



June 2012

To our customers, shareholders and colleagues,

Information technology is undeniably among the great problem-solving innovations of all time. It's connecting the world, transforming the workplace, and making possible today what was considered impossible yesterday. The challenge for technology providers is understanding the problems customers are trying to solve and responding with the right solutions and services. That's where Dell is different. We've been listening to and engaging our customers for 28 years, and their insight guides everything we do. Our end-to-end solutions strategy—and the innovations and investments we made in fiscal year 2012 to enable it—are, as you'd expect, truly customer inspired.

Our industry is filled with both promise and complexity, and our customers tell us every day they need our help making sense of it. After all, technology is changing at lightning speed. Advances in mobility and cloud computing, the proliferation of data, and the imperative to protect, store and extract insight from it are the very real obstacles and opportunities facing our customers. We're reshaping our business to address these issues from the desktop to the data center and to help our customers achieve their full potential.

I'm proud to report we delivered on that promise in fiscal year 2012. We made big investments to expand our portfolio of solutions and capabilities and to build an expert global workforce to deliver them to our millions of customers. By the end of the year, enterprise solutions and services accounted for roughly 50 percent of gross margins—a record result, and great validation that we're on the right road and delivering the technology solutions our customers need.

Technology is shaping the future and enabling human potential on a global scale. The pace of innovation today is saving lives, creating jobs, and helping children learn like never before—and I believe we're just getting started. I'm proud of how Dell is evolving to deliver the solutions of tomorrow. We are more committed than ever to our growth strategy, and we know that the best days are still ahead—for our industry, our customers and for Dell.

Fiscal Year 2012 Highlights

Fiscal year 2012 marked the best financial performance in our history. Revenue was \$62.1 billion, up one percent from fiscal year 2011, and gross margin dollars, operating income and earnings per share rose to record levels. Our enterprise solutions and services business, a bellwether for execution of our strategy, grew six percent to \$18.6 billion, and was nearly 30 percent of revenue and almost half of gross margin dollars. Services revenue was up 8 percent, with 75 percent growth year-over-year in new contract signings.

GAAP operating income climbed 29 percent to \$4.4 billion, or 7.1 percent of revenue, and non-GAAP operating income rose 24 percent to \$5.1 billion, or 8.3 percent of revenue. We delivered GAAP EPS of \$1.88, an increase of 39 percent, and non-GAAP EPS of \$2.13, up 34 percent. Cash flow from operations grew 39 percent to \$5.5 billion, and we finished the year with \$18.2 billion in cash and investments.

The solid financial performance of fiscal year 2012 was driven largely by strategic moves to optimize our operations and invest in our end-to-end solutions and services capabilities. We remain committed to delivering the devices our customers use to generate and consume information, but we also see tremendous opportunity in developing and bringing to market the IT infrastructure that supports, connects, manages and secures it.

We established four solutions groups to support our customer segments—end-user computing, enterprise solutions, software and services—and are committed to designing and delivering technologies that are practical, relevant and customer inspired. Without legacy products and business models to hold us back, Dell is uniquely positioned in the industry to adopt, develop and deploy the evolutionary and revolutionary solutions our customers need to do and achieve more.

Early last year, we announced our intent to invest \$1 billion in cloud data and solution centers to help our customers adopt and benefit from new compute and information-delivery advancements. Since then we've opened 11 solution centers, two data centers and increased our R&D spend by 30 percent—innovating inside Dell to make cloud, data center virtualization, intelligent data management, and next-generation solutions and services more accessible to customers of all sizes.

We also continued to invest in our intellectual property portfolio by acquiring RNA Networks and Force10 Networks, companies that specialize in virtualizing and automating data center and cloud networks. We've acquired more than a dozen companies since we began executing our solutions strategy, and we've brought this momentum into the current fiscal year. AppAssure, SonicWALL, Wyse Technology, Clarity and Make Technologies are our latest additions to a growing list of strategic acquisitions. These companies bring critical, market-tested IT modernization, desktop virtualization, storage and security capabilities to Dell that are enabling our end-to-end solutions strategy.

We improved the cost position, execution and profitability of our core laptop and desktop business by simplifying our offerings, enhancing our online ordering process, and revamping our supply chain. These optimization measures helped free up capital to reinvest in the strategic priorities that advance our business and deliver better value to our customers and our shareholders.

Fiscal Year 2013 and Beyond

We are pleased with our progress and more convinced than ever that our strategy is the right one. There is still work to do and we're not slowing down in fiscal year 2013. We've already made five acquisitions and established a new software solutions group.

You'll see us continue to evolve to keep pace with our dynamic industry, but some things will never change, like our commitment to our planet, people and community. Our sustainability practices are integrated into all aspects of the product life cycle—from design and engineering, to shipping and packaging, to operation and recycling—and are considered among the best in our industry. We work hard to foster a work environment for our global team that is inclusive, collaborative and reflects the diverse cultures of our customers all over the world. We earmark one percent of our pretax profits to high-impact, charitable causes. Last year we helped more than a half-million children in 10 countries through our youth learning programs and launched an innovative healthcare initiative to accelerate and personalize treatment for children with pediatric cancer.

I am excited about our future. Information technology is a \$3 trillion industry, and we currently have roughly a two-percent share. The opportunity to grow and, more importantly, to help our customers achieve their goals is tremendous. That is—and will always be—our ultimate goal.

We know we're on the right path. We know because we're still listening to the people who rely on our solutions and services to do more, every day. That is the power of Dell.



Michael Dell

For reconciliation of each non-GAAP financial measure in this letter to the most directly comparable financial measure calculated and presented in accordance with GAAP, please refer to the Dell Inc. Form 10-K portion of this Annual Report.