

February 8, 2013

Board of Directors
Dell Inc.
One Dell Way
Round Rock, TX 78682
Attention: Lawrence P. Tu
Senior Vice President, General Counsel and Secretary

Dear Board of Directors:

Southeastern Asset Management, Inc. beneficially owns on behalf of its investment advisory clients approximately 8.5% of Dell's outstanding shares (including options), making us your largest outside shareholder. We are writing to express our extreme disappointment regarding the proposed go-private transaction, which we believe grossly undervalues the Company. We also write to inform you that we will not vote in favor of the proposed transaction as currently structured. We retain and intend to avail ourselves of all options at our disposal to oppose the proposed transaction, including but not limited to a proxy fight, litigation claims and any available Delaware statutory appraisal rights.

We expect the Board of Directors to perform its responsibility to thoroughly review all alternatives to the proposed transaction to deliver maximum value to Dell's public shareholders. We would have endorsed a transformative transaction that would have provided full and fair value to Dell's public shareholders, including a leveraged recapitalization or a go-private type sale where current shareholders could elect to continue to participate in a new company with a public stub. Unfortunately, the proposed Silver Lake transaction falls significantly short of that, and instead appears to be an effort to acquire Dell at a substantial discount to intrinsic value at the expense of public shareholders.

The Board of Directors has a fiduciary duty to consider any transaction, and particularly an insider transaction such as this, in light of what is in the best interest of all of Dell's shareholders. We believe that the proposed transaction, under which Dell's public shareholders would receive only \$13.65 per share, clearly represents an opportunistically timed bid to take the Company private at a valuation far below Dell's intrinsic value, and deprives public shareholders of the ability to participate in the Company's substantial future value creation. Specifically, the following supports our valuation analysis:

Southeastern believes that straightforward, modest valuations of Dell result in per share valuations vastly in excess of the \$13.65 offer price. Net cash per share after deducting structured debt within Dell Financial Services (DFS) is \$3.64. Dell Financial Services has a book value of \$1.72 per share. In addition, since Michael Dell resumed his role as CEO in 2007, the Company has spent \$13.7 billion or \$7.58 per share on acquisitions intended to transform the Company into a sustainable IT business and lessen its reliance on the PC business. During Dell's June 2012 analyst day, Dell Chief Financial Officer Brian Gladden said that in aggregate the acquisitions to that point had delivered a 15% internal rate of return. The Company has neither taken nor discussed the need to take any write downs of these acquisitions. We therefore conservatively believe the acquisitions are worth a minimum of their cost. Taken together, these items total \$12.94 per share before we even look at the other businesses.



The current bid therefore places a value of less than \$1.00 per share on the remainder of the Company. By any objective measure, that is woefully inadequate. Specifically, none of the following are accounted for above:

- As one of the dominant players in X86 servers, including the DCS division serving “hyperscale” customers, the server business alone is easily worth \$8.0 billion, or \$4.44 per share. This value excludes the results of SonicWall, Wyse and Quest which are included in the “Acquisitions” total above and which are carried in the “Servers and Networking” division.*
- The part of the “Services” segment not captured in the “Acquisitions” line above consists mainly of Dell’s “support and deployment” activities. This business has less correlation with the PC business and more closely follows the expansion of data center activity. In the last quarter, a quarter in which PC revenue declined by 19%, this support and deployment business grew by 5%. Estimates of its revenues are approximately \$4.8 billion, at which we believe it would produce at least \$1.0 billion of operating income. This operating income should be assigned a higher multiple than that attributed to the PC business. Our estimate of its value is at least \$7.0 billion, or \$3.89 per share.*
- The PC business generates roughly \$27.0 billion of revenue and we estimate approximately \$1.3 billion of operating profit. While we could accept the most bearish case in assuming the “death of the PC,” this business is certainly worth more than zero. Even the PC’s harshest critics would accept that the PC will be around for more than a few years. A multiple of operating income of 4 gives this business a value of approximately \$5.0 billion, or \$2.78 per share. We would note that Lenovo (primarily a PC company), with net income of around \$700 million, has a market value of \$11.0 billion.*
- The Software and Peripherals segment not captured above should be worth at least \$3.0 billion, or \$1.67 per share, which works out to a multiple of less than 7 times operating income.*
- We subtract \$1.00 per share to account for capitalized unallocated expenses.*

Adding the value of these operating segments to the \$12.94 outlined above and subtracting out an estimated \$1.00 per share of DFS value embedded within the segments yields a total corporate value approaching \$24.00 per share. This obviously exceeds the \$13.65 offer and does not even take into account Dell’s strong product distribution capability, especially in the small to medium size business space (SMB). This SMB distribution strength is the result of the Company’s heritage and legacy of selling directly to the end customer. Competitors like HP, IBM, Oracle, and Cisco do not have comparable distribution strength in SMB. This competitive advantage should enable Dell to continue to be able to sell its portfolio of enterprise solutions and services to a growing SMB market.

Valuation Summary	
(per share)	
Net cash ⁽¹⁾	\$ 3.64
DFS ⁽²⁾	1.72
Acquisitions since 2008 ⁽³⁾	7.58
Server Business ⁽⁴⁾	4.44
Support and Deployment ⁽⁵⁾	3.89
PC Business ⁽⁶⁾	2.78
Software and Peripherals ⁽⁷⁾	1.67
Unallocated Expenses ⁽⁸⁾	-1.00
DFS value embedded in segments ⁽⁹⁾	-1.00
Total	\$ 23.72

(see page 6 for footnotes)

In short, the evidence is overwhelming that shareholders are being deprived of their proportionate share of the Company's true value, which is much more than \$13.65 per share.

We believe the Board of Directors had several alternatives that would have produced a far better outcome for public shareholders than the proposed transaction.

One alternative the Board of Directors could have implemented instead of approving the Silver Lake transaction is a leveraged recapitalization that would have facilitated the payment of a special dividend to public shareholders. As opposed to forcing shareholders out at \$13.65, this option would have allowed all shareholders to receive a large cash payment while retaining ownership of significant future cash flow streams. The revenue mix of Dell's business has changed as a result of strategic acquisitions, resulting in the fact that roughly half of the annual free cash flow generated comes from higher growth enterprise businesses while the other half comes from legacy businesses linked to the PC.

As highlighted in an example below, the Company could have paid shareholders a substantial special dividend (close to \$12.00 per share in the example below) while still retaining the ability to generate anywhere from \$1.14 to \$1.34 per share of free cash flow per year (same as the Company's measure of "non-GAAP" earnings). Using the midpoint of the free cash flow range of \$1.24 based on the estimates below, the Company would produce over \$2.2 billion in free cash flow annually. This level of cash flow generation provides interest coverage of 4:1 based on the numbers below. There are other variations of this general idea, such as a larger immediate dividend and smaller resulting free cash flow. The Company could have undertaken the following three steps to create the ability to pay a special dividend:

- 1) Realize stated book value for DFS, while maintaining origination, servicing, and the strategic customer relationship. This would mean proceeds of roughly \$3.1 billion (DFS receivables less associated structured financing debt).
- 2) Pay the federal corporate tax to bring home offshore cash. This would raise at least \$9.25 billion of cash for payout while obviously eliminating any future interest income. If the Company were to explore ways to move the overseas cash back in a more tax efficient manner, then the special dividend could be increased by the amount of tax saved.

3) Undertake new borrowings of \$9.0 billion, with an expected interest rate of 7%.

Implementing these three steps could produce a special dividend of almost \$12.00 per share:

(in millions of USD, except per share item)		
DFS proceeds	\$	3,100
Foreign cash realized after tax		9,250
New borrowings		9,000
Available for special dividend		21,350
Shares, RSUs, and in-the-money options		1,800
Potential dividend per share	\$	11.86

However, even after this special dividend, an amount that represents 85% of the buying group's offer, there would still be available to shareholders well over \$1.00 of free cash flow per share:

Pro Forma Free Cash Flow			
(in millions of USD, except per share item)			
	Low Estimate	High Estimate	
EBITDA ⁽¹⁾	\$ 4,500	\$ 5,000	
Estimated Cap Ex	-600	-600	
Free EBITDA	3,900	4,400	
Less: Foregone DFS income ⁽²⁾	-275	-275	
Pro Forma Free EBITDA	3,625	4,125	
Existing Interest Expense	-265	-265	
Interest from new debt	-630	-630	
Pro forma pretax free EBTDA	2,730	3,230	
Estimated tax	-685	-810	
Free cash flow	2,045	2,420	
Shares	1,800	1,800	
Pro forma FCF/share	\$ 1.14	\$ 1.34	

¹ Range of EBITDA estimates from Citi, Credit Suisse, Deutsche, UBS, Raymond James, Bernstein, Goldman

² Estimate (undisclosed)

A second alternative the Board of Directors could have implemented instead of approving the Silver Lake transaction is another form of recapitalization that would be a Dutch auction or some other structure that would allow shareholders to tender shares for cash based on a price or range of prices for a determined amount of shares. In this form of recapitalization, instead of using the cash specified in the example above for a dividend, the Company would use that cash systematically to repurchase shares from those holders desiring to sell. The effect would be a

dramatic reduction in the share count which would leave the remaining holders with increased ownership of the free cash flow stream cited above.

We understand that Michael Dell is not bound to the Silver Lake transaction and can participate in facilitating a superior offer. We are concerned that given the participation of Michael Dell in this transaction, that a traditional go shop process is not sufficient to ensure that the Company receives superior offers. Specifically, as stated above, our value for the entire Company is approximately \$24.00 per share, but we also believe that selling multiple business units to strategic buyers could easily exceed \$13.65 per share.

Additionally, the Board of Directors should aggressively seek a proposal that differs from Silver Lake's thereby not forcing public shareholders to sell for a price so far below a reasonable valuation. A different buyer could serve the same purpose as Silver Lake, undertake similar leverage, but importantly and more fairly, could allow a reasonable percentage of the "rolled-in" equity to come from existing shareholders who choose to do so. While functioning much like a typical private equity transaction, this would actually leave a public "stub," which would allow public shareholders to remain investors in Dell's future. Several previous transactions have successfully implemented this type of structure and it merits study by the Board of Directors.

There are materially superior alternatives to the proposed transaction, and we hope that in addition to supporting one of the alternatives, Michael Dell would participate. If given the option, other existing shareholders could provide as much or more equity than Michael Dell currently proposes to do, which would lead to superior levels of equity contribution and more financial flexibility to serve Dell's customers and to grow.

We understand that given the restrictions the Board of Directors has imposed upon itself in connection with approving the ill-advised transaction announced on February 5, 2013, the Board of Directors would not be able to pursue the first two recapitalization alternatives stated above at this time. However, we are confident our fellow shareholders are as disappointed as we are with the proposed \$13.65 per share price, and the Company could pursue such alternatives when the non-conflicted shareholders ultimately vote against the proposed transaction.

In closing we reiterate our opposition to the proposed Silver Lake transaction and have serious concerns about the Board of Director's approval, which penalizes shareholders by forcing them to exit at a significant discount to intrinsic value rather than adopting alternatives such as a recapitalization that would have better rewarded shareholders. We expect the Board of Directors to satisfy its fiduciary obligations to all shareholders and to consider superior alternatives that treat public shareholders fairly.

Sincerely,



O. Mason Hawkins, CFA
Chairman & Chief Executive Officer



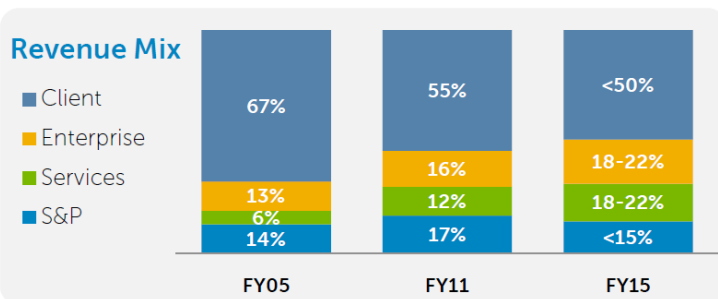
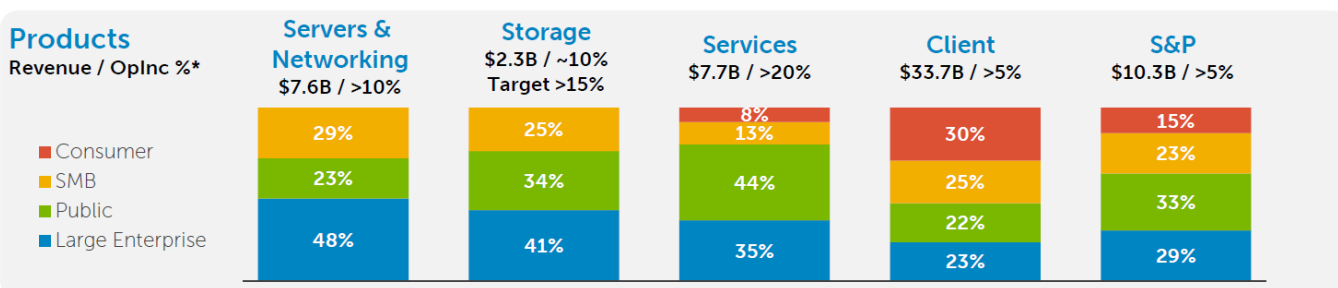
G. Staley Cates, CFA
President & Chief Investment Officer

Notes:

- 1) Cash & cash equivalents, short-term investments, and long-term investments of \$14.2 billion; total debt, excluding \$1.4 billion of DFS structured debt, of \$7.6 billion; as of 11/2/12
 - 2) DFS book value of \$3.1 billion as of 11/2/12
 - 3) Cash spent on acquisitions, net of cash acquired, as of 11/2/12 since fiscal year 2008
 - 4) Assumes \$8 billion of revenue and \$880 million of operating income excluding acquired businesses reported within Servers & Networking
 - 5) Assumes \$4.8 billion of revenue and \$1 billion of operating income from "Support & Deployment"
 - 6) Assumes \$27 billion in revenue and \$1.3 billion of operating income from "Mobility" and "Desktop PCs"
 - 7) Assumes \$9 billion in revenues and \$450 million in operating profit from "Software and Peripherals"
 - 8) Assumes \$300 million of unallocated expenses
 - 9) Assumes \$250-\$300 million of DFS net interest income embedded within the segments
- Margin assumptions driven by company guidance at Dell 2011 Analyst Meeting:

Broad portfolio well-positioned for the future...

Generating solid returns and mixing to more profitable solutions



- Dell IP and innovation changing conversation with customers... focused on solutions that optimize efficiency and flexibility
- Product mix shift to enterprise solutions and services key to improved and sustained profitability long-term
- Executing well with profitable client and S&P business... sustaining structural cost improvement

* OpInc % approximate 1Q'12 actuals. Additionally, extended warranty support services is counted both in services and in each line of business.

