
Dell 2Q FY13 Performance Review

Michael Dell
Chairman and CEO

Brian Gladden
SVP, Chief Financial Officer



August 21, 2012

Forward-Looking Statements

Special Note on Forward Looking Statements:

Statements in this presentation that relate to future results and events (including statements about Dell's future financial and operating performance, trends relating to mix shift, macroeconomic challenges, effects of our acquisitions, and success relating to strategic transformation, as well as the financial guidance with respect to revenue and non-GAAP earnings per share) are forward-looking statements and are based on Dell's current expectations. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including: intense competition; Dell's reliance on third-party suppliers for product components, including reliance on several single-sourced or limited-sourced suppliers; Dell's ability to achieve favorable pricing from its vendors; weak global economic conditions and instability in financial markets; Dell's ability to manage effectively the change involved in implementing strategic initiatives; successful implementation of Dell's acquisition strategy; Dell's cost-efficiency measures; Dell's ability to effectively manage periodic product and services transitions; Dell's ability to deliver consistent quality products and services; Dell's ability to generate substantial non-U.S. net revenue; Dell's product, customer, and geographic sales mix, and seasonal sales trends; the performance of Dell's sales channel partners; access to the capital markets by Dell or its customers; weak economic conditions and additional regulation affecting our financial services activities; counterparty default; customer terminations of or pricing changes in services contracts, or Dell's failure to perform as it anticipates at the time it enters into services contracts; loss of government contracts; Dell's ability to obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms; infrastructure disruptions; cyber attacks or other data security breaches; Dell's ability to hedge effectively its exposure to fluctuations in foreign currency exchange rates and interest rates; expiration of tax holidays or favorable tax rate structures, or unfavorable outcomes in tax audits and other compliance matters; impairment of portfolio investments; unfavorable results of legal proceedings; Dell's ability to attract, retain, and motivate key personnel; Dell's ability to maintain strong internal controls; changing environmental and safety laws; the effect of armed hostilities, terrorism, natural disasters, and public health issues; and other risks and uncertainties discussed in Dell's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for its fiscal year ended February 3, 2012. In particular, Dell's expectations with regard to revenue and non-GAAP earnings per share assume, among other matters, that there is no significant decline in economic conditions generally or demand growth specifically, that macroeconomic challenges do not materialize into more significant economic difficulties, no significant change in product mix patterns, and continued geographic customer demand trends. Dell assumes no obligation to update its forward-looking statements.

Non-GAAP Financial Measures:

This presentation includes information about 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"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the historical non-GAAP financial measures and of free cash flow, which is also a non-GAAP measure, to the most directly comparable GAAP measures in the slides captioned "Supplemental Non-GAAP Measures." A detailed discussion of our reasons for including the non-GAAP financial measures and the limitations associated with those measures is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations - Non-GAAP Financial Measures" in Dell's annual report on Form 10-K for the fiscal year ended February 3, 2012. We encourage investors to review the historical reconciliation and the non-GAAP discussion in conjunction with our presentation of the non-GAAP financial measures.



Dell 2Q FY13

2Q Earnings Review

Brian Gladden

SVP, Chief Financial Officer



2Q FY13 Consolidated GAAP Results

Consolidated GAAP P&L¹

\$ in Millions - except Units and EPS

	2Q'12	1Q'13	2Q'13	Y/Y Growth	Seq Growth
Units (thousands)	11,573	10,644	10,393	-10%	-2%
Revenues	15,658	14,422	14,483	-8%	0%
Gross Margin	3,525	3,067	3,138	-11%	2%
<i>GM % of revenue</i>	22.5%	21.3%	21.6%	-90 bps	30 bps
Operating Expenses	2,379	2,243	2,237	-6%	0%
<i>Opex % of revenue</i>	15.2%	15.6%	15.4%	20 bps	-20 bps
Operating Income	1,146	824	901	-21%	9%
<i>OpInc % of revenue</i>	7.3%	5.7%	6.2%	-110 bps	50 bps
Income Before Taxes	1,091	792	838	-23%	6%
Income Tax	201	157	106	-47%	-32%
<i>Effective Tax Rate %</i>	18.4%	19.8%	12.7%	-570 bps	-710 bps
Net Income	890	635	732	-18%	15%
<i>NI % of revenue</i>	5.7%	4.4%	5.1%	-60 bps	70 bps
Diluted EPS	\$0.48	\$0.36	\$0.42	-13%	17%

¹Percentages and ratios are calculated based on underlying data



2Q FY13 Non-GAAP Summary

- Executing our strategy to deliver end-to-end solutions with a flexible design point
 - Enterprise Solutions & Services grew +6% Y/Y; now over a third of revenue and over half of gross margin
 - Servers & Networking grew +14% Y/Y, Dell-owned IP storage grew +6% Y/Y, and Services grew +3% Y/Y
- Delivered revenue of \$14.5B, down -8% Y/Y
- Gross margin was 22.6%, up +60bps sequentially and down -60bps Y/Y
- Operating expenses declined -\$10M sequentially; operating expense percent declined -20bps sequentially to 14.8%
- Operating income was \$1.1B, up +80bps sequentially and down -70bps Y/Y to 7.8% as a percent of revenue
- Earnings per share declined -7% Y/Y to \$0.50
- Cash from operations was \$637M; \$3.2B trailing twelve months
- Adopted dividend policy in June with expected initial rate of \$0.08/share per quarter beginning in 3Q FY13; stock repurchase and dividend programs increase the distribution of capital to shareholders to 20-35% of free cash flow



2Q FY13 Consolidated Non-GAAP Results

Revenue Detail

Consolidated P&L¹

\$ in Millions - except Units and EPS

	2Q'12	1Q'13	2Q'13	Y/Y Growth	Seq Growth
Units (thousands)	11,573	10,644	10,393	-10%	-2%
Revenues	15,658	14,422	14,483	-8%	0%
Gross Margin	3,625	3,167	3,270	-10%	3%
<i>GM % of revenue</i>	23.2%	22.0%	22.6%	-60 bps	60 bps
Operating Expenses	2,297	2,157	2,147	-7%	0%
<i>Opex % of revenue</i>	14.7%	15.0%	14.8%	10 bps	-20 bps
Operating Income	1,328	1,010	1,123	-15%	11%
<i>Oplnc % of revenue</i>	8.5%	7.0%	7.8%	-70 bps	80 bps
Income Before Taxes	1,273	978	1,060	-17%	8%
Income Tax	267	217	185	-31%	-15%
<i>Effective Tax Rate %</i>	21.0%	22.2%	17.5%	-350 bps	-470 bps
Net Income	1,006	761	875	-13%	15%
<i>NI % of revenue</i>	6.4%	5.3%	6.0%	-40 bps	70 bps
Diluted EPS	\$0.54	\$0.43	\$0.50	-7%	16%

¹Percentages and ratios are calculated based on underlying data

- Delivered revenue of \$14.5B, flat sequentially and down -8% Y/Y
- Enterprise Solutions and Services up +6% Y/Y
- Revenue dynamics:
 - Strong growth in Servers and Networking, up +14% Y/Y, Services up +3% Y/Y, Dell-owned IP storage up +6% Y/Y
 - Challenging environment in our End User Computing business, which deteriorated more than expected
 - Implementing changes in our commercial sales approach that will show results over next several quarters



2Q FY13 Consolidated Non-GAAP Results

Gross Margin Detail

Consolidated P&L¹

\$ in Millions - except Units and EPS

	2Q'12	1Q'13	2Q'13	Y/Y Growth	Seq Growth
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¹Percentages and ratios are calculated based on underlying data

- Gross margin was 22.6%, up +60bps sequentially and down -60bps Y/Y
- Sequential margin increase driven by:
 - \$71M benefit or 50bps primarily related to a vendor settlement
 - Improvement in Services gross margin for 6th consecutive quarter
 - Mix shift to enterprise solutions and services and to Commercial from Consumer
- Challenging pricing environment in client products, particularly in growth markets



2Q FY13 Consolidated Non-GAAP Results

Operating Expense and Operating Income Detail

Consolidated P&L¹

\$ in Millions - except Units and EPS

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¹Percentages and ratios are calculated based on underlying data

- Operating expenses were \$2.1B, basically flat sequentially
- Operating expense dynamics:
 - Aggressively managed G&A and discretionary spend
 - Added strategic spend from acquired companies and incremental R&D spend approaching \$100M
- Operating expense % was 14.8%, down -20bps sequentially
- Operating income was \$1.1B, up +80bps sequentially and down -70bps Y/Y to 7.8% as a percent of revenue



2Q FY13 Consolidated Non-GAAP Results

Interest & Other Income, Taxes, and Diluted Weighted Average Shares Detail

Consolidated P&L¹

\$ in Millions - except Units and EPS

	2Q'12	1Q'13	2Q'13	Y/Y Growth	Seq Growth
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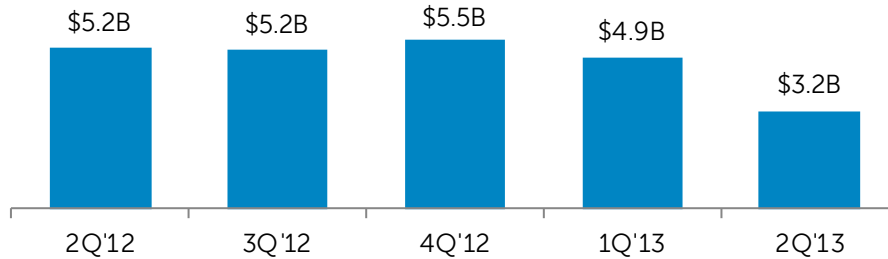
- Interest & other income of -\$63M, driven by interest expense and costs related to F/X programs
- Tax rate of 17.5% driven by some discrete, infrequent items; full year rate outlook of 20-22%
- Repurchased \$400M or 29M shares of stock in 2Q at an average price of \$13.63
- Diluted weighted average shares down -118M Y/Y, down -6% Y/Y
- EPS down -7% Y/Y to \$0.50

¹Percentages and ratios are calculated based on underlying data

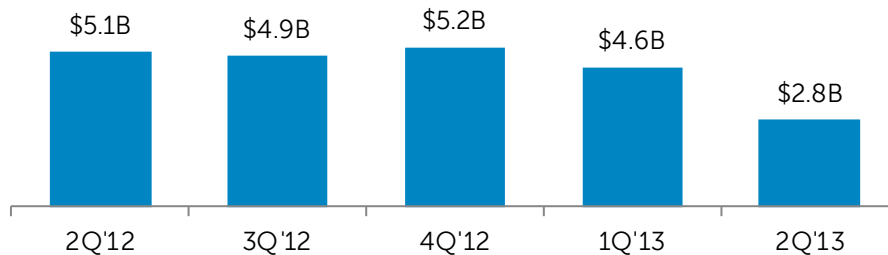


2Q FY13 Cash Flow / Capital Allocation

Cash Flow from Operations¹



Free Cash Flow^{1,2}



- Cash flow from operations of \$637M; \$3.2B trailing twelve months
- Decline in cash flow from operations primarily driven by +2 days sequential increase in cash conversion cycle
- Free cash flow of \$577M; \$2.8B trailing twelve months
- Ended 2Q with \$14.6B cash and investments
- Repurchased \$400M or 29M shares of stock in 2Q at an average price of \$13.63
- Adopted dividend policy with expected initial rate of \$0.08/share per quarter beginning in Q3 FY13

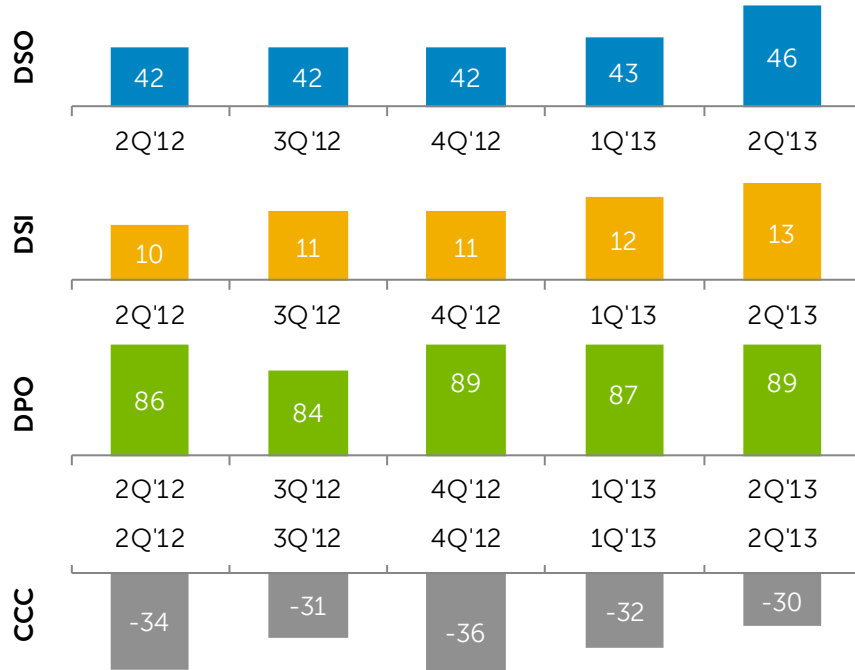
¹Trailing Twelve Months

²Cash flow from operations less capital expenditures and excluding financing receivables



2Q FY13 Working Capital

Cash Conversion Cycle (CCC)

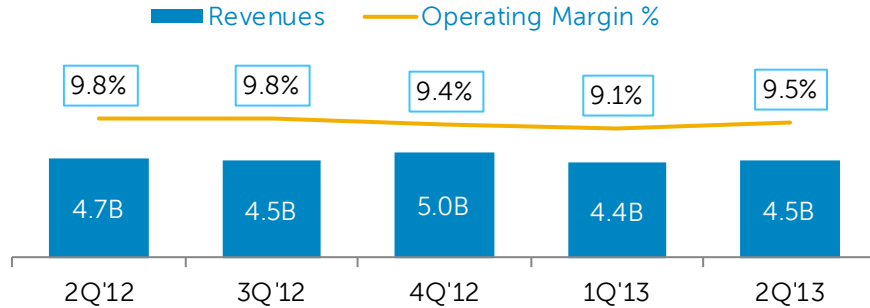


- Days sales outstanding up +3 days sequentially to 46 days, driven by mix shift to ES&S where customer terms are typically longer and impact from acquisitions
- Days sales of inventory up +1 day sequentially to 13 days, driven by higher finished goods and raw materials
- Days payables outstanding up +2 days sequentially to 89 days, primarily driven by quarterly seasonality
- Cash conversion cycle up +2 days sequentially to -30 days
- Expect CCC to remain in low -30 days range



2Q FY13 Large Enterprise

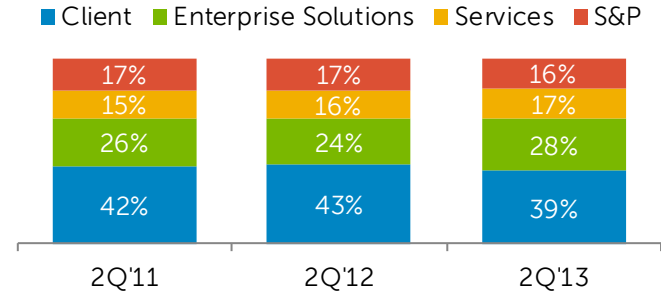
Revenue & Operating Income



Large Enterprise P&L

\$ in Millions	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13
Revenues	4,677	4,540	4,982	4,436	4,536
Sequential Growth, %	2%	-3%	10%	-11%	2%
Y/Y Growth, %	1%	3%	5%	-3%	-3%
Operating Income	460	446	467	402	433
Operating Margin, %	9.8%	9.8%	9.4%	9.1%	9.5%
Sequential Growth, bps	-140 bps	0 bps	-40 bps	-30 bps	40 bps
Y/Y Growth, bps	350 bps	70 bps	-130 bps	-210 bps	-30 bps

Revenue Mix

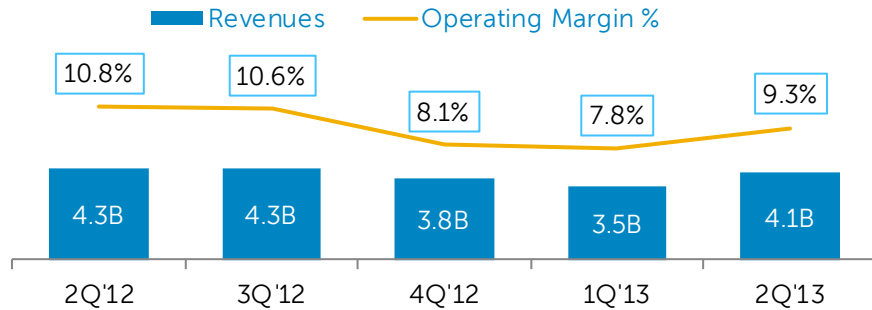


- Revenue down -3% Y/Y to \$4.5B
- Enterprise solutions and services grew +9% Y/Y, led by Servers & Networking growth of +17% Y/Y
- Operating income of \$433M up +40bps sequentially to 9.5% as a percent of revenue, driven by higher gross margins and operating expense reductions



2Q FY13 Public

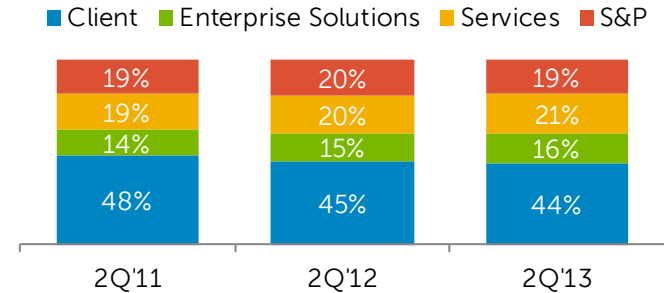
Revenue & Operating Income



Public P&L

\$ in Millions	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13
Revenues	4,329	4,287	3,833	3,466	4,065
Sequential Growth, %	20%	-1%	-11%	-10%	17%
Y/Y Growth, %	-3%	-1%	-1%	-4%	-6%
Operating Income	466	454	312	271	379
Operating Margin, %	10.8%	10.6%	8.1%	7.8%	9.3%
Sequential Growth, bps	110 bps	-20 bps	-250 bps	-30 bps	150 bps
Y/Y Growth, bps	270 bps	20 bps	-100 bps	-190 bps	-150 bps

Revenue Mix

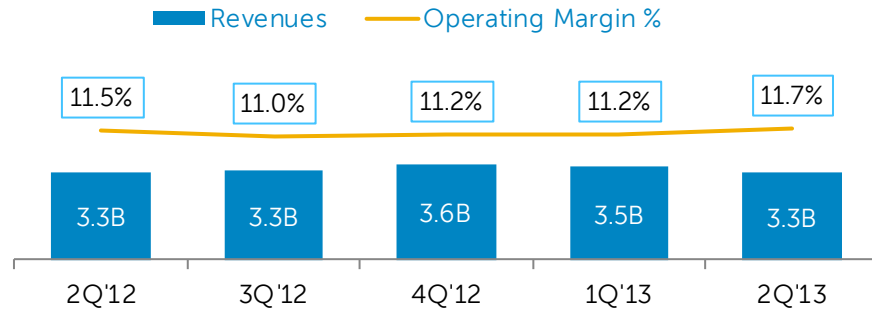


- Revenue down -6% Y/Y to \$4.1B, driven by continued budgetary challenges in many US State and Local Governments; did not see typical seasonal ramp
- US Federal business positioned well; expect normal seasonality in Q3
- Operating income of \$379M up +150bps sequentially to 9.3% as a percent of revenue



2Q FY13 Small & Medium Business

Revenue & Operating Income

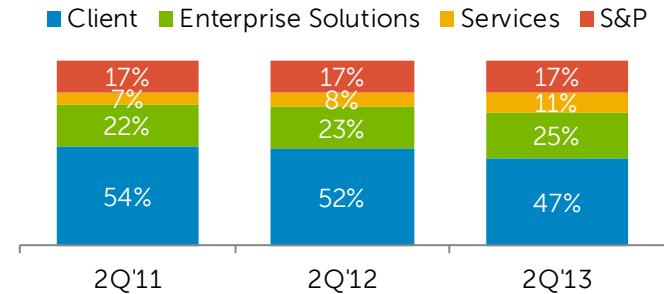


SMB P&L

\$ in Millions

	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13
Revenues	3,306	3,326	3,560	3,477	3,258
Sequential Growth, %	-1%	1%	7%	-2%	-6%
Y/Y Growth, %	7%	5%	10%	4%	-1%
Operating Income	380	367	399	389	382
Operating Margin, %	11.5%	11.0%	11.2%	11.2%	11.7%
Sequential Growth, bps	-150 bps	-50 bps	20 bps	0 bps	50 bps
Y/Y Growth, bps	180 bps	-50 bps	-170 bps	-180 bps	20 bps

Revenue Mix

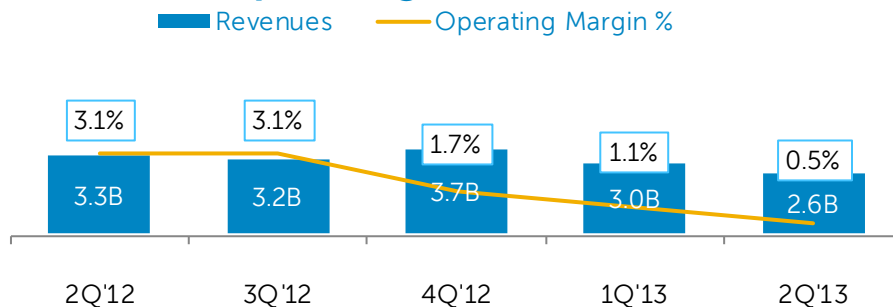


- Revenue down -1% Y/Y to \$3.3B, driven by strong ES&S growth (+15% Y/Y) offset by a contracting EUC business
- Services grew +27% Y/Y and Servers & Networking grew +16% Y/Y
- Operating income of \$382M up +50bps sequentially to 11.7% as a percent of revenue, driven by mix shift to ES&S



2Q FY13 Consumer

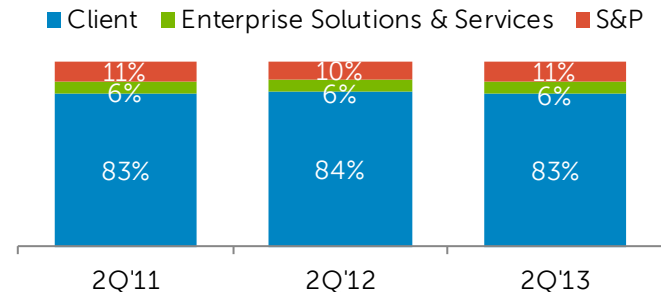
Revenue & Operating Income



Consumer P&L

\$ in Millions	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13
Revenues	3,346	3,212	3,656	3,043	2,624
Sequential Growth, %	-3%	-4%	14%	-17%	-14%
Y/Y Growth, %	-1%	-8%	-4%	-12%	-22%
Operating Income	103	99	61	32	14
Operating Margin, %	3.1%	3.1%	1.7%	1.1%	0.5%
Sequential Growth, bps	-180 bps	0 bps	-140 bps	-60 bps	-60 bps
Y/Y Growth, bps	280 bps	230 bps	-110 bps	-380 bps	-260 bps

Revenue Mix

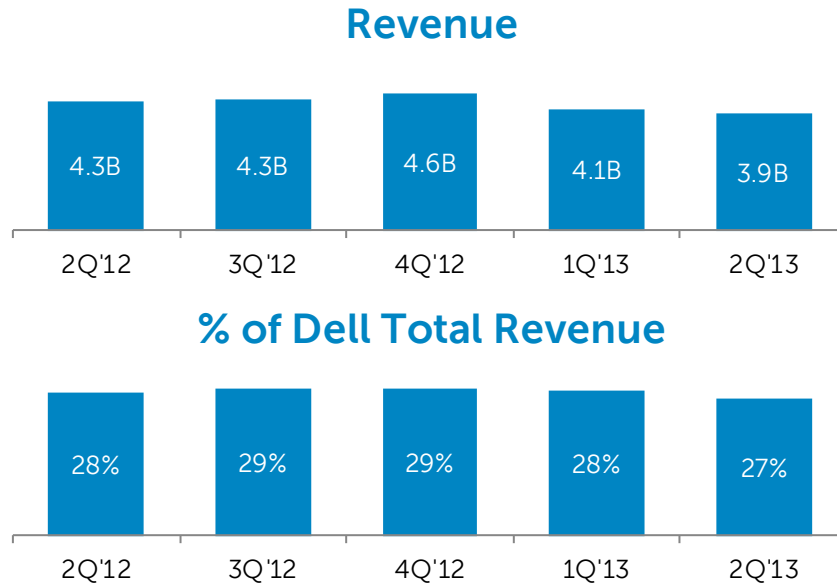


- Revenue down -22% Y/Y to \$2.6B with Consumer notebook revenue down -26%, primarily driven by:
 - Non-participation in low value systems, which impacted revenue in growth markets
 - Shift of spend to alternative mobile devices
- Operating income of \$14M down -60bps sequentially to 0.5% as a percent of revenue



2Q FY13 Growth Markets and Regional Dynamics

Growth Markets¹



¹ Growth Markets exclude US, Canada, Western Europe and Japan

Growth refers to year-over-year

Growth Markets and BRIC Dynamics

- Growth market revenue down -11%, accounted for 27% of total revenue
 - APJ was challenged from an industry-wide perspective posting negative PC unit growth for only the 2nd quarter in 10 years
- Strategic focus on mid-to-high value systems to maximize profit in a challenging environment
- BRIC countries revenue down -15%; (Brazil down -10%, Russia up +47%, India down -30%, China down -14%)

Regional Dynamics

- Americas revenue down -6%, while APJ and EMEA were down -12% and -7%, respectively



2Q FY13 Line of Business Results

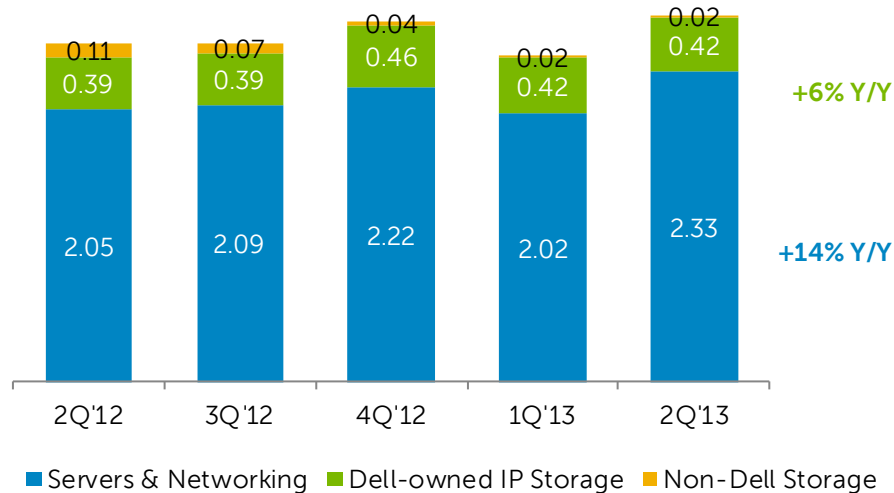
LOB Revenue Trends

	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	
Revenue	Servers & Networking	2,054	2,089	2,220	2,017	2,332
	Storage	502	460	500	444	435
	<i>Dell-owned IP</i>	393	388	463	423	416
	Services	2,036	2,123	2,179	2,071	2,106
	S&P	2,569	2,528	2,558	2,386	2,338
	Mobility	4,761	4,750	4,877	4,236	3,870
	Desktop PCs	3,736	3,415	3,697	3,268	3,402
	Total	15,658	15,365	16,031	14,422	14,483
Q/Q Growth	Servers & Networking	4%	2%	6%	-9%	16%
	Storage	4%	-8%	9%	-11%	-2%
	<i>Dell-owned IP</i>	15%	-1%	19%	-9%	-2%
	Services	3%	4%	3%	-5%	2%
	S&P	0%	-2%	1%	-7%	-2%
	Mobility	1%	0%	3%	-13%	-9%
	Desktop PCs	13%	-9%	8%	-12%	4%
	Total	4%	-2%	4%	-10%	0%
Y/Y Growth	Servers & Networking	9%	13%	6%	2%	14%
	Storage	-20%	-15%	-13%	-8%	-13%
	<i>Dell-owned IP</i>	15%	23%	33%	24%	6%
	Services	6%	10%	12%	4%	3%
	S&P	1%	-2%	-4%	-7%	-9%
	Mobility	1%	-2%	1%	-10%	-19%
	Desktop PCs	-3%	-6%	3%	-1%	-9%
	Total	1%	0%	2%	-4%	-8%



2Q FY13 Servers, Networking & Storage

Servers, Networking & Storage Revenue (\$ in Billions)



Growth refers to year-over-year

- Servers up +8% driven by strong demand for our next generation servers, which accounted for over 50% of our server mix exiting the quarter
- Virtualization momentum continues, particularly evident in Large Enterprise and SMB with server and networking growth of +17% and +16%, respectively
- Networking revenue up +94%, driven by acquisition of Force 10 and PowerConnect growth of +39%
- Dell-owned IP storage revenue up +6%; roughly in line with the market. Plans in place to improve growth

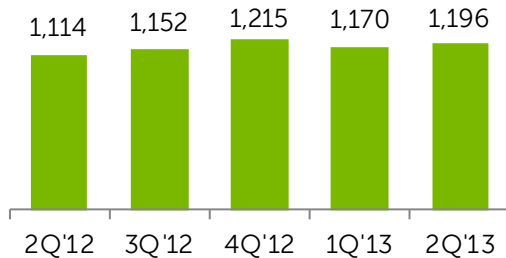
Numbers displayed on chart are rounded, see Line of Business Results for more detail



2Q FY13 Services, Security and Cloud

Support & Deployment

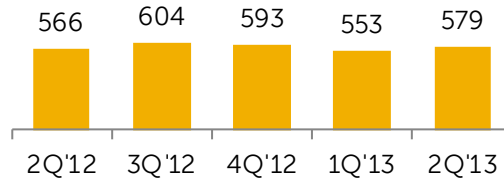
(Revenue \$ in Millions)



- Revenue up +7% Y/Y to \$1.2B
- Increased attach rates for premium services and demand for deployment and custom factory integration services
- Deferred extended warranties up +6% Y/Y to \$7.2B

Infrastructure, Cloud & Security

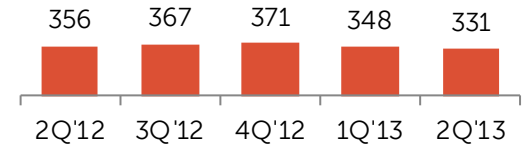
(Revenue \$ in Millions)



- Revenue up +2% Y/Y to \$579M, driven by 35% growth in security business
- Infrastructure growth in cloud services offset by select contract expirations
- Estimated contracted services backlog was \$9.1B, up +5% Y/Y

Applications & BPO

(Revenue \$ in Millions)



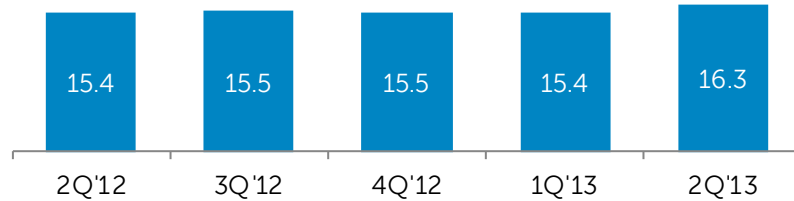
- Revenue down -7% Y/Y to \$331M; saw strong new contract signings in this space
- Developing capabilities to position ourselves for profitable growth



2Q FY13 Services, Security and Cloud

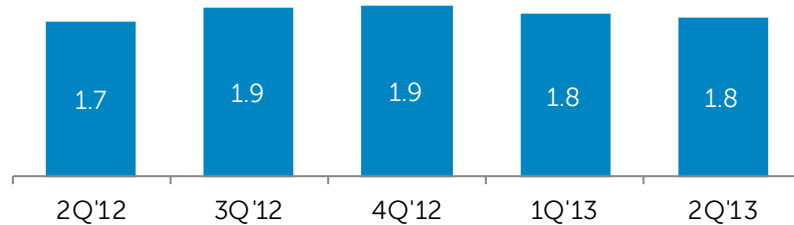
Services Backlog

(\$ in Billions)



TTM New Contract Signings

(\$ in Billions)



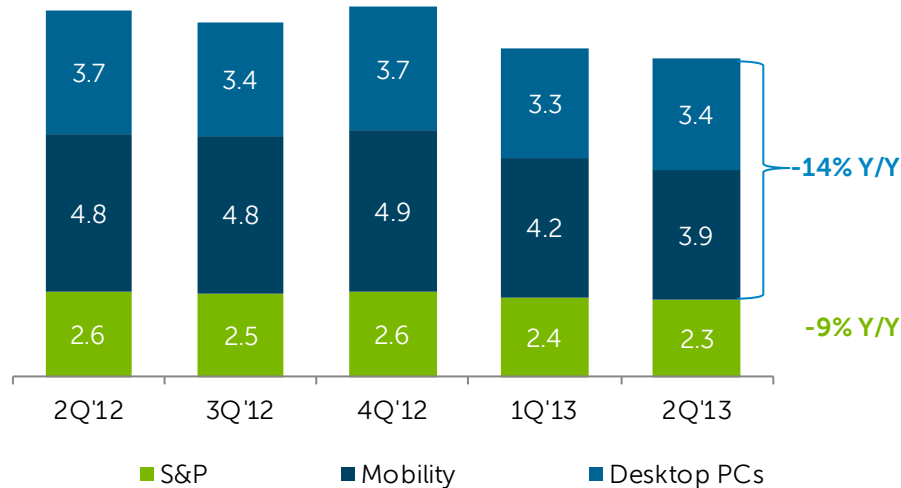
Growth refers to year-over-year

- Services backlog up +5% to \$16.3B
- Trailing twelve months new contract signings up +2% to \$1.8B
 - Two-thirds of nearly \$1B of Q2 signings were focused on Infrastructure, Cloud and Security; one-third focused on Apps & BPO
 - Increasing breadth of our vertical capabilities with many of new signings outside of our traditional areas of strength
- Gross margins increased sequentially for 6th consecutive quarter, driven by:
 - Improved cost structure
 - Increased attach rates of higher margin services



2Q FY13 End User Computing and Software & Peripherals

End User Computing and S&P (\$ in Billions)



Numbers displayed on chart are rounded, see Line of Business Results for more detail

Growth refers to year-over-year

- Mobility revenue down -19% and Desktop revenue down -9%, driven by:
 - Demand softness and pricing pressures in emerging markets and Western Europe
 - Channel inventory drawdown before Win8 launch
 - Shift to alternative mobile devices
- Introducing new Win8 ultrabooks, all-in-ones, tablets and converged devices in Q4 and into next year
- Maximizing operating income based on the demand environment
- S&P revenue down -9%, impacted by slow growth in desktops and notebooks and continued pruning of low-value products



Dell 2Q FY13

FY13 Quarterly and Full-year Outlook

Brian Gladden

SVP, Chief Financial Officer



Outlook

Q3 FY13

- Given the macro environment and soft consumer business for Dell, we expect revenue to be down -2 to -5% sequentially

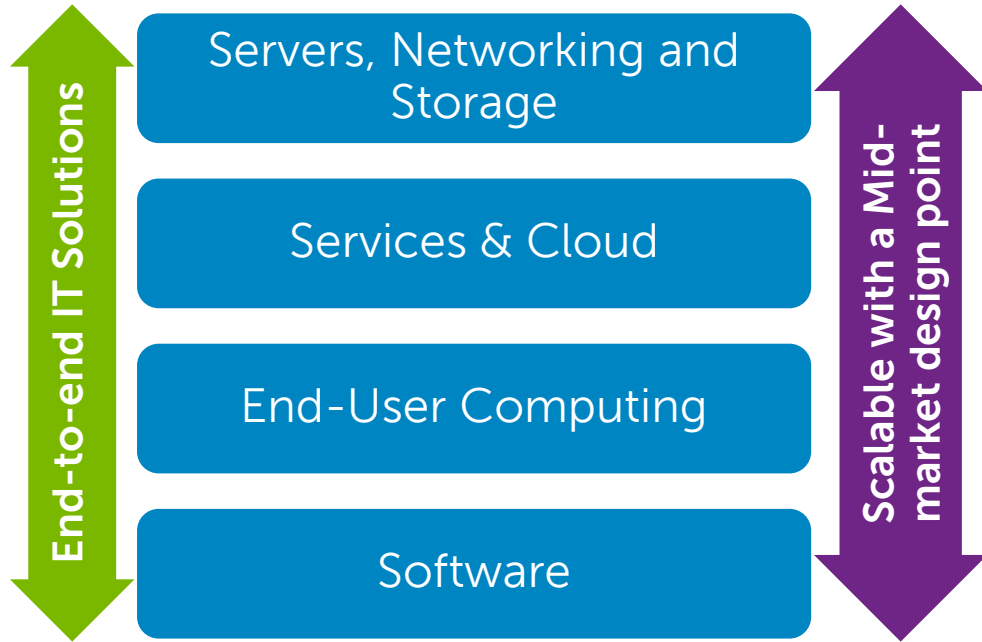
Full Year FY13

- With the uncertain environment and competitive dynamics, we're lowering our FY13 EPS outlook to at least \$1.70 per share; Expect continued solid growth in Enterprise Solutions, Services, and Software combined with a realistic view of a challenging EUC environment in the second half
 - FY13 guidance includes \$0.02 to \$0.03 dilutive impact primarily driven by the expected purchase accounting treatment of the pending acquisition of Quest Software
 - Expect Quest will impact the 2nd half of the year by +\$225M-\$250M of revenue, +\$250M-\$270M of operating expense partially offset by +\$200M-\$220M of gross margin
 - Assuming the Quest transaction closes as planned, 25% will impact Q3 and 75% will impact Q4
- Expect full year tax rate between 20% and 22%
- Expect F&O income of ~(\$60M) per quarter



Committed to our Strategic Priorities

Expect continued solid growth in Enterprise Solutions, Services & Software



Growth refers to year-over-year

- Enterprise solutions and services revenue up +6% to \$4.9B; over a third of revenue and over half of gross margin
- Server & Networking revenue up +14%, Services up +3%, Dell-IP Storage up +6%
- Expanded network to ~113,000 channel partners; Enterprise certified partners increased 40% sequentially to over 3,600
- Closed 5 acquisitions in 1H FY13; closed acquisitions of SonicWall and Wyse Technology in Q2
- Pending acquisition of Quest Software will provide significant sales and development scale to our software organization



2Q FY13 Corporate Responsibility

Dell's commitment to our planet, our communities and our people

Our Planet

- Announced the launch of Dell's FY12 Corporate Responsibility Report and rolled out Powering the Possible CSR Platform
- Held the 2nd annual east coast road show to meet with Socially Responsible Investors (SRI's)
- Launched updated 2012 EICC code of conduct to our suppliers
- Named #7 on Interbrand's Global Green Brands list
- All Latitude, XPS, and Precision notebooks launched this year are BFR/PVC* free

Our Communities & Our People

- Announced finalists and winner of the 2012 Dell Social Innovation Challenge
- Announced \$1M donation to Catalyst for research center studying gender gap in business and Michael Dell is on the Board of Directors
- Dell Canada included in the Jantzi-Sustainalytics Top 50 Socially Responsible Corporations

* Brominated Flame Retardants (BFR)/ Polyvinyl chloride (PVC)



Dell 2Q FY13

Supplemental Non-GAAP Measures



Supplemental Non-GAAP Measures

(\$ millions, except per share data)

	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13
GAAP Net Income	341	545	822	927	2,635	945	890	893	764	3,492	635	732
GAAP EPS	0.17	0.28	0.42	0.48	1.35	0.49	0.48	0.49	0.43	1.88	0.36	0.42
<u>Non-GAAP adjustments:</u>												
Amortization of intangibles	88	87	89	85	349	92	95	100	104	391	110	150
Severance & facility actions and Acquisition-related	77	40	54	56	227	72	87	46	108	313	76	72
Other ¹	140	0	(72)	0	68	0	0	0	0	0	0	0
Aggregate Tax-adjustments	(62)	(43)	(18)	(50)	(173)	(59)	(66)	(56)	(63)	(244)	(60)	(79)
Total adjustments to Net Income	243	84	53	91	471	105	116	90	149	460	126	143
Total adjustments to EPS - diluted	0.13	0.04	0.03	0.05	0.24	0.06	0.06	0.05	0.08	0.25	0.07	0.08
Non-GAAP Net Income	584	629	875	1,018	3,106	1,050	1,006	983	913	3,952	761	875
Non-GAAP EPS	0.30	0.32	0.45	0.53	1.59	0.55	0.54	0.54	0.51	2.13	0.43	0.50
<u>Percentage of Total Net Revenue:</u>												
GAAP Net Income	2.3%	3.5%	5.3%	5.9%	4.3%	6.3%	5.7%	5.8%	4.8%	5.6%	4.4%	5.1%
Non-GAAP adjustments	1.6%	0.5%	0.4%	0.6%	0.8%	0.7%	0.7%	0.6%	0.9%	0.8%	0.9%	0.9%
Non-GAAP Net Income	3.9%	4.0%	5.7%	6.5%	5.1%	7.0%	6.4%	6.4%	5.7%	6.4%	5.3%	6.0%

¹ \$40M Legal Settlement, a \$100M SEC Settlement, and a -\$72M merger termination fee



Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13
GAAP Gross Margin	2,516	2,586	3,003	3,291	11,396	3,432	3,525	3,469	3,385	13,811	3,067	3,138
<u>Non-GAAP adjustments:</u>												
Amortization of intangibles	68	70	71	69	278	71	74	77	83	305	88	109
Severance & facility actions and Acquisition-related	30	15	4	8	57	8	26	0	15	49	12	23
Total adjustments to Gross Margin	98	85	75	77	335	79	100	77	98	354	100	132
Non-GAAP Gross Margin	2,614	2,671	3,078	3,368	11,731	3,511	3,625	3,546	3,483	14,165	3,167	3,270
<u>Percentage of Total Net Revenue:</u>												
<i>GAAP Gross Margin</i>	<i>16.9%</i>	<i>16.6%</i>	<i>19.5%</i>	<i>21.0%</i>	<i>18.5%</i>	<i>22.9%</i>	<i>22.5%</i>	<i>22.6%</i>	<i>21.1%</i>	<i>22.3%</i>	<i>21.3%</i>	<i>21.6%</i>
<i>Non-GAAP adjustments</i>	<i>0.7%</i>	<i>0.6%</i>	<i>0.5%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>0.5%</i>	<i>0.7%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>0.5%</i>	<i>0.7%</i>	<i>1.0%</i>
<i>Non-GAAP Gross Margin</i>	<i>17.6%</i>	<i>17.2%</i>	<i>20.0%</i>	<i>21.5%</i>	<i>19.1%</i>	<i>23.4%</i>	<i>23.2%</i>	<i>23.1%</i>	<i>21.7%</i>	<i>22.8%</i>	<i>22.0%</i>	<i>22.6%</i>



Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13
GAAP operating expenses	1,997	1,841	1,979	2,146	7,963	2,220	2,379	2,327	2,454	9,380	2,243	2,237
<u>Non-GAAP adjustments:</u>												
Amortization of intangibles	(20)	(17)	(18)	(16)	(71)	(21)	(21)	(23)	(21)	(86)	(22)	(41)
Severance & facility actions and Acquisition-related	(47)	(25)	(50)	(48)	(170)	(64)	(61)	(46)	(93)	(264)	(64)	(49)
Other ¹	(140)	0	0	0	(140)	0	0	0	0	0	0	0
Total adjustments to opex	(207)	(42)	(68)	(64)	(381)	(85)	(82)	(69)	(114)	(350)	(86)	(90)
Non-GAAP operating expenses	1,790	1,799	1,911	2,082	7,582	2,135	2,297	2,258	2,340	9,030	2,157	2,147
<u>Percentage of Total Net Revenue:</u>												
GAAP operating expenses	13.4%	11.8%	12.8%	13.7%	12.9%	14.8%	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%
Non-GAAP adjustments	-1.4%	-0.2%	-0.4%	-0.4%	-0.6%	-0.6%	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%
Non-GAAP operating expenses	12.0%	11.6%	12.4%	13.3%	12.3%	14.2%	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%

¹ \$40M Legal Settlement and a \$100M SEC Settlement



Supplemental Non-GAAP Measures

(\$ millions)	1Q'11	2Q'11	3Q'11	4Q'11	FY11	1Q'12	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13
GAAP operating income	519	745	1,024	1,145	3,433	1,212	1,146	1,142	931	4,431	824	901
<u>Non-GAAP adjustments:</u>												
Amortization of intangibles	88	87	89	85	349	92	95	100	104	391	110	150
Severance & facility actions and Acquisition-related	77	40	54	56	227	72	87	46	108	313	76	72
Other ¹	140	0	0	0	140	0	0	0	0	0	0	0
Total adjustments to opinc	305	127	143	141	716	164	182	146	212	704	186	222
Non-GAAP operating income	824	872	1,167	1,286	4,149	1,376	1,328	1,288	1,143	5,135	1,010	1,123
<u>Percentage of Total Net Revenue:</u>												
GAAP operating income	3.5%	4.8%	6.7%	7.3%	5.6%	8.1%	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%
Non-GAAP adjustments	2.0%	0.8%	0.9%	0.9%	1.1%	1.1%	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%
Non-GAAP operating income	5.5%	5.6%	7.6%	8.2%	6.7%	9.2%	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%

¹ \$40M Legal Settlement and a \$100M SEC Settlement



Supplemental Non-GAAP Measures

(\$ millions)

	1Q'11	2Q'11	3Q'11	4Q'11	1Q'12	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13
Net TTM Free Cash Flow										
Cash flow from operations	3,383	3,642	3,754	3,969	4,196	5,235	5,173	5,527	4,924	3,187
Capital expenditures	(333)	(379)	(402)	(444)	(535)	(549)	(670)	(675)	(680)	(641)
Financing receivables	1,266	1,119	988	709	480	375	412	372	322	282
Net TTM Free Cash Flow	4,316	4,382	4,340	4,234	4,141	5,061	4,915	5,224	4,566	2,828

Net Free Cash Flow

Cash flow from operations	238	1,335	913	1,483	465	2,374	851	1,837	(138)	637
Capital expenditures	(46)	(145)	(93)	(160)	(137)	(159)	(214)	(165)	(142)	(120)
Financing receivables	208	205	46	250	(21)	100	83	210	(71)	60
Net Free Cash Flow	400	1,395	866	1,573	307	2,315	720	1,882	(351)	577

