to effectively transition our sales capabilities and grow our product and services offerings, our business and results of operations could be unfavorably affected.
- *Disruptions in component or product availability could unfavorably affect our performance.* Our manufacturing and supply chain efficiencies give us the ability to operate with reduced levels of component and finished goods inventories. Our financial success is Partly due to our supply chain management practices, including our ability to achieve rapid inventory turns. Because we maintain minimal levels of component and product inventories, a disruption in component or product availability could harm our financial performance and our ability to satisfy customer needs.
- *Our reliance on vendors for products and components creates risks and uncertainties.* We require a high volume of quality products and components from third Party vendors. In addition, we are continuing to expand our use of original design manufacturing Partnerships and manufacturing outsourcing relationships in order to generate cost efficiencies, deliver products faster and better serve our customers in certain segments and geographical areas. Our increasing reliance on these vendors subjects us to a greater risk of shortages, and reduced control over delivery schedules of components and products (which can harm efficiencies), as well as a greater risk of increases in product and component costs (which can harm our profitability). In addition, defective parts and products from these vendors could reduce product reliability and harm our reputation.
- *We could experience manufacturing interruptions, delays, or inefficiencies if we are unable to timely and reliably procure components and products from single-source or limited-source suppliers.* We maintain several single-source or limited-source supplier relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. If the supply of a critical single- or limited-source product or component is delayed or curtailed, we may not be able to ship the related product in desired quantities and in a timely manner. Even where multiple sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which could harm operating results.

- *Our business is increasingly dependent on our ability to access the capital markets. We are increasingly dependent on access to debt and capital sources to provide financing for our customers and to obtain funds in the U.S. for general corporate purposes, including share repurchases, funding customer receivables, and acquisitions. Additionally, we have customer financing relationships with companies whose business models rely on accessing the capital markets. The inability of these companies to access such markets could force us to self-fund transactions or forgo customer financing opportunities, potentially harming our financial performance. The debt and capital markets have been experiencing and may continue to experience extreme volatility and disruption. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk, and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding. The cost of accessing debt and capital markets has increased as many lenders and institutional investors require higher rates of return. Lenders have also tightened lending standards, and reduced or ceased their lending to certain borrowers. We believe that we will be able to obtain appropriate financing from third Parties even in light of the current market conditions; nevertheless, changes in our credit ratings, deterioration in our business performance, or adverse changes in the economy could limit our ability to obtain financing from debt or capital sources or could adversely affect the terms on which we may be able to obtain capital, which could unfavorably affect our net revenue and profitability. See “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Commitments — Liquidity.”*
- *We face risks relating to our internal controls. If management is not successful in maintaining a strong internal control environment, material weaknesses could reoccur, causing investors to lose confidence in our reported financial information. This could lead to a decline in our stock price, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control systems and procedures.*
- *Unfavorable results of legal proceedings could harm our business and result in substantial costs. We are involved in various claims, suits, investigations, and legal proceedings that arise from time to time in the ordinary course of our business and that are not yet resolved, including those that are set forth under Note 10 of Notes to Consolidated Financial Statements included in “Part II — Item 8 — Financial Statements and Supplementary Data.” Additional legal claims or regulatory matters may arise in the future and could involve stockholder, consumer, antitrust, tax and other issues on a global basis. Litigation is inherently unpredictable. Regardless of the merit of the claims, litigation may be both time-consuming and disruptive to our business. Therefore, we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a Particular period. For example, we could be exposed to enforcement or other actions with respect to the continuing SEC investigation into certain accounting and financial reporting matters. In addition, if any infringement or other intellectual property claim made against us by any third Party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.*
- *The acquisition of other companies may present new risks. We acquire companies as a Part of our overall growth strategy. These acquisitions may involve significant new risks and uncertainties, including distraction of management attention away from our current business operations, insufficient new revenue to offset expenses, inadequate return of capital, integration challenges, new regulatory requirements, and issues not discovered in our due diligence process. No assurance can be given that such acquisitions will be successful and will not adversely affect our profitability or operations.*
- *Failure to properly manage the distribution of our products and services may result in reduced revenue and profitability. We use a variety of distribution methods to sell our products and services, including directly to customers and through select retailers and third-Party value-added resellers. As we reach more customers worldwide through an increasing number of new distribution channels, such as consumer retail, and continue to expand our relationships with value-added resellers, inventory management becomes more challenging and successful demand forecasting becomes more difficult. Our inability to properly manage and balance inventory levels and potential conflicts among these various distribution methods could harm our operating results.*

- *If our cost cutting measures are not successful, we may become less competitive.* A variety of factors could prevent us from achieving our goal of better aligning our product and service offerings and cost structure with customer needs in the current business environment through reducing our operating expenses; reducing total costs in procurement, product design, and transformation; simplifying our structure; and eliminating redundancies. For example, we may experience delays in the anticipated timing of activities related to our cost savings plans and higher than expected or unanticipated costs to implement them. As a result, we may not achieve our expected cost savings in the time anticipated, or at all. In such case, our results of operations and profitability may be negatively impaired, making us less competitive and potentially causing us to lose market share.
- *Failure to effectively hedge our exposure to fluctuations in foreign currency exchange rates and interest rates could unfavorably affect our performance.* We utilize derivative instruments to hedge our exposure to fluctuations in foreign currency exchange rates and interest rates. Some of these instruments and contracts may involve elements of market and credit risk in excess of the amounts recognized in our financial statements.
- *We are subject to counterParty default risks.* We enter into numerous financing arrangements, including foreign currency option contracts and forward contracts, with a wide array of bank counterParties. As a result, we are subject to the risk that the counterParty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. In times of market distress, a counterParty may default rapidly and without notice to us, and we may be unable to take action to cover our exposure, either because we lack the contractual ability or because market conditions make it difficult to take effective action. In the event of a counterParty default, we could incur significant losses, which could harm our business, results of operations, and financial condition. In the event that one of our counterParties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterParty's default may be limited by the liquidity of the counterParty or the applicable legal regime governing the bankruptcy proceeding. In addition, our deposits at financial institutions are at risk. As of January 30, 2009, approximately 25% of our cash and cash equivalents were deposited with two large financial institutions rated AA and A. If an institution which is holding our deposits fails, we could lose all uninsured funds in those accounts.
- *Our continued business success may depend on obtaining licenses to intellectual property developed by others on commercially reasonable and competitive terms.* If we or our suppliers are unable to obtain desirable technology licenses, we may be prevented from marketing products; could be forced to market products without desirable features; or could incur substantial costs to redesign products, defend legal actions, or pay damages. While our suppliers may be contractually obligated to obtain such licenses and indemnify us against such expenses, those suppliers could be unable to meet their obligations. In addition, our operating costs could increase because of copyright levies or similar fees by rights holders and collection agencies in European and other countries. For a description of potential claims related to copyright levies, see Note 10 of Notes to Consolidated Financial Statements included in "Part II — Item 8 — Financial Statements and Supplementary Data — Legal Matters — Copyright Levies."
- *Our success depends on our ability to attract, retain, and motivate our key employees.* We rely on key personnel to support anticipated continued rapid international growth and increasingly complex product and service offerings. There can be no assurance that we will be able to attract, retain, and motivate the key professional, technical, marketing, and staff resources we need.
- *Loss of government contracts could harm our business.* Government contracts are subject to future funding that may affect the extension or termination of programs and are subject to the right of the government to terminate for convenience or non-appropriation. In addition, if we violate legal or regulatory requirements, the government could suspend or disbar us as a contractor, which would unfavorably affect our net revenue and profitability.
- *The expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax compliance and regulatory matters, could result in an increase of our effective tax rate in the future.* Portions of our operations are subject to a reduced tax rate or are free of tax under various tax holidays that expire in whole or in Part during Fiscal 2010 through Fiscal 2018. Many of these holidays may be extended when certain conditions are met, or terminated if certain conditions

are not met. If they are not extended, or if we fail to satisfy the conditions of the reduced tax rate, then our effective tax rate would increase in the future. Our effective tax rate could also increase if our geographic sales mix changes. We are under audit in various tax jurisdictions. An unfavorable outcome in certain of these matters could result in a substantial increase to our tax expense. In addition, changes in tax laws (including U.S. taxes on foreign operations) could adversely affect our operations and profitability.

- *Current environmental laws, or laws enacted in the future, may harm our business.* Our operations are subject to environmental regulation in all of the areas in which we conduct business. Our product design and procurement operations must comply with new and future requirements relating to the materials composition, energy efficiency and collection, recycling, treatment, and disposal of our electronics products, including restrictions on lead, cadmium, and other substances. If we fail to comply with the rules

and regulations regarding the use and sale of such regulated substances, we could be subject to liability. While we do not expect that the impact of these environmental laws and other similar legislation adopted in the U.S. and other countries will have a substantial unfavorable impact on our business, the costs and timing of costs under environmental laws are difficult to predict.

- *Armed hostilities, terrorism, natural disasters, or public health issues could harm our business.* Armed hostilities, terrorism, natural disasters, or public health issues, whether in the U.S. or abroad, could cause damage or disruption to us, our suppliers or customers, or could create political or economic instability, any of which could harm our business. These events could cause a decrease in demand for our products, could make it difficult or impossible for us to deliver products or for our suppliers to deliver components, and could create delays and inefficiencies in our supply chain.

ITEM 1B — UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2 — PROPERTIES

At January 30, 2009, we owned or leased a total of approximately 16.8 million square feet of office, manufacturing, and warehouse space worldwide, approximately 7.4 million square feet of which is located in the U.S. Approximately 1.0 million square feet, primarily in the U.S. and Canada, is vacant or sublet. We believe that our existing properties are suitable and adequate for our current needs and that we can readily

meet our requirements for additional space at competitive rates by extending expiring leases or by finding alternative space.

Our principal executive offices, including global headquarters, are located at One Dell Way, Round Rock, Texas, United States of America.

Americas Properties

Description	Principal Locations	Owned (square feet)	Leased (square feet)
Headquarters	■Round Rock, Texas	2.1 million	-
Business Centers ^(a)	■Brazil - El Dorado Do Sul ■Oklahoma - Oklahoma City ■Panama - Panama City ■Tennessee - Nashville ■Texas - Austin and Round Rock	1.1 million	1.0 million
Manufacturing and Distribution	■Brazil - Hortolândia ■Florida - Miami (Alienware) ■North Carolina - Winston-Salem ■Tennessee - Lebanon and Nashville ■Texas - Austin	2.6 million	100,000
Design Centers	■Texas - Austin and Round Rock ■New Hampshire - Nashua ■California - SanJose	700,000	100,000

EMEA Properties

Description	Principal Locations	Owned (square feet)	Leased (square feet)
Business Centers ^(a)	<ul style="list-style-type: none"> ■ England - Bracknell ■ Germany - Halle ■ France - Montpellier ■ Ireland - Dublin and Limerick ■ Morocco - Casablanca ■ Slovakia - Bratislava 	500,000	1.5 million
Manufacturing and Distribution	<ul style="list-style-type: none"> ■ Ireland - Limerick and Athlone (Alienware) ■ Poland - Lodz 	1.0 million	-

APJ Properties

Description	Principal Locations	Owned (square feet)	Leased (square feet)
Business Centers ^(a)	<ul style="list-style-type: none"> ■ China - Dalian and Xiamen ■ India - Bangalore, Gurgaon, Hyderabad, and Mohali ■ Japan - Kawasaki ■ Malaysia - Penang and Kuala Lumpur ■ Philippines - Metro Manila 	300,000	3.2 million
Manufacturing and Distribution	<ul style="list-style-type: none"> ■ China - Xiamen ■ Malaysia - Penang ■ India - Chennai 	1.1 million	-
Design Centers	<ul style="list-style-type: none"> ■ China - Shanghai ■ India - Bangalore ■ Singapore ■ Taiwan - Taipei 	-	500,000

(a) Business center locations include facilities with capacity greater than 1,000 people. Operations within these centers include sales, technical support, administrative, and support functions. Locations of smaller business centers are not listed; however, the smaller centers are included in the square footage.

In general, our Americas, EMEA, and APJ regions use properties within their geographies. However, business centers in the Philippines and India, which house sales, customer care, technical support, and administrative support functions, are used by each of our geographic regions. During Fiscal 2009, we closed a manufacturing plant in Austin, Texas and business centers in Ottawa and Edmonton, Canada, and we sold our call center in El Salvador and our small package hub operations in West Chester, Ohio. At the end of Fiscal 2009, a business center in Casablanca, Morocco was under construction. Additionally, we announced the disposition of the sale of our customer contact center in the Philippines in Fiscal 2010.

We plan to migrate all production of computer systems for customers in EMEA from our Limerick, Ireland manufacturing facility to our facility in Poland and third-Party manufacturing Partners over the next year. The manufacturing migration and subsequent closure of our Limerick facility will be completed in a phased transition during calendar 2009. We may realign, sell, or close additional facilities depending on a number of factors, including end-user demand, capabilities, and our migration to a more variable cost manufacturing model. These actions will result in additional business realignment costs in the future, although no plans were finalized at January 30, 2009.

ITEM 3 — LEGAL PROCEEDINGS

The information required by this Item is set forth under Note 10 of Notes to Consolidated Financial Statements included in “Part II — Item 8 — Financial Statements and Supplementary Data”, and is incorporated herein by reference.

ITEM 4 — SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of Fiscal 2009.