

DELL TECHNOLOGIES INC. FINANCIAL INFORMATION

Basis of Presentation

Spin-Off of VMware, Inc. — On November 1, 2021, Dell Technologies Inc. completed its spin-off of VMware, Inc. (“VMware”) by means of a special stock dividend (the “VMware Spin-off”). In accordance with applicable accounting guidance, the results of VMware, excluding Dell’s resale of VMware offerings, are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment results for the three and nine months ended October 29, 2021. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations.

DELL TECHNOLOGIES INC.
Consolidated Statements of Income and Related Financial Highlights
(in millions, except percentages; unaudited)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
<i>Net revenue:</i>						
Products	\$ 18,938	\$ 20,979	(10)%	\$ 60,212	\$ 57,361	5%
Services	5,783	5,445	6%	17,050	15,844	8%
Total net revenue	24,721	26,424	(6)%	77,262	73,205	6%
<i>Cost of net revenue:</i>						
Products	15,601	17,833	(13)%	50,281	47,959	5%
Services	3,413	3,057	12%	10,051	8,973	12%
Total cost of net revenue	19,014	20,890	(9)%	60,332	56,932	6%
Gross margin	5,707	5,534	3%	16,930	16,273	4%
<i>Operating expenses:</i>						
Selling, general, and administrative	3,268	3,838	(15)%	10,364	11,257	(8)%
Research and development	677	650	4%	1,984	1,966	1%
Total operating expenses	3,945	4,488	(12)%	12,348	13,223	(7)%
Operating income	1,762	1,046	68%	4,582	3,050	50%
Interest and other, net	(1,308)	3,501	(137)%	(2,280)	2,921	(178)%
Income before income taxes	454	4,547	(90)%	2,302	5,971	(61)%
Income tax expense	213	864	(75)%	486	1,000	(51)%
Net income from continuing operations	241	3,683	(93)%	1,816	4,971	(63)%
Income from discontinued operations, net of income taxes	—	205	(100)%	—	735	(100)%
Net income	241	3,888	(94)%	1,816	5,706	(68)%
Less: Net loss attributable to non-controlling interests	(4)	(2)	(100)%	(12)	(5)	(140)%
Less: Net income attributable to non-controlling interests of discontinued operations	—	47	(100)%	—	150	(100)%
Net income attributable to Dell Technologies Inc.	\$ 245	\$ 3,843	(94)%	\$ 1,828	\$ 5,561	(67)%
<i>Percentage of Total Net Revenue:</i>						
Gross margin	23.1 %	20.9 %		21.9 %	22.2 %	
Selling, general, and administrative	13.3 %	14.4 %		13.4 %	15.3 %	
Research and development	2.7 %	2.5 %		2.6 %	2.7 %	
Operating expenses	16.0 %	16.9 %		16.0 %	18.0 %	
Operating income	7.1 %	4.0 %		5.9 %	4.2 %	
Income before income taxes	1.8 %	17.2 %		3.0 %	8.2 %	
Net income from continuing operations	1.0 %	13.9 %		2.4 %	6.8 %	
Income tax rate	46.9 %	19.0 %		21.1 %	16.7 %	

During the three and nine months ended October 28, 2022, net income from continuing operations includes the impact of \$1.0 billion expense recognized within interest and other, net, in connection with a previously reported litigation settlement agreement.

Amounts are based on underlying data and may not visually foot due to rounding.

DELL TECHNOLOGIES INC.
Consolidated Statements of Financial Position
(in millions; unaudited)

	October 28, 2022	January 28, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,909	\$ 9,477
Accounts receivable, net	11,431	12,912
Due from related party, net	203	131
Short-term financing receivables, net	4,915	5,089
Inventories	6,172	5,898
Other current assets	11,157	11,526
Total current assets	38,787	45,033
Property, plant, and equipment, net	5,847	5,415
Long-term investments	1,534	1,839
Long-term financing receivables, net	5,659	5,522
Goodwill	19,366	19,770
Intangible assets, net	6,728	7,461
Due from related party, net	612	710
Other non-current assets	6,639	6,985
Total assets	\$ 85,172	\$ 92,735
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 6,767	\$ 5,823
Accounts payable	22,507	27,143
Due to related party	712	1,414
Accrued and other	7,915	7,578
Short-term deferred revenue	14,106	14,261
Total current liabilities	52,007	56,219
Long-term debt	20,562	21,131
Long-term deferred revenue	12,983	13,312
Other non-current liabilities	2,988	3,653
Total liabilities	88,540	94,315
Stockholders' equity (deficit):		
Total Dell Technologies Inc. stockholders' equity (deficit)	(3,469)	(1,685)
Non-controlling interests	101	105
Total stockholders' equity (deficit)	(3,368)	(1,580)
Total liabilities and stockholders' equity	\$ 85,172	\$ 92,735

DELL TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(in millions; unaudited)

	Three Months Ended		Nine Months Ended	
	October 28, 2022	October 29, 2021	October 28, 2022	October 29, 2021
Cash flows from operating activities:				
Net income	\$ 241	\$ 3,888	\$ 1,816	\$ 5,706
Adjustments to reconcile net income to net cash provided by operating activities:				
Change in cash from operating activities	155	(637)	(965)	1,508
	<u>396</u>	<u>3,251</u>	<u>851</u>	<u>7,214</u>
Cash flows from investing activities:				
Purchases of investments	(21)	(50)	(101)	(320)
Maturities and sales of investments	31	119	99	454
Capital expenditures and capitalized software development costs	(747)	(799)	(2,244)	(2,056)
Acquisition of businesses and assets, net	—	—	—	(16)
Divestitures of businesses and assets, net	—	3,957	—	3,957
Other	7	14	18	34
Change in cash from investing activities	<u>(730)</u>	<u>3,241</u>	<u>(2,228)</u>	<u>2,053</u>
Cash flows from financing activities:				
Proceeds from the issuance of common stock	—	140	5	326
Repurchases of parent common stock (a)	(622)	(18)	(3,090)	(35)
Repurchases of subsidiary common stock (a)	—	(196)	(8)	(1,174)
Payments of dividends to stockholders	(238)	—	(728)	—
Proceeds from debt	2,314	9,102	8,779	13,037
Repayments of debt	(1,837)	(4,646)	(8,079)	(13,069)
Debt-related costs and other, net	(3)	(99)	(17)	(113)
Change in cash from financing activities	<u>(386)</u>	<u>4,283</u>	<u>(3,138)</u>	<u>(1,028)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>(149)</u>	<u>(33)</u>	<u>(343)</u>	<u>(54)</u>
Change in cash, cash equivalents, and restricted cash	(869)	10,742	(4,858)	8,185
Cash, cash equivalents, and restricted cash at beginning of the period, including cash attributable to discontinued operations	<u>6,093</u>	<u>12,627</u>	<u>10,082</u>	<u>15,184</u>
Cash, cash equivalents, and restricted cash at end of the period, including cash attributable to discontinued operations	<u>5,224</u>	<u>23,369</u>	<u>5,224</u>	<u>23,369</u>
Less: Cash, cash equivalents, and restricted cash attributable to discontinued operations	<u>—</u>	<u>12,553</u>	<u>—</u>	<u>12,553</u>
Cash, cash equivalents, and restricted cash from continuing operations	<u>\$ 5,224</u>	<u>\$ 10,816</u>	<u>\$ 5,224</u>	<u>\$ 10,816</u>

(a) Common stock repurchases are inclusive of employee tax withholding on stock-based compensation.

DELL TECHNOLOGIES INC.
Segment Information
(in millions, except percentages; unaudited; continued on next page)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
<i>Infrastructure Solutions Group (ISG):</i>						
Net revenue:						
Servers and networking	\$ 5,201	\$ 4,561	14%	\$ 15,458	\$ 13,181	17%
Storage	4,429	4,003	11%	12,993	11,966	9%
Total ISG net revenue	\$ 9,630	\$ 8,564	12%	\$ 28,451	\$ 25,147	13%
Operating Income:						
ISG operating income	\$ 1,374	\$ 894	54%	\$ 3,502	\$ 2,634	33%
<i>% of ISG net revenue</i>	<i>14.3 %</i>	<i>10.4 %</i>		<i>12.3 %</i>	<i>10.5 %</i>	
<i>% of total reportable segment operating income</i>	<i>56 %</i>	<i>44 %</i>		<i>53 %</i>	<i>45 %</i>	
<i>Client Solutions Group (CSG):</i>						
Net revenue:						
Commercial	\$ 10,747	\$ 12,300	(13)%	\$ 34,859	\$ 32,685	7%
Consumer	3,028	4,256	(29)%	9,993	11,450	(13)%
Total CSG net revenue	\$ 13,775	\$ 16,556	(17)%	\$ 44,852	\$ 44,135	2%
Operating Income:						
CSG operating income	\$ 1,060	\$ 1,142	(7)%	\$ 3,153	\$ 3,208	(2)%
<i>% of CSG net revenue</i>	<i>7.7 %</i>	<i>6.9 %</i>		<i>7.0 %</i>	<i>7.3 %</i>	
<i>% of total reportable segment operating income</i>	<i>44 %</i>	<i>56 %</i>		<i>47 %</i>	<i>55 %</i>	

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DELL TECHNOLOGIES INC.
Segment Information
(in millions, except percentages; unaudited; continued)

	Three Months Ended		Nine Months Ended	
	October 28, 2022	October 29, 2021	October 28, 2022	October 29, 2021
<i>Reconciliation to consolidated net revenue:</i>				
Reportable segment net revenue	\$ 23,405	\$ 25,120	\$ 73,303	\$ 69,282
Other businesses (a)	1,313	1,310	3,951	3,940
Unallocated transactions (b)	3	2	8	7
Impact of purchase accounting (c)	—	(8)	—	(24)
Total consolidated net revenue	\$ 24,721	\$ 26,424	\$ 77,262	\$ 73,205
<i>Reconciliation to consolidated operating income:</i>				
Reportable segment operating income	\$ 2,434	\$ 2,036	\$ 6,655	\$ 5,842
Other businesses (a)	(57)	(81)	(192)	(248)
Unallocated transactions (b)	3	1	4	—
Impact of purchase accounting (c)	(21)	(12)	(33)	(47)
Amortization of intangibles	(245)	(431)	(732)	(1,318)
Transaction-related expenses (d)	(8)	(229)	(16)	(295)
Stock-based compensation expense (e)	(235)	(214)	(703)	(592)
Other corporate expenses (f)	(109)	(24)	(401)	(292)
Total consolidated operating income	\$ 1,762	\$ 1,046	\$ 4,582	\$ 3,050

- (a) Other businesses consists of: 1) Dell's resale of standalone VMware, Inc. products and services, "VMware Resale," 2) Secureworks, and 3) Virtustream, and do not meet the requirements for a reportable segment, either individually or collectively.
- (b) Unallocated transactions includes other corporate items that are not allocated to Dell Technologies' reportable segments.
- (c) Impact of purchase accounting includes non-cash purchase accounting adjustments that are primarily related to the EMC merger transaction.
- (d) Transaction-related expenses includes acquisition, integration, and divestiture related costs.
- (e) Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date.
- (f) Other corporate expenses includes impairment charges, incentive charges related to equity investments, severance, payroll taxes associated with stock-based compensation, facilities action, and other costs. During the nine months ended October 28, 2022, other corporate expenses includes impairment and other costs incurred in connection with exiting the Company's business in Russia.

SUPPLEMENTAL SELECTED NON-GAAP FINANCIAL MEASURES

These tables present information about the Company's non-GAAP net revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, non-GAAP net income attributable to Dell Technologies Inc. - basic and diluted, non-GAAP earnings per share attributable to Dell Technologies Inc. - basic, and non-GAAP earnings per share attributable to Dell Technologies Inc. - diluted, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with generally accepted accounting principles in the United States of America ("GAAP"). A detailed discussion of Dell Technologies' reasons for including these non-GAAP financial measures, the limitations associated with these measures, the items excluded from these measures, and our reason for excluding those items are presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" in our periodic reports filed with the SEC. Dell Technologies encourages investors to review the non-GAAP discussion in these reports in conjunction with the presentation of non-GAAP financial measures.

DELL TECHNOLOGIES INC.
Selected Non-GAAP Financial Measures
(in millions, except per share amounts and percentages; unaudited)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
Non-GAAP net revenue	\$ 24,721	\$ 26,432	(6)%	\$ 77,262	\$ 73,229	6%
Non-GAAP gross margin	\$ 5,865	\$ 5,729	2%	\$ 17,456	\$ 16,866	3%
<i>% of non-GAAP net revenue</i>	<i>23.7 %</i>	<i>21.7 %</i>		<i>22.6 %</i>	<i>23.0 %</i>	
Non-GAAP operating expenses	\$ 3,485	\$ 3,773	(8)%	\$ 10,989	\$ 11,272	(3)%
<i>% of non-GAAP net revenue</i>	<i>14.1 %</i>	<i>14.3 %</i>		<i>14.2 %</i>	<i>15.4 %</i>	
Non-GAAP operating income	\$ 2,380	\$ 1,956	22%	\$ 6,467	\$ 5,594	16%
<i>% of non-GAAP net revenue</i>	<i>9.6 %</i>	<i>7.4 %</i>		<i>8.4 %</i>	<i>7.6 %</i>	
Non-GAAP net income	\$ 1,705	\$ 1,313	30%	\$ 4,405	\$ 3,534	25%
<i>% of non-GAAP net revenue</i>	<i>6.9 %</i>	<i>5.0 %</i>		<i>5.7 %</i>	<i>4.8 %</i>	
Non-GAAP earnings per share - diluted	\$ 2.30	\$ 1.66	39%	\$ 5.81	\$ 4.50	29%

Amounts are based on underlying data and may not visually foot due to rounding.

DELL TECHNOLOGIES INC.
Reconciliation of Selected Non-GAAP Financial Measures
(in millions, except percentages; unaudited; continued on next page)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
Net revenue	\$ 24,721	\$ 26,424	(6)%	\$ 77,262	\$ 73,205	6%
Non-GAAP adjustments:						
Impact of purchase accounting	—	8		—	24	
Non-GAAP net revenue	\$ 24,721	\$ 26,432	(6)%	\$ 77,262	\$ 73,229	6%
Gross margin	\$ 5,707	\$ 5,534	3%	\$ 16,930	\$ 16,273	4%
Non-GAAP adjustments:						
Amortization of intangibles	106	148		315	448	
Impact of purchase accounting	—	9		2	27	
Stock-based compensation expense	37	36		112	96	
Other corporate expenses	15	2		97	22	
Non-GAAP gross margin	\$ 5,865	\$ 5,729	2%	\$ 17,456	\$ 16,866	3%
Operating expenses	\$ 3,945	\$ 4,488	(12)%	\$ 12,348	\$ 13,223	(7)%
Non-GAAP adjustments:						
Amortization of intangibles	(139)	(283)		(417)	(870)	
Impact of purchase accounting	(21)	(3)		(31)	(20)	
Transaction-related expenses	(8)	(229)		(16)	(295)	
Stock-based compensation expense	(198)	(178)		(591)	(496)	
Other corporate expenses	(94)	(22)		(304)	(270)	
Non-GAAP operating expenses	\$ 3,485	\$ 3,773	(8)%	\$ 10,989	\$ 11,272	(3)%
Operating income	\$ 1,762	\$ 1,046	68%	\$ 4,582	\$ 3,050	50%
Non-GAAP adjustments:						
Amortization of intangibles	245	431		732	1,318	
Impact of purchase accounting	21	12		33	47	
Transaction-related expenses	8	229		16	295	
Stock-based compensation expense	235	214		703	592	
Other corporate expenses	109	24		401	292	
Non-GAAP operating income	\$ 2,380	\$ 1,956	22%	\$ 6,467	\$ 5,594	16%

DELL TECHNOLOGIES INC.
Reconciliation of Selected Non-GAAP Financial Measures
(in millions, except percentages; unaudited; continued)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
Net income from continuing operations	\$ 241	\$ 3,683	(93)%	\$ 1,816	\$ 4,971	(63)%
Non-GAAP adjustments:						
Amortization of intangibles	245	431		732	1,318	
Impact of purchase accounting	21	12		33	47	
Transaction-related (income) expenses	4	(3,689)		(2)	(3,635)	
Stock-based compensation expense	235	214		703	592	
Other corporate expenses	1,112	24		1,420	292	
Fair value adjustments on equity investments	(44)	(18)		197	(380)	
Aggregate adjustment for income taxes	(109)	656		(494)	329	
Non-GAAP net income	\$ 1,705	\$ 1,313	30%	\$ 4,405	\$ 3,534	25%
Net income from continuing operations attributable to Dell Technologies Inc.	\$ 245	\$ 3,685	(93)%	\$ 1,828	\$ 4,976	(63)%
Non-GAAP adjustments:						
Amortization of intangibles	245	431		732	1,318	
Impact of purchase accounting	21	12		33	47	
Transaction-related (income) expenses	4	(3,689)		(2)	(3,635)	
Stock-based compensation expense	235	214		703	592	
Other corporate expenses	1,112	24		1,420	292	
Fair value adjustments on equity investments	(44)	(18)		197	(380)	
Aggregate adjustment for income taxes	(109)	656		(494)	329	
Total non-GAAP adjustments attributable to non-controlling interests	(2)	(3)		(7)	(6)	
Non-GAAP net income attributable to Dell Technologies Inc.	\$ 1,707	\$ 1,312	30%	\$ 4,410	\$ 3,533	25%

DELL TECHNOLOGIES INC.
Reconciliation of Selected Non-GAAP Financial Measures
(in millions, except percentages and per share amounts; unaudited; continued)

	Three Months Ended			Nine Months Ended		
	October 28, 2022	October 29, 2021	Change	October 28, 2022	October 29, 2021	Change
<i>Earnings per share from continuing operations attributable to Dell Technologies Inc.</i>						
Net income from continuing operations attributable to Dell Technologies Inc. — basic	\$ 245	\$ 3,685		\$ 1,828	\$ 4,976	
Weighted-average shares outstanding — basic	728	766		740	762	
Earnings per share attributable to Dell Technologies Inc. — basic	\$ 0.34	\$ 4.81	(93)%	\$ 2.47	\$ 6.53	(62)%
Net income from continuing operations attributable to Dell Technologies Inc. — diluted	\$ 245	\$ 3,685		\$ 1,828	\$ 4,976	
Weighted-average shares outstanding — diluted	743	788		759	785	
Earnings per share attributable to Dell Technologies Inc. — diluted	\$ 0.33	\$ 4.68	(93)%	\$ 2.41	\$ 6.34	(62)%
<i>Earnings per share from discontinued operations attributable to Dell Technologies Inc.</i>						
Net income from discontinued operations attributable to Dell Technologies Inc. — basic	\$ —	\$ 158		\$ —	\$ 585	
Weighted-average shares outstanding — basic	—	766		—	762	
Earnings per share attributable to Dell Technologies Inc. — basic	\$ —	\$ 0.21	NM	\$ —	\$ 0.77	NM
Incremental dilution from VMware, Inc. attributable to Dell Technologies	—	(2)		—	(7)	
Net income from discontinued operations attributable to Dell Technologies Inc. — diluted	\$ —	\$ 156		\$ —	\$ 578	
Weighted-average shares outstanding — diluted	—	788		—	785	
Earnings per share attributable to Dell Technologies Inc. — diluted	\$ —	\$ 0.19	NM	\$ —	\$ 0.74	NM
<i>Non-GAAP earnings per share attributable to Dell Technologies Inc.</i>						
Non-GAAP net income attributable to Dell Technologies Inc. — basic	\$ 1,707	\$ 1,312		\$ 4,410	\$ 3,533	
Weighted-average shares outstanding — basic	728	766		740	762	
Earnings per share attributable to Dell Technologies Inc. — basic	\$ 2.34	\$ 1.71	37%	\$ 5.96	\$ 4.64	28%
Non-GAAP net income attributable to Dell Technologies Inc. — diluted	\$ 1,707	\$ 1,312		\$ 4,410	\$ 3,533	
Weighted-average shares outstanding — diluted	743	788		759	785	
Earnings per share attributable to Dell Technologies Inc. — diluted	\$ 2.30	\$ 1.66	39%	\$ 5.81	\$ 4.50	29%

Amounts may not visually recalculate due to rounding.