

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): August 15, 2013**

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**Dell Inc.**

**(Exact name of registrant as specified in its charter)**

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-17017**  
(Commission  
File Number)

**74-2487834**  
(IRS Employer  
Identification No.)

**One Dell Way, Round Rock, Texas 78682**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (800) 289-3355**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 — Results of Operations and Financial Condition.**

On August 15, 2013, Dell Inc. (“Dell”) issued a press release announcing its financial results for its fiscal quarter ended August 2, 2013. A copy of the press release is furnished as Exhibit 99.1 to this report. Concurrently with that press release, Dell also posted on its investor relations website a Letter from the Chief Financial Officer and an Earnings Presentation, which are furnished as Exhibits 99.2 and 99.3, respectively, to this report.

To supplement Dell’s condensed consolidated financial statements presented on the basis of accounting principles generally accepted in the United States of America (“GAAP”) which are furnished in Exhibit 99.1 to this report, Dell has presented 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 under GAAP. A reconciliation of each historical non-GAAP financial measure to the most comparable GAAP financial measure for Dell’s fiscal quarter ended August 2, 2013 and certain prior fiscal periods is included in the tables set forth under the heading “Reconciliation of Non-GAAP Financial Measures” in Exhibit 99.1. In addition a detailed discussion of Dell’s reasons for including the non-GAAP financial measures and the limitations associated with those measures is included under “Use of Non-GAAP Financial Measures” in Exhibit 99.1. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net income, operating income, gross margin, operating expenses, and earnings per share prepared in accordance with GAAP.

In accordance with General Instruction B.2 to Form 8-K, the information contained in this current report, including Exhibits 99.1, 99.2 and 99.3 hereto, is being “furnished” with the Securities and Exchange Commission and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under such section. Furthermore, such information shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, unless specifically identified as being incorporated therein by reference.

**Item 9.01 — Financial Statements and Exhibits.**

Dell herewith furnishes the following documents as an exhibit to this report:

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release Issued by Dell Inc., dated August 15, 2013
99.2	Letter from the Chief Financial Officer
99.3	Earnings Presentation

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DELL INC.

Date: August 15, 2013

By: /s/ Janet B. Wright

Janet B. Wright,  
Vice President and Assistant Secretary  
(Duly Authorized Officer)

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## EXHIBIT INDEX

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**FY14 Q2 Press Release (FINAL)**

8/15/13 10:45 am

**Dell Reports Fiscal Year 2014 Second Quarter Financial Results**

- Revenue of \$14.5 billion, flat year over year
- Enterprise Solutions, Software and Services revenue up 9 percent
- GAAP earnings of \$0.12 per share; non-GAAP earnings of \$0.25 per share

**ROUND ROCK, Texas, Aug. 15, 2013** - Dell today announced fiscal 2014 second quarter results, with revenue of \$14.5 billion, GAAP earnings of \$0.12 per share and non-GAAP earnings of \$0.25 per share. The company's Enterprise Solutions, Services and Software (ES&S) revenue was \$5.8 billion, growing 9 percent year over year, including the benefit of the Quest acquisition. In End User Computing, revenue was down 5 percent year over year.

"In a challenging environment, we remain committed to our strategy and our customers, and we're encouraged by increasing customer interest in our end-to-end solutions offerings and continued growth in our Enterprise Solutions, Services and Software businesses," said Brian Gladden, Dell chief financial officer.

**Results**

- **Revenue** in the quarter was \$14.5 billion, flat from the previous year.
- **GAAP operating income** for the quarter was \$272 million, or 1.9 percent of revenue. **Non-GAAP operating income** was \$602 million, or 4.1 percent of revenue.
- **GAAP earnings per share** was 12 cents, down 71 percent from the previous year; **non-GAAP earnings per share** was 25 cents, down 50 percent.
- **Cash flow** from operations in the quarter was \$1.7 billion. Dell ended the quarter with \$13.9 billion in cash and investments.

**Fiscal-Year 2014 Second Quarter Results**

(in millions)	Second Quarter		Change
	FY14	FY13	
Revenue	\$14,514	\$14,483	0%
Operating Income (GAAP)	\$ 272	\$ 901	(70)%
Net Income (GAAP)	\$ 204	\$ 732	(72)%
EPS (GAAP)	\$ 0.12	\$ 0.42	(71)%
Operating Income (non-GAAP)	\$ 602	\$ 1,123	(46)%
Net Income (non-GAAP)	\$ 433	\$ 875	(51)%
EPS (non-GAAP)	\$ 0.25	\$ 0.50	(50)%

Information about Dell's use of non-GAAP financial information is provided under "Non-GAAP Financial Measures" below. Non-GAAP financial information excludes amortization of purchased intangibles, severance and facility actions, acquisition-related charges, costs incurred in Fiscal 2014 related to Dell's proposed merger, and other items. All comparisons in this press release are year over year unless otherwise noted.

**Operating Segments Summary:**

- **Enterprise Solutions Group** revenue was \$3.3 billion, an 8 percent increase. Operating income for the quarter was \$137 million, a 9 percent decrease. Dell server, networking and peripherals revenue increased 10 percent, the fifth consecutive quarter of growth for this business, driven by continued strength in hyper-scale data center servers. Dell networking continued to grow, with a 19 percent revenue increase. Dell storage revenue declined 7 percent.

- **Dell Services** revenue was \$2.1 billion, up 2 percent, driven by a 3 percent increase in support and deployment revenue and a 5 percent increase for infrastructure, cloud and security services revenue. Applications and business process services revenue declined 6 percent. Total Services operating income was \$339 million, a 1 percent increase.
- **Dell Software** revenue was \$310 million, and recorded an operating loss. The company is continuing to enhance its software capabilities with investments in this business that increase R&D and sales capacity.
- **End User Computing** revenue was \$9.1 billion in the quarter, a 5 percent decrease. Operating income for the quarter was \$205 million, a 71 percent decrease. Dell desktop and thin client revenue increased 1 percent, mobility revenue declined 10 percent, and revenue from software from third parties and peripherals declined 5 percent. Dell was the only vendor among the top five worldwide to increase PC unit-shipment share both year over year and sequentially in the past two calendar quarters, according to IDC.

#### **Company Outlook:**

Given the company's announcement on Feb. 5 of a definitive merger agreement to take Dell private, the company is not providing an outlook.

#### **About Dell**

Dell Inc. (NASDAQ: DELL) listens to customers and delivers innovative technology and services that give them the power to do more. For more information, visit [www.dell.com](http://www.dell.com). To communicate directly with Dell, go to [www.dell.com/dellshares](http://www.dell.com/dellshares). Follow Dell on its Investor Relations Twitter account at: <http://twitter.com/dellshares> or hashtag [#DellEarnings](https://twitter.com/hashtag/DellEarnings).

#### **Non-GAAP Financial Measures:**

*This press release includes information about non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share (collectively with non-GAAP gross margin and non-GAAP operating expenses, the "non-GAAP financial measures"), which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. In the following tables, Dell has provided a reconciliation of each historical non-GAAP financial measure to the most directly comparable GAAP financial measure under the heading "Reconciliation of Non-GAAP Financial Measures." Dell encourages investors to review the reconciliation in conjunction with Dell's presentation of these non-GAAP financial measures.*

#### **Special Note on Forward Looking Statements:**

*Statements in this press release that relate to future results and events 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: effects of Dell's proposed merger; 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 Dell's 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 1, 2013, as amended on June 3, 2013. Factors or risks that could cause Dell's actual results to differ materially from the results it anticipates also include: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (2) the inability to complete the proposed merger due to the failure to obtain stockholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; (3) the failure to obtain the necessary financing arrangements set forth in the debt and equity commitment letters delivered pursuant to the merger agreement; (4) risks related to disruption of management's attention from the Company's ongoing business operations due to the transaction; and (5) the effect of the announcement of the proposed merger on the Company's relationships with its customers, operating results and business generally. Dell assumes no obligation to update its forward-looking statements.*

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**Additional Information and Where to Find It**

*In connection with the proposed merger transaction, the Company filed with the SEC a definitive proxy statement and other relevant documents, including a form of proxy card, on May 31, 2013, and a revised definitive proxy statement on August 14, 2013. The definitive proxy statement and a form of proxy have been mailed to the Company's stockholders. Stockholders are urged to read the proxy statement and any other documents filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they contain important information about the proposed merger.*

*Investors will be able to obtain a free copy of documents filed with the SEC at the SEC's website at <http://www.sec.gov>. In addition, investors may obtain a free copy of the Company's filings with the SEC from the Company's website at <http://content.dell.com/us/en/corp/investor-financial-reporting.aspx> or by directing a request to: Dell Inc. One Dell Way, Round Rock, Texas 78682, Attn: Investor Relations, (512) 728-7800, [investor\\_relations@dell.com](mailto:investor_relations@dell.com).*

*The Company and its directors, executive officers and certain other members of management and employees of the Company are "participants" in the solicitation of proxies from stockholders of the Company in favor of the proposed merger. Information regarding the persons who, under the rules of the SEC, are participants in the solicitation of the stockholders of the Company in connection with the proposed merger and their direct or indirect interests, by security holdings or otherwise, which may be different from those of the Company's stockholders generally, are set forth in the proxy statement and the other relevant documents filed with the SEC. You can find information about the Company's executive officers and directors in its Annual Report on Form 10-K for the fiscal year ended February 1, 2013, as amended on June 3, 2013.*

Consolidated statements of income, financial position and cash flows and other financial data follow.

Dell is a trademark of Dell Inc. Dell disclaims any proprietary interest in the marks and names of others.

**Contact Information****Media Contacts: (512) 728-4100**

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**Investor Relations Contacts:**

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**DELL INC.**

Condensed Consolidated Statement of Income and Related Financial Highlights  
(in millions, except per share data and percentages)  
(unaudited)

	Three Months Ended			% Growth Rates	
	August 2, 2013	May 3, 2013	August 3, 2012	Sequential	Yr. to Yr.
Net revenue					
Products	\$ 11,326	\$ 10,902	\$ 11,403	4%	(1%)
Services, including software related	3,188	3,172	3,080	1%	4%
Total net revenue	14,514	14,074	14,483	3%	0%
Cost of net revenue					
Products	9,767	9,244	9,280	6%	5%
Services, including software related	2,058	2,083	2,065	(1%)	0%
Total cost of net revenue	11,825	11,327	11,345	4%	4%
Gross margin	2,689	2,747	3,138	(2%)	(14%)
Operating expenses					
Selling, general, and administrative	2,097	2,208	1,976	(5%)	6%
Research, development, and engineering	320	313	261	2%	23%
Total operating expenses	2,417	2,521	2,237	(4%)	8%
Operating income	272	226	901	20%	(70%)
Interest and other, net	(53)	(68)	(63)	21%	16%
Income before income taxes	219	158	838	38%	(74%)
Income tax provision	15	28	106	(46%)	(86%)
Net income	\$ 204	\$ 130	\$ 732	56%	(72%)
Earnings per share:					
Basic	\$ 0.12	\$ 0.07	\$ 0.42	71%	(71%)
Diluted	\$ 0.12	\$ 0.07	\$ 0.42	71%	(71%)
Cash dividends declared per common share	\$ 0.08	\$ 0.08	\$ —		
Weighted average shares outstanding:					
Basic	1,757	1,748	1,747	0%	1%
Diluted	1,764	1,761	1,753	0%	1%
<b><u>Percentage of Total Net Revenue:</u></b>					
Gross margin	18.5%	19.5%	21.6%		
Selling, general, and administrative	14.4%	15.7%	13.6%		
Research, development, and engineering	2.2%	2.2%	1.8%		
Operating expenses	16.6%	17.9%	15.4%		
Operating income	1.9%	1.6%	6.2%		
Income before income taxes	1.5%	1.1%	5.8%		
Net income	1.4%	0.9%	5.1%		
Income tax rate	6.9%	17.6%	12.7%		

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



**DELL INC.**

Condensed Consolidated Statement of Income and Related Financial Highlights  
(in millions, except per share data and percentages)  
(unaudited)

	<u>Six Months Ended</u>		<u>% Growth Rates</u>
	<u>August 2,</u> <u>2013</u>	<u>August 3,</u> <u>2012</u>	<u>Yr. to Yr.</u>
Net revenue			
Products	\$ 22,228	\$ 22,826	(3%)
Services, including software related	6,360	6,079	5%
Total net revenue	<u>28,588</u>	<u>28,905</u>	(1%)
Cost of net revenue			
Products	19,011	18,610	2%
Services, including software related	4,141	4,090	1%
Total cost of net revenue	<u>23,152</u>	<u>22,700</u>	2%
Gross margin	5,436	6,205	(12%)
Operating expenses			
Selling, general, and administrative	4,305	3,985	8%
Research, development, and engineering	633	495	28%
Total operating expenses	<u>4,938</u>	<u>4,480</u>	10%
Operating income	498	1,725	(71%)
Interest and other, net	<u>(121)</u>	<u>(95)</u>	(27%)
Income before income taxes	377	1,630	(77%)
Income tax provision	43	263	(84%)
Net income	<u>\$ 334</u>	<u>\$ 1,367</u>	(76%)
Earnings per share:			
Basic	<u>\$ 0.19</u>	<u>\$ 0.78</u>	(76%)
Diluted	<u>\$ 0.19</u>	<u>\$ 0.77</u>	(75%)
Cash dividends declared per common share	\$ 0.16	\$ —	
Weighted average shares outstanding:			
Basic	1,752	1,753	0%
Diluted	1,763	1,764	0%
<b><u>Percentage of Total Net Revenue:</u></b>			
Gross margin	19.0%	21.5%	
Selling, general, and administrative	15.1%	13.8%	
Research, development, and engineering	2.2%	1.7%	
Operating expenses	17.3%	15.5%	
Operating income	1.7%	6.0%	
Income before income taxes	1.3%	5.6%	
Net income	1.2%	4.7%	
Income tax rate	11.4%	16.1%	

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

**DELL INC.**  
Segment Information  
(in millions, except percentages)  
(unaudited)

	Three Months Ended			% Growth Rates	
	August 2, 2013 <sup>(a)</sup>	May 3, 2013 <sup>(a)</sup>	August 3, 2012	Sequential	Yr. to Yr.
<b><u>End User Computing (“EUC”):</u></b>					
Net Revenue:					
Desktops and thin client	\$ 3,550	\$ 3,273	\$ 3,504	8%	1%
Mobility	3,569	3,618	3,946	(1%)	(10%)
Third-party software and peripherals	2,020	2,029	2,121	0%	(5%)
Total EUC Revenue	9,139	8,920	9,571	2%	(5%)
External EUC revenue	8,899	8,714	9,353		
Internal EUC revenue	240	206	218		
Operating income:					
EUC operating income	205	224	696	(8%)	(71%)
% of segment revenue	2.2%	2.5%	7.3%		
% of total segment operating income	33%	35%	59%		
<b><u>Enterprise Solutions Group (“ESG”):</u></b>					
Net Revenue:					
Servers, peripherals, and networking	2,892	2,669	2,622	8%	10%
Storage	432	424	464	2%	(7%)
Total ESG revenue	3,324	3,093	3,086	7%	8%
External ESG revenue	3,173	2,959	2,941		
Internal ESG revenue	151	134	145		
Operating income:					
ESG operating income	137	136	151	1%	(9%)
% of segment revenue	4.1%	4.4%	4.9%		
% of total segment operating income	22%	21%	13%		
<b><u>Dell Software Group:</u></b>					
Net Revenue:					
Total Dell Software Group revenue	310	295	95	5%	228%
Operating income:					
Dell Software Group operating income	(62)	(85)	(11)	27%	(447%)
% of segment revenue	-20.1%	-28.7%	-12.0%		
% of total segment operating income	-10%	-13%	-1%		
<b><u>Dell Services:</u></b>					
Net Revenue:					
Support and deployment	1,223	1,202	1,192	2%	3%
Infrastructure, cloud, and security services	601	612	574	(2%)	5%
Applications and business process services	312	295	331	6%	(6%)
Total Dell Services revenue	2,136	2,109	2,097	1%	2%
External Dell Services revenue	2,132	2,106	2,094		
Internal Dell Services revenue	4	3	3		
Operating income:					
Dell Services operating income	\$ 339	\$ 370	\$ 336	(9%)	1%
% of segment revenue	15.9%	17.6%	16.0%		
% of total segment operating income	55%	57%	29%		
<b><u>Reconciliation to consolidated net revenue:</u></b>					
Total segment revenue	\$ 14,909	\$ 14,417	\$ 14,849		
Less internal revenue	(395)	(343)	(366)		
Total consolidated net revenue	\$ 14,514	\$ 14,074	\$ 14,483		
<b><u>Reconciliation to consolidated operating income:</u></b>					
Total segment operating income	\$ 619	\$ 645	\$ 1,172		
Unallocated corporate expenses <sup>(b)</sup>	(17)	(55)	(49)		
Amortization of intangible assets	(196)	(196)	(150)		
Severance and facility actions and acquisition-related costs	(87)	(80)	(72)		
Other <sup>(c)</sup>	(47)	(88)	—		
Total consolidated operating income	\$ 272	\$ 226	\$ 901		

<sup>(a)</sup> Includes the results of Dell’s Fiscal 2013 acquisitions.

- (b) Unallocated corporate expenses include broad based long-term incentives, certain short-term incentive compensation expenses, and other corporate items that are not allocated to Dell's segments.
- (c) Other includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

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

**DELL INC.**  
Segment Information  
(in millions, except percentages)  
(unaudited)

	Six Months Ended		% Growth Rates
	August 2, 2013 <sup>(a)</sup>	August 3, 2012	Yr. to Yr.
<b><u>End User Computing (“EUC”):</u></b>			
Net Revenue:			
Desktops and Thin Client	\$ 6,823	\$ 6,839	0%
Mobility	7,187	8,274	(13%)
Third-party software and peripherals	4,049	4,290	(6%)
Total EUC Revenue	18,059	19,403	(7%)
External EUC revenue	17,613	18,985	
Internal EUC revenue	446	418	
Operating income:			
EUC operating income	429	1,335	(68%)
% of segment revenue	2.4%	6.9%	
% of total segment operating income	34%	60%	
<b><u>Enterprise Solutions Group (“ESG”):</u></b>			
Net Revenue:			
Servers, peripherals, and networking	5,561	4,965	12%
Storage	856	937	(9%)
Total ESG revenue	6,417	5,902	9%
External ESG revenue	6,132	5,622	
Internal ESG revenue	285	280	
Operating income:			
ESG operating income	273	230	19%
% of segment revenue	4.3%	3.9%	
% of total segment operating income	22%	11%	
<b><u>Dell Software Group:</u></b>			
Net Revenue:			
Total Dell Software Group revenue	605	133	355%
Operating income:			
Dell Software Group operating income	(147)	(17)	(765%)
% of segment revenue	-24.3%	-12.8%	
% of total segment operating income	-12%	-1%	
<b><u>Dell Services:</u></b>			
Net Revenue:			
Support and deployment	2,425	2,368	2%
Infrastructure, cloud, and security services	1,213	1,124	8%
Applications and business process services	607	678	(10%)
Total Dell Services revenue	4,245	4,170	2%
External Dell Services revenue	4,238	4,165	
Internal Dell Services revenue	7	5	
Operating income:			
Dell Services operating income	\$ 709	\$ 674	5%
% of segment revenue	16.7%	16.2%	
% of total segment operating income	56%	30%	
<b><u>Reconciliation to consolidated net revenue:</u></b>			
Total segment revenue	\$29,326	\$29,608	
Less internal revenue	(738)	(703)	
Total consolidated net revenue	\$28,588	\$28,905	
<b><u>Reconciliation to consolidated operating income:</u></b>			
Total segment operating income	\$ 1,264	\$ 2,222	
Unallocated corporate expenses <sup>(b)</sup>	(72)	(89)	
Amortization of intangible assets	(392)	(260)	
Severance and facility actions and acquisition-related costs	(167)	(148)	
Other <sup>(c)</sup>	(135)	—	
Total consolidated operating income	\$ 498	\$ 1,725	

<sup>(a)</sup> Includes the results of Dell’s Fiscal 2013 acquisitions.

<sup>(b)</sup> Unallocated corporate expenses include broad based long-term incentives, certain short-term incentive compensation expenses, and other corporate items

that are not allocated to Dell's segments.

- (c) Other includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

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

**DELL INC.**  
Condensed Consolidated Statement of Financial Position  
(in millions, except ratios)  
(unaudited)

	August 2, 2013	May 3, 2013	August 3, 2012 <sup>(a)</sup>
<b><u>Assets:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 11,185	\$ 10,419	\$11,519
Short-term investments	643	486	372
Accounts receivable, net	6,591	6,440	6,829
Short-term financing receivables, net	3,131	2,991	3,174
Inventories, net	1,468	1,387	1,615
Other current assets	3,848	3,936	3,741
Total current assets	26,866	25,659	27,250
Property, plant and equipment, net	2,212	2,136	2,058
Long-term investments	2,048	2,303	2,738
Long-term financing receivables, net	1,469	1,383	1,344
Goodwill	9,253	9,289	7,558
Purchased intangible assets, net	2,990	3,176	2,609
Other non-current assets	1,033	845	540
Total assets	<u>\$ 45,871</u>	<u>\$ 44,791</u>	<u>\$ 44,097</u>
<b><u>Liabilities and Stockholders' Equity:</u></b>			
Current liabilities:			
Short-term debt	\$ 2,736	\$ 3,133	\$ 2,609
Accounts payable	12,051	10,990	11,193
Accrued and other	3,657	3,402	3,054
Short-term deferred revenue	4,312	4,265	3,856
Total current liabilities	22,756	21,790	20,712
Long-term debt	4,075	4,115	5,832
Long-term deferred revenue	4,003	3,963	3,915
Other non-current liabilities	4,256	4,163	3,892
Total liabilities	35,090	34,031	34,351
Total Dell stockholders' equity	10,781	10,739	9,746
Noncontrolling interest	—	21	—
Total stockholder's equity	10,781	10,760	9,746
Total liabilities and equity	<u>\$ 45,871</u>	<u>\$ 44,791</u>	<u>\$ 44,097</u>
<b><u>Ratios:</u></b>			
Days of sales outstanding <sup>(b)</sup>	45	45	46
Days supply in inventory	11	11	13
Days in accounts payable	(92)	(87)	(89)
Cash conversion cycle	(36)	(31)	(30)
Average total revenue/unit (approximate)	\$ 1,410	\$ 1,460	\$ 1,390

<sup>(a)</sup> Certain prior year amounts have been reclassified from accrued and other liabilities and other non-current liabilities on the Condensed Consolidated Statements of Financial Position to short-term deferred revenue and long-term deferred revenue, respectively, to conform to the current year presentation.

<sup>(b)</sup> Days of sales outstanding ("DSO") is based on the ending net trade receivables and most recent quarterly revenue for each period. DSO includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified as other current assets. At August 2, 2013, May 3, 2013, and August 3, 2012, DSO and days of customer shipments not yet recognized were 41 and 4 days, 41 and 4 days, and 42 and 4 days, respectively.

Note: Ratios are calculated based on underlying data in thousands.

**DELL INC.**

Condensed Consolidated Statements of Cash Flows and Related Financial Highlights  
(in millions, unaudited)

	Three Months Ended		Six Months Ended	
	August 2, 2013	August 3, 2012	August 2, 2013	August 3, 2012
Cash flows from operating activities:				
Net income	\$ 204	\$ 732	\$ 334	\$ 1,367
Adjustments to reconcile net income to net cash provided by operating activities:	1,474	(95)	1,305	(868)
Change in cash from operating activities	1,678	637	1,639	499
Cash flows from investing activities:				
Investments:				
Purchases	(76)	(517)	(405)	(1,190)
Maturities and sales	172	1,800	489	2,440
Capital expenditures	(164)	(120)	(322)	(262)
Proceeds from the sale of facility, land, and other assets	—	34	—	34
Collections on purchased financing receivables	20	47	49	102
Acquisitions of businesses, net of cash received	(264)	(2,166)	(264)	(2,411)
Divestitures of businesses, net of cash transferred	44	—	48	—
Change in cash from investing activities	(268)	(922)	(405)	(1,287)
Cash flows from financing activities:				
Repurchase of common stock	—	(400)	—	(724)
Cash dividends paid	(141)	—	(283)	—
Issuance of common stock under employee plans	7	6	31	44
Issuance (repayment) of commercial paper (maturity 90 days or less), net	—	125	—	138
Proceeds from debt	331	555	878	1,151
Repayments of debt	(759)	(1,241)	(3,143)	(2,104)
Other	1	—	(1)	8
Change in cash from financing activities	(561)	(955)	(2,518)	(1,487)
Effect of exchange rate changes on cash and cash equivalents	(83)	(55)	(100)	(58)
Change in cash and cash equivalents	766	(1,295)	(1,384)	(2,333)
Cash and cash equivalents at beginning of period	10,419	12,814	12,569	13,852
Cash and cash equivalents at end of period	\$11,185	\$11,519	\$11,185	\$11,519

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## USE OF NON-GAAP FINANCIAL MEASURES

Dell uses non-GAAP financial measures to supplement the financial information presented on a GAAP basis. Dell believes that excluding certain items from Dell's GAAP results allows management to better understand Dell's consolidated financial performance from period to period and in relationship to the operating results of our segments, as management does not believe that the excluded items are reflective of Dell's underlying operating performance. Dell also believes that excluding certain items from Dell's GAAP results allows management to better project Dell's future consolidated financial performance because forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, Dell believes these non-GAAP financial measures will provide investors with useful information to help them evaluate Dell's operating results by facilitating an enhanced understanding of Dell's operating performance, and enabling them to make more meaningful period to period comparisons.

The non-GAAP financial measures presented in this report include non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share. These non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude severance and facility action costs and acquisition-related charges, amortization of purchased intangible assets related to acquisitions, costs incurred in Fiscal 2014 related to Dell's proposed merger, and special retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014 that will be payable in March 2014. Non-GAAP net income and non-GAAP earnings per share also include the aggregate adjustment for income taxes related to the exclusion of the above items. For more information on each of these items and Dell's reasons for excluding them, see the detail below. In future fiscal periods, Dell may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

There are limitations to the use of the non-GAAP financial measures presented in this report. Dell's non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in Dell's industry, may calculate the non-GAAP financial measures differently than Dell, limiting the usefulness of those measures for comparative purposes. In addition, items such as amortization of purchased intangible assets represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in the non-GAAP financial measures and such measures, therefore, do not reflect the full economic effect of such loss. Further, items such as severance and facility actions, acquisition-related costs, and other charges that are excluded from the non-GAAP financial measures can have a material impact on earnings. Dell's management compensates for the foregoing limitations by relying primarily on GAAP results and using non-GAAP financial measures supplementally or for projections when comparable GAAP financial measures are not available. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for gross margin, operating expenses, operating income, net income, and earnings per share prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis. See below for reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented.

The following is a summary of the costs and other items excluded from the most comparable GAAP financial measures to calculate non-GAAP financial measures:

- *Severance and Facility Actions and Acquisition-related Costs* - Severance and facility action costs are primarily related to facilities charges, including accelerated depreciation and severance and benefits for employees terminated pursuant to cost synergies related to strategic acquisitions and actions taken as part of a comprehensive review of costs. Acquisition-related charges are expensed as incurred and consist primarily of retention payments, integration costs, and other costs. Retention payments include stock-based compensation and cash incentives awarded to employees, which are recognized over the vesting period. Integration costs primarily include IT costs related to the integration of IT systems and processes, costs related to the integration of employees, consulting expenses, and for acquisitions made prior to Fiscal 2013, costs related to full-time employees who were working on the integration. Severance and facility actions and acquisition-related charges are inconsistent in amount and are significantly impacted by the timing and nature of these events. Therefore, although Dell may incur these types of expenses in the future, it believes that eliminating these charges for purposes of calculating the non-GAAP financial measures presented below facilitates a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.
- *Amortization of Intangible Assets* - Amortization of purchased intangible assets consists primarily of amortization of customer relationships, acquired technology, non-compete covenants, and trade names purchased in connection with business acquisitions. Dell incurs charges related to the amortization of these intangibles, and those charges are included in Dell's Condensed Consolidated Financial Statements. Amortization charges for purchased intangible assets are significantly impacted by the timing and magnitude of Dell's acquisitions. Accordingly, these charges may vary in amount from period to period. Dell excludes these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.
- *Other Items* - Dell also adjusts GAAP financial results for expenses associated with Dell's proposed merger. These expenses consist of professional fees incurred by Dell in connection with Dell's proposed merger as well as the reimbursement of transaction-related expenses incurred by certain participants approved by a special committee of the Board of Directors. In addition, Dell adjusts GAAP financial results for special retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014 that will be payable in March 2014. Dell is excluding these expenses for the purpose of calculating the non-GAAP financial measures presented below because Dell believes these items are outside our ordinary course of business and do not contribute to a meaningful evaluation of Dell's current operating performance or comparisons to Dell's past operating performance.
- The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the tax jurisdictions where the above items were incurred.



**DELL INC.**

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

	Three Months Ended			% Growth Rates	
	August 2, 2013	May 3, 2013	August 3, 2012	Sequential	Yr. to Yr.
Revenue					
GAAP gross margin	\$2,689	\$ 2,747	\$ 3,138	(2%)	(14%)
Non-GAAP adjustments:					
Amortization of intangibles	141	140	109		
Severance and facility actions and acquisition-related	8	10	23		
Other <sup>(a)</sup>	1	2	—		
Non-GAAP gross margin	<u>\$ 2,839</u>	<u>\$2,899</u>	<u>\$ 3,270</u>	(2%)	(13%)
GAAP operating expenses	\$ 2,417	\$2,521	\$ 2,237	(4%)	8%
Non-GAAP adjustments:					
Amortization of intangibles	(55)	(56)	(41)		
Severance and facility actions and acquisition-related	(79)	(70)	(49)		
Other <sup>(a)</sup>	(46)	(86)	—		
Non-GAAP operating expenses	<u>\$ 2,237</u>	<u>\$ 2,309</u>	<u>\$ 2,147</u>	(3%)	4%
GAAP operating income	\$ 272	\$ 226	\$ 901	20%	(70%)
Non-GAAP adjustments:					
Amortization of intangibles	196	196	150		
Severance and facility actions and acquisition-related	87	80	72		
Other <sup>(a)</sup>	47	88	—		
Non-GAAP operating income	<u>\$ 602</u>	<u>\$ 590</u>	<u>\$ 1,123</u>	2%	(46%)
GAAP net income	\$ 204	\$ 130	\$ 732	5 6%	(72%)
Non-GAAP adjustments:					
Amortization of intangibles	196	196	150		
Severance and facility actions and acquisition-related	87	80	72		
Other <sup>(a)</sup>	47	88	—		
Aggregate adjustment for income taxes	(101)	(122)	(79)		
Non-GAAP net income	<u>\$ 433</u>	<u>\$ 372</u>	<u>\$ 875</u>	16%	(51%)
GAAP earnings per share - diluted	\$ 0.12	\$ 0.07	\$ 0.42	71%	(71%)
Non-GAAP adjustments per share - diluted	0.13	0.14	0.08		
Non-GAAP earnings per share - diluted	<u>\$ 0.25</u>	<u>\$ 0.21</u>	<u>\$ 0.50</u>	19%	(50%)
Diluted WAS	1,764	1,761	1,753		
<b><u>Percentage of Total Net Revenue:</u></b>					
GAAP gross margin	18.5%	19.5%	21.6%		
Non-GAAP adjustment	1.1%	1.1%	1.0%		
Non-GAAP gross margin	<u>19.6%</u>	<u>20.6%</u>	<u>22.6%</u>		
GAAP operating expenses	16.6%	17.9%	15.4%		
Non-GAAP adjustment	(1.2%)	(1.5%)	(0.6%)		
Non-GAAP operating expenses	<u>15.4%</u>	<u>16.4%</u>	<u>14.8%</u>		
GAAP operating income	1.9%	1.6%	6.2%		
Non-GAAP adjustment	2.2%	2.6%	1.6%		
Non-GAAP operating income	<u>4.1%</u>	<u>4.2%</u>	<u>7.8%</u>		
GAAP net income	1.4%	0.9%	5.1%		
Non-GAAP adjustment	1.6%	1.7%	0.9%		
Non-GAAP net income	<u>3.0%</u>	<u>2.6%</u>	<u>6.0%</u>		

<sup>(a)</sup> Other includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

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

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

	Six Months Ended		% Growth Rates Yr. to Yr.
	August 2, 2013	August 3, 2012	
Revenue			
GAAP gross margin	\$ 5,436	\$ 6,205	(12%)
Non-GAAP adjustments:			
Amortization of intangibles	281	197	
Severance and facility actions and acquisition-related	18	35	
Other <sup>(a)</sup>	3	—	
Non-GAAP gross margin	<u>\$ 5,738</u>	<u>\$ 6,437</u>	(11%)
GAAP operating expenses	\$ 4,938	\$ 4,480	10%
Non-GAAP adjustments:			
Amortization of intangibles	(111)	(63)	
Severance and facility actions and acquisition-related	(149)	(113)	
Other <sup>(a)</sup>	(132)	—	
Non-GAAP operating expenses	<u>\$ 4,546</u>	<u>\$ 4,304</u>	6%
GAAP operating income	\$ 498	\$ 1,725	(71%)
Non-GAAP adjustments:			
Amortization of intangibles	392	260	
Severance and facility actions and acquisition-related	167	148	
Other <sup>(a)</sup>	135	—	
Non-GAAP operating income	<u>\$ 1,192</u>	<u>\$ 2,133</u>	(44%)
GAAP net income	\$ 334	\$ 1,367	(76%)
Non-GAAP adjustments:			
Amortization of intangibles	392	260	
Severance and facility actions and acquisition-related	167	148	
Other <sup>(a)</sup>	135	—	
Aggregate adjustment for income taxes	(223)	(139)	
Non-GAAP net income	<u>\$ 805</u>	<u>\$ 1,636</u>	(51%)
GAAP earnings per share - diluted	\$ 0.19	\$ 0.77	(75%)
Non-GAAP adjustments per share - diluted	0.27	0.16	
Non-GAAP earnings per share - diluted	<u>\$ 0.46</u>	<u>\$ 0.93</u>	(51%)
Diluted WAS	1,763	1,764	
<b><u>Percentage of Total Net Revenue:</u></b>			
GAAP gross margin	19.0%	21.5%	
Non-GAAP adjustment	1.1%	0.8%	
Non-GAAP gross margin	<u>20.1%</u>	<u>22.3%</u>	
GAAP operating expenses	17.3%	15.5%	
Non-GAAP adjustment	(1.4%)	(0.6%)	
Non-GAAP operating expenses	<u>15.9%</u>	<u>14.9%</u>	
GAAP operating income	1.7%	6.0%	
Non-GAAP adjustment	2.5%	1.4%	
Non-GAAP operating income	<u>4.2%</u>	<u>7.4%</u>	
GAAP net income	1.2%	4.7%	
Non-GAAP adjustment	1.6%	1.0%	
Non-GAAP net income	<u>2.8%</u>	<u>5.7%</u>	

<sup>(a)</sup> Other includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

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



### **Second Quarter Fiscal Year 2014 Results — Additional Insights from Dell's CFO**

This quarter, we are providing the following written summary of highlights and insights as part of our quarterly earnings process. We have also posted additional material on our Investor Relations website. As always, our Investor Relations and Communications teams are available to answer any additional questions you may have.

As we discuss our 2<sup>nd</sup> quarter results, please note that all growth percentages refer to year over year progress, and the numbers I will be referring to are non-GAAP financial measures, including non-GAAP gross margin, operating expenses, operating income, net income, and earnings per share.

#### **Total Company Highlights**

For the quarter we delivered revenue of \$14.5 billion, flat from the prior-year period, but sequentially up 3%. Our revenue growth was driven by the Enterprise Solutions, Services and Software business, which was up 9% to \$5.8 billion and now represents 39% of our segment revenue.

Our gross margin was \$2.8 billion or 19.6% of revenue, which was down 100 basis points sequentially. We continue to face a challenging competitive environment and, as we have discussed over the past few quarters, we have adjusted our End User Computing and server pricing to more aggressively improve our share position in these businesses. As we have adjusted our pricing, margins have declined, but we continue to make key strategic investments, and we are tightly managing our discretionary operating expenses.

Overall operating expenses were \$2.2 billion and represent 15.4% of revenue, down \$72 million or 100 basis points sequentially. Of note, there are \$125 million in operating expenses related to the pending go-private transaction, acquisition integration costs and work force reductions that are excluded from our non-GAAP results.

Operating income was \$602 million or 4.1% of revenue and earnings per share was \$0.25, representing a 50% decline.

We generated \$1.7 billion in cash flow from operations in the quarter, as we benefited from a 5 day sequential improvement in our cash conversion cycle primarily driven by an increase in days payable. Cash flow also benefitted from sequential revenue growth. On a trailing 12 month basis cash flow from operations was \$4.4 billion, up 39%. Our cash and investments balance ended at \$13.9 billion.

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### **Enterprise Solutions Group (ESG)**

Our ESG business which includes servers, networking, storage, and ESG related peripherals, grew revenue 8% to \$3.3 billion. Operating income of \$137 million was down 9% to 4.1% of revenue.

Within ESG, our server, networking and enterprise peripheral business delivered revenue of \$2.9 billion, increasing 10%. We have grown this business for 9 of the last 10 quarters. While we've seen good growth across our server business, our hyper-scale data center server business was particularly strong as we continue to bring market leading solutions to customers. Our networking business grew 19%, representing the 10<sup>th</sup> straight quarter of growth for this business. Dell storage revenue declined 7% to \$432 million. We continue to develop new and innovative solutions in the storage business like our Dell Compellent solid-state storage solution which delivers customers comparable performance at one-fifth the price of some competitive offerings.

We see customers continuing to migrate to converged enterprise solutions that combine computing, storage and networking resources with infrastructure management into a virtual or physical integrated system. Our early success in this space is exemplified by a recent Technology Business Research (TBR) report that recognized Dell as a "Champion" in the 2013 Vendor Landscape for Converged Systems.

### **Dell Services**

The Services business which includes a broad range of IT and business services, including support and deployment services, infrastructure, cloud, security services, applications and business process services, grew revenue by 2% to \$2.1 billion. Operating income for this business was \$339 million, up 1% or 15.9% of revenue, down from 16.0% of revenue in the second quarter of last year.

Within Services, support and deployment revenue increased 3% to \$1.2 billion. Driving this growth are new solutions such as ProSupport Plus Enterprise Suite, strong attach rates, and good growth in other services tied to our hardware solutions. Infrastructure, cloud and security services grew 5% to \$601 million which includes an increase of 19% in our security business. Our Dell SecureWorks team recently launched the Incident Response Resource Center to aid organizations in preparing for, responding to, and recovering from a cyber-security incident. Revenue for our applications and BPO business declined 6%, driven by a divestiture.

### **Dell Software**

Our Software business which includes systems management, security software solutions, and information management delivered revenue of \$310 million and an operating loss of \$62 million for the quarter.

During the quarter we acquired Enstratius which helps to broaden and improve our cloud capabilities. We also announced the Dell SonicWALL Network Security Appliance (NSA) Series Next-Generation Firewalls (NGFWs). These new solutions offer the same high level of security and capabilities as the carrier and enterprise-class SuperMassive Series and bring differentiated capabilities to our customers.

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### **End User Computing (EUC)**

Our EUC business includes desktops including thin client, notebooks including tablets, third-party software, and client-related peripherals. This business reported revenue of \$9.1 billion, down 5%. Operating income was \$205 million, a decline of 71% at 2.2% of revenue. We continue to see challenged demand in this business and continued market competitiveness, especially in notebooks and in the consumer markets. Our efforts to improve growth have improved our share position at the expense of profitability. According to IDC, Dell was the only vendor in the top 5 to increase share both year over year and sequentially for the past two quarters for worldwide PC units shipped.

Our desktop and thin client business revenue was \$3.6 billion, up 1%. The trajectory of the desktop business continues to improve as we maintain a strong position in the traditional desktop space and are seeing good traction with our all-in-one and thin client businesses. We are launching new and innovative designs like project Ophelia which gives users a secure, virtual PC through a device the size of a USB thumb drive. Mobility revenue of \$3.6 billion was down 10% as demand in this space continues to be pressured by customers diverting spending to alternative mobile solutions. We introduced our innovative new line of Latitude ultrabooks which include the Haswell chip set from Intel and unparalleled security features. Our third party software and EUC peripherals delivered revenue of \$2 billion, down 5%.

### **Closing Comments:**

We remain fully committed to execute our strategy to provide end-to-end solutions that accelerate results for our customers. While the environment continues to be challenging we remain focused and dedicated to this objective, and are encouraged by the customer response to our broadened set of solutions.

The quarterly webdeck for our second quarter results is now posted in the investor relations section at dell.com and you will find additional information in our press release and Form 8-K filed today with the SEC. I encourage you to review this and related materials for additional perspective.

In the tables below you will find a reconciliation of each historical non-GAAP financial measure to the most directly comparable GAAP financial measure under the heading "Reconciliation of non-GAAP Financial Measures." Please review the reconciliation in conjunction with the presentation of these non-GAAP financial measures.

### **Special Note on Forward Looking Statements:**

*Statements in this document that relate to future results and events 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: effects of Dell's proposed merger; 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 1, 2013, as amended on June 3, 2013. Factors or risks that could cause Dell's actual results to differ materially from the results it anticipates also include: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (2) the inability to complete the proposed merger due to the failure to obtain stockholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; (3) the failure to obtain the necessary financing arrangements set forth in the debt and equity commitment letters delivered pursuant to the merger agreement; (4) risks related to disruption of management's attention from the Company's ongoing business operations due to the transaction; and (5) the effect of the announcement of the proposed merger on the Company's relationships with its customers, operating results and business generally. Dell assumes no obligation to update its forward-looking statements.

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

(\$ millions, except per share data)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Net Income</b>	<b>890</b>	<b>893</b>	<b>764</b>	<b>3,492</b>	<b>635</b>	<b>732</b>	<b>475</b>	<b>530</b>	<b>2,372</b>	<b>130</b>	<b>204</b>
<b>GAAP EPS</b>	<b>0.48</b>	<b>0.49</b>	<b>0.43</b>	<b>1.88</b>	<b>0.36</b>	<b>0.42</b>	<b>0.27</b>	<b>0.30</b>	<b>1.35</b>	<b>0.07</b>	<b>0.12</b>
<b>Non-GAAP adjustments:</b>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Aggregate Tax-adjustments	(66)	(56)	(63)	(244)	(60)	(79)	(93)	(84)	(316)	(122)	(101)
Total adjustments to Net Income	116	90	149	460	126	143	204	172	645	242	229
Total adjustments to EPS - diluted	0.06	0.05	0.08	0.25	0.07	0.08	0.12	0.10	0.37	0.14	0.13
<b>Non-GAAP Net Income</b>	<b>1,006</b>	<b>983</b>	<b>913</b>	<b>3,952</b>	<b>761</b>	<b>875</b>	<b>679</b>	<b>702</b>	<b>3,017</b>	<b>372</b>	<b>433</b>
<b>Non-GAAP EPS</b>	<b>0.54</b>	<b>0.54</b>	<b>0.51</b>	<b>2.13</b>	<b>0.43</b>	<b>0.50</b>	<b>0.39</b>	<b>0.40</b>	<b>1.72</b>	<b>0.21</b>	<b>0.25</b>
<b>Percentage of Total Net Revenue:</b>											
GAAP Net Income	5.7%	5.8%	4.8%	5.6%	4.4%	5.1%	3.5%	3.7%	4.2%	0.9%	1.4%
Non-GAAP adjustments	0.7%	0.6%	0.9%	0.8%	0.9%	0.9%	1.4%	1.2%	1.1%	1.7%	1.6%
Non-GAAP Net Income	6.4%	6.4%	5.7%	6.4%	5.3%	6.0%	4.9%	4.9%	5.3%	2.6%	3.0%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Gross Margin</b>	<b>3,525</b>	<b>3,469</b>	<b>3,385</b>	<b>13,811</b>	<b>3,067</b>	<b>3,138</b>	<b>2,872</b>	<b>3,109</b>	<b>12,186</b>	<b>2,747</b>	<b>2,689</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	74	77	83	305	88	109	120	138	455	140	141
Severance & facility actions and Acquisition-related	26	0	15	49	12	23	21	11	67	10	8
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	2	1
Total adjustments to Gross Margin	100	77	98	354	100	132	141	149	522	152	150
<b>Non-GAAP Gross Margin</b>	<b>3,625</b>	<b>3,546</b>	<b>3,483</b>	<b>14,165</b>	<b>3,167</b>	<b>3,270</b>	<b>3,013</b>	<b>3,258</b>	<b>12,708</b>	<b>2,899</b>	<b>2,839</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Gross Margin	22.5%	22.6%	21.1%	22.3%	21.3%	21.6%	20.9%	21.7%	21.4%	19.5%	18.5%
Non-GAAP adjustments	0.7%	0.5%	0.6%	0.5%	0.7%	1.0%	1.1%	1.1%	0.9%	1.1%	1.1%
Non-GAAP Gross Margin	23.2%	23.1%	21.7%	22.8%	22.0%	22.6%	22.0%	22.8%	22.3%	20.6%	19.6%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating expenses</b>	<b>2,379</b>	<b>2,327</b>	<b>2,454</b>	<b>9,380</b>	<b>2,243</b>	<b>2,237</b>	<b>2,283</b>	<b>2,411</b>	<b>9,174</b>	<b>2,521</b>	<b>2,417</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	(21)	(23)	(21)	(86)	(22)	(41)	(45)	(50)	(158)	(56)	(55)
Severance & facility actions and Acquisition-related	(61)	(46)	(93)	(264)	(64)	(49)	(111)	(57)	(281)	(70)	(79)
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	(86)	(46)
Total adjustments to opex	(82)	(69)	(114)	(350)	(86)	(90)	(156)	(107)	(439)	(212)	(180)
<b>Non-GAAP operating expenses</b>	<b>2,297</b>	<b>2,258</b>	<b>2,340</b>	<b>9,030</b>	<b>2,157</b>	<b>2,147</b>	<b>2,127</b>	<b>2,304</b>	<b>8,735</b>	<b>2,309</b>	<b>2,237</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating expenses	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%	16.6%	16.8%	16.1%	17.9%	16.6%
Non-GAAP adjustments	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%	-1.1%	-0.7%	-0.8%	-1.5%	-1.2%
Non-GAAP operating expenses	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%	15.5%	16.1%	15.3%	16.4%	15.4%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating income</b>	<b>1,146</b>	<b>1,142</b>	<b>931</b>	<b>4,431</b>	<b>824</b>	<b>901</b>	<b>589</b>	<b>698</b>	<b>3,012</b>	<b>226</b>	<b>272</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Total adjustments to opinc	182	146	212	704	186	222	297	256	961	364	330
<b>Non-GAAP operating income</b>	<b>1,328</b>	<b>1,288</b>	<b>1,143</b>	<b>5,135</b>	<b>1,010</b>	<b>1,123</b>	<b>886</b>	<b>954</b>	<b>3,973</b>	<b>590</b>	<b>602</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating income	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%	4.3%	4.9%	5.3%	1.6%	1.9%
Non-GAAP adjustments	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%	2.2%	1.8%	1.7%	2.6%	2.2%
Non-GAAP operating income	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%	6.5%	6.7%	7.0%	4.2%	4.1%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.

(\$ millions)

	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14
<b>Net TTM Free Cash Flow</b>									
Cash flow from operations	5,235	5,173	5,527	4,924	3,187	3,679	3,283	3,382	4,423
Capital expenditures	(549)	(670)	(675)	(680)	(641)	(548)	(513)	(529)	(573)
Financing receivables	375	412	372	322	282	261	193	135	185
<b>Net TTM Free Cash Flow</b>	<b>5,061</b>	<b>4,915</b>	<b>5,224</b>	<b>4,566</b>	<b>2,828</b>	<b>3,392</b>	<b>2,963</b>	<b>2,988</b>	<b>4,035</b>
<b>Net Free Cash Flow</b>									
Cash flow from operations	2,374	851	1,837	(138)	637	1,343	1,441	(39)	1,678
Capital expenditures	(159)	(214)	(165)	(142)	(120)	(121)	(130)	(158)	(164)
Financing receivables	100	83	210	(71)	60	62	142	(129)	110
<b>Net Free Cash Flow</b>	<b>2,315</b>	<b>720</b>	<b>1,882</b>	<b>(351)</b>	<b>577</b>	<b>1,284</b>	<b>1,453</b>	<b>(326)</b>	<b>1,624</b>



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# Dell 2Q FY'14 Performance Review



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August 15, 2013

Dell Investor Relations – 2Q FY14 Performance Review

See Financial History at [www.dell.com/investor](http://www.dell.com/investor)

# 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 the exhibit to our Current Report on Form 8-K filed August 15, 2013. We encourage investors to review the historical reconciliation and the non-GAAP discussion in conjunction with our presentation of the non-GAAP financial measures.

## **Special Note on Forward Looking Statements:**

Statements in this material that relate to future results and events 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: effects of Dell's proposed merger; 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 Dell's 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 1, 2013, as amended on June 3, 2013. Factors or risks that could cause Dell's actual results to differ materially from the results it anticipates also include: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (2) the inability to complete the proposed merger due to the failure to obtain stockholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; (3) the failure to obtain the necessary financing arrangements set forth in the debt and equity commitment letters delivered pursuant to the merger agreement; (4) risks related to disruption of management's attention from the Company's ongoing business operations due to the transaction; and (5) the effect of the announcement of the proposed merger on the Company's relationships with its customers, operating results and business generally. Dell assumes no obligation to update its forward-looking statements.



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# Dell 2Q FY'14 2Q Earnings Review



## 2Q FY'14 Consolidated GAAP Results

### Consolidated GAAP P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
Gross Margin	3,138	2,747	2,689	-14%	-2%
<i>GM % of revenue</i>	21.6%	19.5%	18.5%	-310bps	-100bps
SG&A Operating Expenses	1,976	2,208	2,097	6%	-5%
<i>SG&amp;A Opex % of revenue</i>	13.6%	15.7%	14.4%	80bps	-130bps
R&D Operating Expenses	261	313	320	23%	2%
<i>R&amp;D Opex % of revenue</i>	1.8%	2.2%	2.2%	40bps	0bps
Operating Expenses	2,237	2,521	2,417	8%	-4%
<i>Opex % of revenue</i>	15.4%	17.9%	16.6%	120bps	-130bps
Operating Income	901	226	272	-70%	20%
<i>OpInc % of revenue</i>	6.2%	1.6%	1.9%	-430bps	30bps
Income Tax	106	28	15	-86%	-46%
<i>Effective Tax Rate %</i>	12.7%	17.6%	6.9%	-580bps	-1070bps
Net Income	732	130	204	-72%	56%
<i>NI % of revenue</i>	5.1%	0.9%	1.4%	-370bps	50bps
Diluted EPS	\$0.42	\$0.07	\$0.12	-71%	71%

<sup>1</sup>Percentages and ratios are calculated based on underlying data



## 2Q FY'14 Highlights

### Our differentiated strategy:

The leading provider of end-to-end scalable solutions

Practical  
innovation

Efficient,  
simple and  
affordable

Superior  
relationship  
model

### Our customers' imperatives:



TRANSFORM



CONNECT



INFORM



PROTECT

### Our end-to-end portfolio:

Connecting  
END USERS

Integrating &  
optimizing  
the  
ENTERPRISE

Simplifying &  
securing  
through  
SOFTWARE

Enabling with  
next-  
generation  
SERVICES

*Growth refers to year-over-year*

- Enterprise Solutions, Services and Software revenue up +9% to \$5.8B
- According to IDC, Dell was the only vendor in top 5 to increase market share both Y/Y and sequentially for the past two quarters for worldwide PC units shipped
- For the 3<sup>rd</sup> year in a row Dell was ranked the #1 Healthcare IT services provider by Gartner
- We continue to add and invest in additional strategic capabilities



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## 2Q FY'14 Non-GAAP Summary

- Delivered revenue of \$14.5B, flat Y/Y
- Gross margin was \$2.8B at 19.6% of revenue, down -100 basis points sequentially
- Operating expenses were \$2.2B at 15.4% of revenue, down -100 basis points sequentially
- Operating income was \$602M or 4.1% of revenue
- Tax rate was 21.1%
- Earnings per share of \$0.25, down -50% Y/Y
- Cash flow from operations was \$1.7B; on a trailing twelve month basis, cash flow from operations was \$4.4B, up +39% Y/Y



# 2Q FY'14 Consolidated Non-GAAP Results

## Revenue Detail Consolidated P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
<b>Revenues</b>	<b>14,483</b>	<b>14,074</b>	<b>14,514</b>	<b>0%</b>	<b>3%</b>
Gross Margin	3,270	2,899	2,839	-13%	-2%
GM % of revenue	22.6%	20.6%	19.6%	-300bps	-100bps
SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
SG&A Opex % of revenue	13.0%	14.2%	13.3%	30bps	-90bps
R&D Operating Expenses	259	309	313	21%	1%
R&D Opex % of revenue	1.8%	2.2%	2.2%	40bps	0bps
Operating Expenses	2,147	2,309	2,237	4%	-3%
Opex % of revenue	14.8%	16.4%	15.4%	60bps	-100bps
Operating Income	1,123	590	602	-46%	2%
OpInc % of revenue	7.8%	4.2%	4.1%	-370bps	-10bps
Income Tax	185	150	116	-37%	-23%
Effective Tax Rate %	17.5%	28.7%	21.1%	360bps	-760bps
Net Income	875	372	433	-51%	16%
NI % of revenue	6.0%	2.6%	3.0%	-300bps	40bps
Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Delivered revenue of \$14.5B, flat Y/Y
- Revenue dynamics:
  - All operating segments except End User Computing (EUC) experienced Y/Y growth
  - Enterprise Solutions Group up +8% Y/Y to \$3.3B
  - Services revenue +2% Y/Y, driven by support & deployment
  - Americas and APJ revenue growth Y/Y, +1% and +2%, respectively

<sup>1</sup>Percentages and ratios are calculated based on underlying data



# 2Q FY'14 Consolidated Non-GAAP Results

## Gross Margin Detail

### Consolidated P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
<b>Gross Margin</b>	<b>3,270</b>	<b>2,899</b>	<b>2,839</b>	<b>-13%</b>	<b>-2%</b>
<i>GM % of revenue</i>	<i>22.6%</i>	<i>20.6%</i>	<i>19.6%</i>	<i>-300bps</i>	<i>-100bps</i>
SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
<i>SG&amp;A Opex % of revenue</i>	<i>13.0%</i>	<i>14.2%</i>	<i>13.3%</i>	<i>30bps</i>	<i>-90bps</i>
R&D Operating Expenses	259	309	313	21%	1%
<i>R&amp;D Opex % of revenue</i>	<i>1.8%</i>	<i>2.2%</i>	<i>2.2%</i>	<i>40bps</i>	<i>0bps</i>
Operating Expenses	2,147	2,309	2,237	4%	-3%
<i>Opex % of revenue</i>	<i>14.8%</i>	<i>16.4%</i>	<i>15.4%</i>	<i>60bps</i>	<i>-100bps</i>
Operating Income	1,123	590	602	-46%	2%
<i>OpInc % of revenue</i>	<i>7.8%</i>	<i>4.2%</i>	<i>4.1%</i>	<i>-370bps</i>	<i>-10bps</i>
Income Tax	185	150	116	-37%	-23%
<i>Effective Tax Rate %</i>	<i>17.5%</i>	<i>28.7%</i>	<i>21.1%</i>	<i>360bps</i>	<i>-760bps</i>
Net Income	875	372	433	-51%	16%
<i>NI % of revenue</i>	<i>6.0%</i>	<i>2.6%</i>	<i>3.0%</i>	<i>-300bps</i>	<i>40bps</i>
Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Gross margin was \$2.8B at 19.6% of revenue, down -100 bps sequentially
- Gross Margin dynamics:
  - Adjusted EUC and server pricing to improve our share position in these businesses

<sup>1</sup>Percentages and ratios are calculated based on underlying data





## 2Q FY'14 Consolidated Non-GAAP Results

### Operating Expense and Operating Income Detail

#### Consolidated P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
Gross Margin	3,270	2,899	2,839	-13%	-2%
GM % of revenue	22.6%	20.6%	19.6%	-300bps	-100bps
SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
SG&A Opex % of revenue	13.0%	14.2%	13.3%	30bps	-90bps
R&D Operating Expenses	259	309	313	21%	1%
R&D Opex % of revenue	1.8%	2.2%	2.2%	40bps	0bps
Operating Expenses	2,147	2,309	2,237	4%	-3%
Opex % of revenue	14.8%	16.4%	15.4%	60bps	-100bps
Operating Income	1,123	590	602	-46%	2%
OpInc % of revenue	7.8%	4.2%	4.1%	-370bps	-10bps
Income Tax	185	150	116	-37%	-23%
Effective Tax Rate %	17.5%	28.7%	21.1%	360bps	-760bps
Net Income	875	372	433	-51%	16%
NI % of revenue	6.0%	2.6%	3.0%	-300bps	40bps
Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Operating expenses were \$2.2B at 15.4% of revenue, down -100 bps sequentially
- Operating expenses dynamics:
  - \$125M in operating expenses related to pending go-private transaction, acquisition integration costs, and work force reductions that are excluded from our non-GAAP results
  - R&D was up +40bps Y/Y to 2.2% of revenue and SG&A was up +30 bps Y/Y to 13.3% of revenue
- Operating income was \$602M, or 4.1% of revenue

<sup>1</sup>Percentages and ratios are calculated based on underlying data



## 2Q FY'14 Consolidated Non-GAAP Results

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

### Consolidated P&L<sup>1</sup>

\$ in Millions - except Units and EPS

	2Q'13	1Q'14	2Q'14	Y/Y Growth	Seq Growth
Units (thousands)	10,393	9,644	10,307	-1%	7%
Revenues	14,483	14,074	14,514	0%	3%
Gross Margin	3,270	2,899	2,839	-13%	-2%
GM % of revenue	22.6%	20.6%	19.6%	-300bps	-100bps
SG&A Operating Expenses	1,888	2,000	1,924	2%	-4%
SG&A Opex % of revenue	13.0%	14.2%	13.3%	30bps	-90bps
R&D Operating Expenses	259	309	313	21%	1%
R&D Opex % of revenue	1.8%	2.2%	2.2%	40bps	0bps
Operating Expenses	2,147	2,309	2,237	4%	-3%
Opex % of revenue	14.8%	16.4%	15.4%	60bps	-100bps
Operating Income	1,123	590	602	-46%	2%
OpInc % of revenue	7.8%	4.2%	4.1%	-370bps	-10bps
Income Tax	185	150	116	-37%	-23%
Effective Tax Rate %	17.5%	28.7%	21.1%	360bps	-760bps
Net Income	875	372	433	-51%	16%
NI % of revenue	6.0%	2.6%	3.0%	-300bps	40bps
Diluted EPS	\$0.50	\$0.21	\$0.25	-50%	19%

- Interest & other income of -\$53M
- Tax rate of 21.1%
- Diluted weighted average shares up +11M Y/Y, up +1% Y/Y
- EPS down -50% Y/Y to \$0.25

<sup>1</sup>Percentages and ratios are calculated based on underlying data

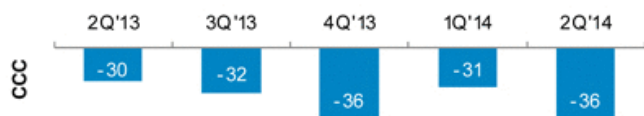


## 2Q FY'14 Cash Flow Management

### Cash Flow from Operations<sup>1</sup>



### Cash Conversion Cycle (CCC)



<sup>1</sup>Trailing Twelve Months

- Cash flow from operations was \$1.7B
- Cash and investments balance was \$13.9B
- 5 day sequential improvement in cash conversion cycle primarily driven by an increase in days payable
  - Days sales outstanding flat sequentially to 45 days
  - Days sales of inventory flat sequentially at 11 days
  - Days payables outstanding up +5 days sequentially to 92 days



## 2Q FY'14 Product & Services Segment Summary

### Product & Services Segment P&L<sup>1</sup>

\$ in Millions

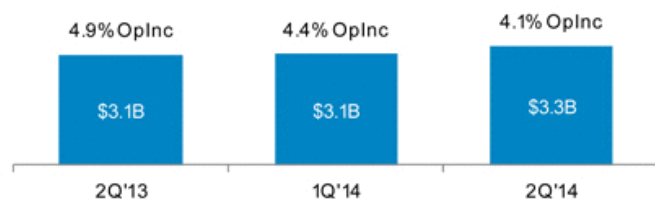
	Enterprise Solutions Group	Services	Software	End User Computing
Revenues	3,324	2,136	310	9,139
Y/Y Growth, %	8%	2%	NM	-5%
Q/Q Growth, %	7%	1%	5%	2%
Operating Income	137	339	(62)	205
Operating Income, %	4.1%	15.9%	-20.1%	2.2%
Y/Y Growth, bps	-80bps	-10bps	NM	-510bps
Q/Q Growth, bps	-30bps	-170bps	860bps	-30bps

<sup>1</sup>Reflects business unit results; reference IR tables for reconciliation with consolidated results



## 2Q FY'14 Enterprise Solutions Group

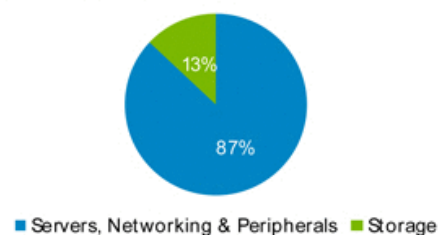
### Revenue & Operating Income



### Enterprise Solutions Group P&L

\$ in Millions	2Q'13	1Q'14	2Q'14
Revenues	3,086	3,093	3,324
Y/Y Growth, %		10%	8%
Q/Q Growth, %			7%
Operating Income	151	136	137
Operating Income, %	4.9%	4.4%	4.1%
Y/Y Growth, bps		160 bps	-80bps
Q/Q Growth, bps			-30bps

### Revenue Mix

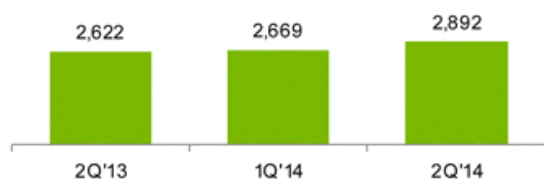


- Revenue up +8% Y/Y to \$3.3B
- Operating income of \$137M down -80bps Y/Y to 4.1% of revenue



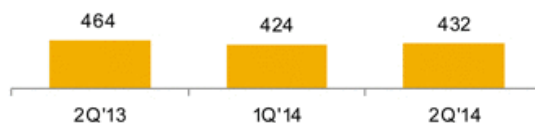
## 2Q FY'14 Enterprise Solutions Group Detail

### Servers, Networking & Peripherals (Revenue \$ in Millions)



- Revenue of \$2.9B, up +10% Y/Y; have grown this business for 9 out of the last 10 quarters
- Server business performed well, particularly in hyper scale data center solutions
- Networking up +19% Y/Y; 10<sup>th</sup> straight quarter of Y/Y growth

### Storage (Revenue \$ in Millions)

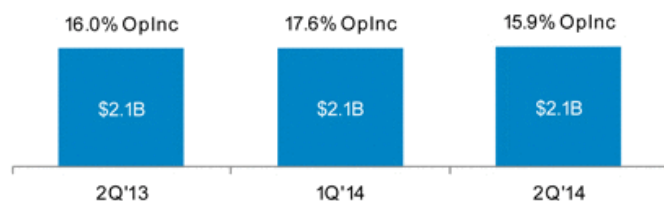


- Revenue of \$432M, down -7% Y/Y
- Continue to develop new and innovative solutions in this business



## 2Q FY'14 Services

### Revenue & Operating Income

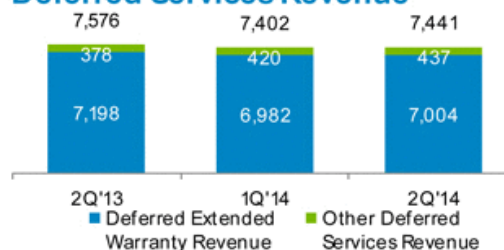


### Services P&L

\$ in Millions

	2Q'13	1Q'14	2Q'14
Revenues	2,097	2,109	2,136
Y/Y Growth, %		2%	2%
Q/Q Growth, %			1%
Operating Income	336	370	339
Operating Income, %	16.0%	17.6%	15.9%
Y/Y Growth, bps		130 bps	-10 bps
Q/Q Growth, bps			-170 bps

### Deferred Services Revenue



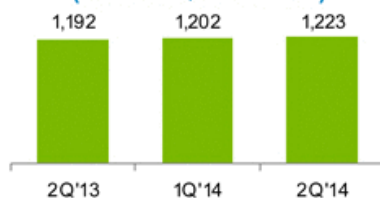
- Revenue up +2% Y/Y to \$2.1B
- Operating income of \$339M down -10bps Y/Y to 15.9% of revenue



## 2Q FY'14 Services Detail

### Support & Deployment

(Revenue \$ in Millions)



- Revenue up +3% Y/Y to \$1.2B
- Y/Y growth in ProSupport attach rates and other services tied to our hardware offerings

### Infrastructure, Cloud & Security

(Revenue \$ in Millions)



- Revenue up +5% Y/Y to \$601M
- Security business up +19% Y/Y

### Applications & BPO

(Revenue \$ in Millions)



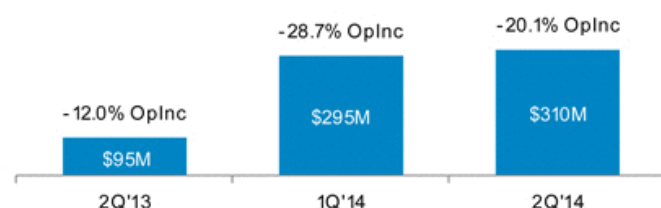
- Revenue down -6% Y/Y to \$312M, driven by a divestiture





## 2Q FY'14 Software

### Revenue & Operating Income



### Software P&L

\$ in Millions

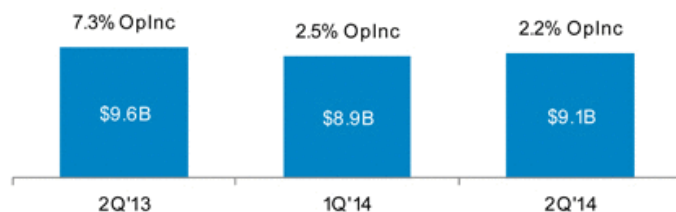
	2Q'13	1Q'14	2Q'14
Revenues	95	295	310
Y/Y Growth, %		NM	NM
Q/Q Growth, %			5%
Operating Income	-11	-85	-62
Operating Income, %	-12.0%	-28.7%	-20.1%
Y/Y Growth, bps		NM	NM
Q/Q Growth, bps			860bps

- Revenue of \$310M; Deferred software revenue balance of \$685M
- Company continues to make investments, seen by +76% Y/Y growth in Security Software products
- Operating loss of \$62M or -20.1% of revenue



## 2Q FY'14 End User Computing

### Revenue & Operating Income

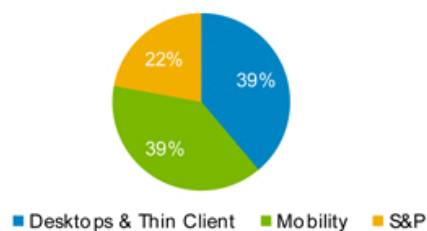


### End User Computing P&L

\$ in Millions

	2Q'13	1Q'14	2Q'14
Revenues	9,571	8,920	9,139
Y/Y Growth, %		-9%	-5%
Q/Q Growth, %			2%
Operating Income	696	224	205
Operating Income, %	7.3%	2.5%	2.2%
Y/Y Growth, bps		-400 bps	-510bps
Q/Q Growth, bps			-30bps

### Revenue Mix

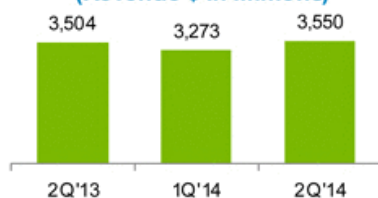


- Revenue down -5% Y/Y to \$9.1B; continued market competitiveness
- Operating income of \$205M, down -510bps Y/Y to 2.2% of revenue



## 2Q FY'14 End User Computing Detail

### Desktops & Thin Client (Revenue \$ in Millions)



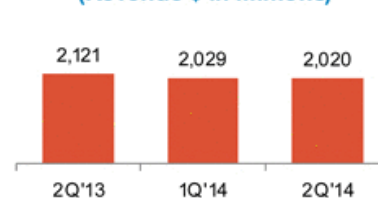
- Revenue up +1% Y/Y to \$3.6B
- Maintaining strong position in traditional desktops, good traction in all-in-one and thin client businesses

### Mobility (Revenue \$ in Millions)



- Revenue down -10% Y/Y to \$3.6B; demand pressured by customers diverting spending to alternative mobile solutions

### Software & Peripherals (Revenue \$ in Millions)



- Revenue down -5% Y/Y to \$2.0B
- Y/Y growth in displays and other electronics



## 2Q FY'14 Regional and BRIC Results

### Regional Revenue

\$ in Millions

#### Americas

Sequential Growth, %

Y/Y Growth, %

#### EMEA

Sequential Growth, %

Y/Y Growth, %

#### APJ

Sequential Growth, %

Y/Y Growth, %

	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14
Americas Sequential Growth, %	6%	-5%	-1%	2%	6%
Americas Y/Y Growth, %	-6%	-9%	-10%	1%	1%
EMEA Sequential Growth, %	-4%	-8%	17%	-5%	-6%
EMEA Y/Y Growth, %	-7%	-15%	-14%	-2%	-4%
APJ Sequential Growth, %	-8%	-4%	8%	-7%	6%
APJ Y/Y Growth, %	-12%	-11%	-9%	-12%	2%

### Regional Dynamics

- Americas revenue was up +1% Y/Y
- EMEA revenue was down -4% Y/Y
- APJ revenue was up +2% Y/Y

### BRIC Dynamics

- BRIC countries revenue up +1% Y/Y
  - Brazil up +7% Y/Y
  - India up +6% Y/Y
  - China flat Y/Y
  - Russia down -33% Y/Y



## 2Q FY14 Corporate Responsibility

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

### Our Planet

- Dell's FY13 Corporate Responsibility Summary report was published in June
- In FY13 we recycled more than 170 million pounds (77,497,028 kg) of electronics globally, putting us past the 1 billion pound takeback goal we set in 2008
- Dell commits to packaging that is 100% recyclable or compostable and 100% sustainably sourced by 2020
- Dell provided capability building to suppliers who had not previously reported emissions through the Carbon Disclosure Project and helped them to publically report for the first time
- Dell recently joined the SPLC, which is a group of leaders from government, industry, academia, standards organizations and NGOs joining forces to standardize how sustainable purchasing is defined, guided, measured and rewarded

### Our Communities & Our People

- Dell named the 2013 Microsoft YouthSpark Citizenship Partner of the Year
- The Dell Social Innovation Challenge awarded \$100K+ in prize money with winning students from India, Bangladesh, Germany, Mexico and the US
- Launched two university level challenges to spur innovation and social change
- Responded to disasters in China, India, Canada and the US matching over \$80K in employee contributions, giving \$315K in corporate donations



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# Dell 2Q FY14

## Supplemental Non-GAAP Measures



## Supplemental Non-GAAP Measures

(\$ millions, except per share data)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Net Income</b>	<b>890</b>	<b>893</b>	<b>764</b>	<b>3,492</b>	<b>635</b>	<b>732</b>	<b>475</b>	<b>530</b>	<b>2,372</b>	<b>130</b>	<b>204</b>
<b>GAAP EPS</b>	<b>0.48</b>	<b>0.49</b>	<b>0.43</b>	<b>1.88</b>	<b>0.36</b>	<b>0.42</b>	<b>0.27</b>	<b>0.30</b>	<b>1.35</b>	<b>0.07</b>	<b>0.12</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Aggregate Tax-adjustments	(66)	(56)	(63)	(244)	(60)	(79)	(93)	(84)	(316)	(122)	(101)
Total adjustments to Net Income	116	90	149	460	126	143	204	172	645	242	229
Total adjustments to EPS - diluted	0.06	0.05	0.08	0.25	0.07	0.08	0.12	0.10	0.37	0.14	0.13
<b>Non-GAAP Net Income</b>	<b>1,006</b>	<b>983</b>	<b>913</b>	<b>3,952</b>	<b>761</b>	<b>875</b>	<b>679</b>	<b>702</b>	<b>3,017</b>	<b>372</b>	<b>433</b>
<b>Non-GAAP EPS</b>	<b>0.54</b>	<b>0.54</b>	<b>0.51</b>	<b>2.13</b>	<b>0.43</b>	<b>0.50</b>	<b>0.39</b>	<b>0.40</b>	<b>1.72</b>	<b>0.21</b>	<b>0.25</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Net Income	5.7%	5.8%	4.8%	5.6%	4.4%	5.1%	3.5%	3.7%	4.2%	0.9%	1.4%
Non-GAAP adjustments	0.7%	0.6%	0.9%	0.8%	0.9%	0.9%	1.4%	1.2%	1.1%	1.7%	1.6%
Non-GAAP Net Income	6.4%	6.4%	5.7%	6.4%	5.3%	6.0%	4.9%	4.9%	5.3%	2.6%	3.0%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



## Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP Gross Margin</b>	<b>3,525</b>	<b>3,469</b>	<b>3,385</b>	<b>13,811</b>	<b>3,067</b>	<b>3,138</b>	<b>2,872</b>	<b>3,109</b>	<b>12,186</b>	<b>2,747</b>	<b>2,689</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	74	77	83	305	88	109	120	138	455	140	141
Severance & facility actions and Acquisition-related	26	0	15	49	12	23	21	11	67	10	8
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	2	1
Total adjustments to Gross Margin	100	77	98	354	100	132	141	149	522	152	150
<b>Non-GAAP Gross Margin</b>	<b>3,625</b>	<b>3,546</b>	<b>3,483</b>	<b>14,165</b>	<b>3,167</b>	<b>3,270</b>	<b>3,013</b>	<b>3,258</b>	<b>12,708</b>	<b>2,899</b>	<b>2,839</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP Gross Margin	22.5%	22.6%	21.1%	22.3%	21.3%	21.6%	20.9%	21.7%	21.4%	19.5%	18.5%
Non-GAAP adjustments	0.7%	0.5%	0.6%	0.5%	0.7%	1.0%	1.1%	1.1%	0.9%	1.1%	1.1%
Non-GAAP Gross Margin	23.2%	23.1%	21.7%	22.8%	22.0%	22.6%	22.0%	22.8%	22.3%	20.6%	19.6%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.





## Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating expenses</b>	<b>2,379</b>	<b>2,327</b>	<b>2,454</b>	<b>9,380</b>	<b>2,243</b>	<b>2,237</b>	<b>2,283</b>	<b>2,411</b>	<b>9,174</b>	<b>2,521</b>	<b>2,417</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	(21)	(23)	(21)	(86)	(22)	(41)	(45)	(50)	(158)	(56)	(55)
Severance & facility actions and Acquisition-related	(61)	(46)	(93)	(264)	(64)	(49)	(111)	(57)	(281)	(70)	(79)
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	(86)	(46)
Total adjustments to opex	(82)	(69)	(114)	(350)	(86)	(90)	(156)	(107)	(439)	(212)	(180)
<b>Non-GAAP operating expenses</b>	<b>2,297</b>	<b>2,258</b>	<b>2,340</b>	<b>9,030</b>	<b>2,157</b>	<b>2,147</b>	<b>2,127</b>	<b>2,304</b>	<b>8,735</b>	<b>2,309</b>	<b>2,237</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating expenses	15.2%	15.2%	15.3%	15.2%	15.6%	15.4%	16.6%	16.8%	16.1%	17.9%	16.6%
Non-GAAP adjustments	-0.5%	-0.5%	-0.7%	-0.7%	-0.6%	-0.6%	-1.1%	-0.7%	-0.8%	-1.5%	-1.2%
Non-GAAP operating expenses	14.7%	14.7%	14.6%	14.5%	15.0%	14.8%	15.5%	16.1%	15.3%	16.4%	15.4%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



## Supplemental Non-GAAP Measures

(\$ millions)	2Q'12	3Q'12	4Q'12	FY12	1Q'13	2Q'13	3Q'13	4Q'13	FY13	1Q'14	2Q'14
<b>GAAP operating income</b>	<b>1,146</b>	<b>1,142</b>	<b>931</b>	<b>4,431</b>	<b>824</b>	<b>901</b>	<b>589</b>	<b>698</b>	<b>3,012</b>	<b>226</b>	<b>272</b>
<u>Non-GAAP adjustments:</u>											
Amortization of intangibles	95	100	104	391	110	150	165	188	613	196	196
Severance & facility actions and Acquisition-related	87	46	108	313	76	72	132	68	348	80	87
Other <sup>1</sup>	0	0	0	0	0	0	0	0	0	88	47
Total adjustments to opinc	182	146	212	704	186	222	297	256	961	364	330
<b>Non-GAAP operating income</b>	<b>1,328</b>	<b>1,288</b>	<b>1,143</b>	<b>5,135</b>	<b>1,010</b>	<b>1,123</b>	<b>886</b>	<b>954</b>	<b>3,973</b>	<b>590</b>	<b>602</b>
<u>Percentage of Total Net Revenue:</u>											
GAAP operating income	7.3%	7.4%	5.8%	7.1%	5.7%	6.2%	4.3%	4.9%	5.3%	1.6%	1.9%
Non-GAAP adjustments	1.2%	1.0%	1.3%	1.2%	1.3%	1.6%	2.2%	1.8%	1.7%	2.6%	2.2%
Non-GAAP operating income	8.5%	8.4%	7.1%	8.3%	7.0%	7.8%	6.5%	6.7%	7.0%	4.2%	4.1%

<sup>1</sup> Includes expenses associated with Dell's proposed merger and retention cash bonus awards granted to certain key employees in the first quarter of Fiscal 2014.



## Supplemental Non-GAAP Measures

(\$ millions)

	2Q'12	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13	1Q'14	2Q'14
<b>Net TTM Free Cash Flow</b>									
Cash flow from operations	5,235	5,173	5,527	4,924	3,187	3,679	3,283	3,382	4,423
Capital expenditures	(549)	(670)	(675)	(680)	(641)	(548)	(513)	(529)	(573)
Financing receivables	375	412	372	322	282	261	193	135	185
<b>Net TTM Free Cash Flow</b>	<b>5,061</b>	<b>4,915</b>	<b>5,224</b>	<b>4,566</b>	<b>2,828</b>	<b>3,392</b>	<b>2,963</b>	<b>2,988</b>	<b>4,035</b>
<b>Net Free Cash Flow</b>									
Cash flow from operations	2,374	851	1,837	(138)	637	1,343	1,441	(39)	1,678
Capital expenditures	(159)	(214)	(165)	(142)	(120)	(121)	(130)	(158)	(164)
Financing receivables	100	83	210	(71)	60	62	142	(129)	110
<b>Net Free Cash Flow</b>	<b>2,315</b>	<b>720</b>	<b>1,882</b>	<b>(351)</b>	<b>577</b>	<b>1,284</b>	<b>1,453</b>	<b>(326)</b>	<b>1,624</b>

