DENALI HOLDING INC.

Condensed Consolidated Statements of Income (Loss) and Related Financial Highlights

(in millions, except per share amounts and percentages; unaudited)

	Three Months Ended		% Growth Rates
	April 29, 2016	May 1, 2015	Yr. to Yr.
Net revenue:			
Products	$ 10,322	$ 10,660	(3%)
Services, including software related	2,212	2,178	2%
Total net revenue	12,534	12,838	(2%)
Cost of net revenue:			
Products	8,887	9,456	(6%)
Services, including software related	1,229	1,253	(2%)
Total cost of net revenue	10,116	10,709	(6%)
Gross margin	2,418	2,129	14%
Operating expenses:			
Selling, general, and administrative	2,246	2,139	5%
Research, development, and engineering	333	325	2%
Total operating expenses	2,579	2,464	5%
Operating loss	(161)	(335)	52%
Interest and other, net	(205)	(179)	(15%)
Loss from continuing operations before income taxes	(366)	(514)	29%
Income tax provision (benefit)	60	(38)	NM
Net loss from continuing operations	(426)	(476)	11%
Income (loss) from discontinued operations, net of income taxes	481	(28)	NM
Net income (loss)	$ 55	$ (504)	111%
Income (loss) per share - basic:			
Continuing operations	$ (1.05)	$ (1.17)	10%
Discontinuing operations	1.19	(0.07)	NM
Earnings (loss) per share - basic	$ 0.14	$ (1.24)	111%
Income (loss) per share - diluted:			
Continuing operations	$ (1.05)	$ (1.17)	10%
Discontinuing operations	1.19	(0.07)	NM
Earnings (loss) per share - diluted	$ 0.14	$ (1.24)	111%
Weighted-average shares outstanding:			
Basic	405	405	
Diluted	405	405	
Percentage of Total Net Revenue:			
Gross margin	19.3%	16.6%	
Selling, general, and administrative	17.9%	16.7%	
Research, development, and engineering	2.7%	2.5%	
Operating expenses	20.6%	19.2%	
Operating loss	(1.3%)	(2.6%)	
Loss from continuing operations before income taxes	(2.9%)	(4.0%)	
Net loss from continuing operations	(3.4%)	(3.7%)	
Income tax rate	(16.4%)	7.4%	

DENALI HOLDING INC.

Condensed Consolidated Statements of Financial Position

(in millions; unaudited)

	April 29, 2016	January 29, 2016
Assets:		
Current assets:		
Cash and cash equivalents	$ 6,139	$ 6,576
Accounts receivable, net	5,075	5,092
Short-term financing receivables, net	2,855	2,915
Inventories, net	1,655	1,643
Other current assets	3,321	3,508
Current assets held for sale	1,719	1,721
Total current assets	20,764	21,455
Property, plant, and equipment, net	1,684	1,755
Long-term investments	101	114
Long-term financing receivables, net	2,190	2,177
Goodwill	9,797	9,797
Intangible assets, net	8,663	9,190
Other non-current assets	680	634
Total assets	$ 43,879	$ 45,122
Liabilities and Stockholders' Equity:		
Current liabilities:		
Short-term debt	$ 2,465	$ 2,981
Accounts payable	12,412	12,761
Accrued and other	4,193	4,377
Short-term deferred revenue	4,414	4,257
Current liabilities held for sale	464	614
Total current liabilities	23,948	24,990
Long-term debt	10,679	10,650
Long-term deferred revenue	4,484	4,422
Other non-current liabilities	3,036	3,488
Total liabilities	42,147	43,550
Redeemable shares	165	106
Total Denali stockholders’ equity	1,442	1,466
Non-controlling interest	125	-
Total stockholders' equity	1,567	1,466
Total liabilities and stockholders' equity	$ 43,879	$ 45,122

DENALI HOLDING INC.

Condensed Consolidated Statements of Cash Flows

(in millions; unaudited)

	Three Months Ended	
	April 29, 2016	**May 1, 2015**
Cash flows from operating activities:		
Net income (loss)	$ 55	$ (504)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	(118)	(391)
Change in cash from operating activities	(63)	(895)
Cash flows from investing activities:		
Investments:		
Purchases	—	(2)
Maturities and sales	12	—
Capital expenditures	(92)	(114)
Proceeds from sale of facilities, land, and other assets	4	—
Collections on purchased financing receivables	16	25
Divestitures of businesses, net of cash transferred	—	8
Change in cash from investing activities	(60)	(83)
Cash flows from financing activities:		
Contributions from non-controlling interests, net	102	—
Issuance of common stock under employee plans	—	1
Payments for debt issuance costs	(2)	(6)
Proceeds from debt	552	2,025
Repayments of debt	(1,041)	(1,662)
Other	2	—
Change in cash from financing activities	(387)	358
Effect of exchange rate changes on cash and cash equivalents	73	(4)
Change in cash and cash equivalents	(437)	(624)
Cash and cash equivalents at beginning of the period	6,576	5,398
Cash and cash equivalents at end of the period	$ 6,139	$ 4,774

Non-GAAP Financial Measures

In this press release the Company uses supplemental measures of performance which are derived from the consolidated financial information but which are not presented in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. These non-GAAP financial measures include non-GAAP product net revenue; non-GAAP services net revenue; non-GAAP net revenue; non-GAAP product gross margin; non-GAAP services gross margin; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income; non-GAAP net income from continuing operations; non-GAAP earnings per share - diluted from continuing operations; earnings before interest and other, net, taxes, depreciation and amortization, referred to as EBITDA; and adjusted EBITDA.

The Company uses non-GAAP financial measures to supplement financial information presented on a GAAP basis. The Company believes that excluding certain items from GAAP results allows management to better understand the consolidated financial performance from period to period and better project future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, the Company believes these non-GAAP financial measures will provide its stakeholders with useful information to help them evaluate operating results by facilitating an enhanced understanding of the Company's operating performance and enabling them to make more meaningful period to period comparisons.

In particular, the Company has excluded the impact of purchase accounting adjustments related to the acquisition of Dell Inc. by Denali Holding Inc. (the "going-private transaction"). The going-private transaction was recorded using the acquisition method of accounting in accordance with the accounting guidance for business combinations. This guidance prescribes that the purchase price be allocated to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities on the date of the transaction. All of the Company's assets and liabilities were accounted for and recognized at fair value as of the transaction date, and the fair value adjustments are being amortized over the estimated useful lives in the periods following the transaction, while the ongoing business and operations did not change. As a result, the Company believes that excluding these adjustments provides results that are useful in understanding the Company's operating performance, and aligns with how the business is managed. Excluding these adjustments also provides for more comparable operating results over the periods presented.

There are limitations to the use of the non-GAAP financial measures presented in this report. The Company's non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than Denali does, limiting the usefulness of those measures for comparative purposes.

Non-GAAP product net revenue, non-GAAP services net revenue, non-GAAP net revenue, non-GAAP product gross margin, non-GAAP services gross margin, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share, as defined by the Company, exclude the following items: the impact of purchase accounting, amortization of intangible assets, other corporate expenses, and for non-GAAP net income and non-GAAP earnings per share, an aggregate adjustment for income taxes. As the excluded items have a material impact on Denali's financial results, management compensates for this limitation 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 net revenue, gross margin, operating expenses, operating income, or net income prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

Reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure are presented below. You are encouraged to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. See the discussion below for more information on each of the excluded items as well as the reasons they have been excluded them from the non-GAAP results. In future fiscal periods, the Company 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 the non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

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

- *Impact of Purchase Accounting* - The impact of purchase accounting includes purchase accounting adjustments recorded under the acquisition method of accounting, related to the going-private transaction. Purchase accounting adjustments primarily include fair value adjustments made to deferred revenue, inventory, and property, plant, and equipment which are recorded over time. The Company excludes these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate a more meaningful evaluation of the current operating performance and comparisons to past operating performance.

- *Amortization of Intangible Assets* - Amortization of intangible assets consists of amortization of customer relationships, developed technology and trade names. In connection with the going-private transaction, all of Denali's tangible and intangible assets and liabilities were accounted for and recognized at fair value on the transaction date. Accordingly, for the periods presented, amortization of intangible assets represents amortization associated with intangible assets recognized in connection with the going-private transaction. Amortization charges for purchased intangible assets are significantly impacted by the timing and magnitude of acquisitions, and these charges may vary in amount from period to period. The Company excludes these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate a more meaningful evaluation of the current operating performance and comparisons to past operating performance.

- *Other Corporate Expenses* - Other corporate expenses consists of the following items:

    - Severance and facility action costs primarily related to severance and benefits for employees terminated pursuant to cost savings initiatives.
    - Acquisition, integration, and divestiture related charges which are expensed as incurred and consist primarily of consulting and advisory services and retention payments. During the first quarter of Fiscal 2017, these charges include $56 million of operating expenses related to the pending EMC merger.

    - Stock-based compensation expense associated with equity awards.

  Other corporate expenses vary from period to period and are significantly impacted by the timing and nature of these events. Therefore, although the Company may incur these types of expenses in the future, the Company believes that eliminating these charges for purposes of calculating the non-GAAP financial measures presented below facilitates a more meaningful evaluation of the current operating performance and comparisons to past operating performance.

- *Aggregate Adjustment for Income Taxes* — The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. During the first quarter of Fiscal 2017, this amount also includes tax charges of approximately $135 million on previously untaxed earnings of a foreign subsidiary that will no longer be permanently reinvested as a result of the Dell Services divestiture. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

- *Non-GAAP Adjustments Per Share* — This financial measure shows the cumulative impact of the above adjustments on earnings per share - diluted.

In addition to the above measures, the Company also uses EBITDA and adjusted EBITDA to provide additional information for evaluation of Denali's operating performance. Adjusted EBITDA excludes purchase accounting adjustments related to the going-private transaction, severance and facility actions, acquisition, integration, and divestiture related costs, and stock-based compensation expense. The Company believes that due to the non-operational nature of the purchase accounting entries, it is appropriate to exclude these adjustments. EBITDA and adjusted EBITDA provide more comparability between the historical results prior to the completion of the going-private transaction and historical results that reflect the capital structure upon the completion of the going-private transaction.

As is the case with the non-GAAP measures presented above, users should consider the limitations of using EBITDA and adjusted EBITDA, including the fact that those measures do not provide a complete measure of Denali's operating performance. EBITDA and adjusted EBITDA do not purport to be alternatives to net income as measures of operating performance or to cash flows from operating activities as a measure of liquidity. In particular, EBITDA and adjusted EBITDA are not intended to be a measure of free cash flow available for management's discretionary use, as these measures do not consider certain cash requirements, such as working capital needs, capital expenditures, contractual commitments, interest payments, tax payments, and other debt service requirements.

The management of Denali believes that these non-GAAP financial measures are helpful in highlighting trends because they exclude the results of decisions that are outside the control of operating management and that can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

DENALI HOLDING INC.
Reconciliation of Non-GAAP Financial Measures
(in millions, except per share amounts and percentages; unaudited)

	Three Months Ended				% Growth
	April 29, 2016		May 1, 2015		Yr. to Yr.
Product net revenue	$	10,322	$	10,660	(3%)
Non-GAAP adjustments:					
Impact of purchase accounting		(1)		1	
Non-GAAP product net revenue	$	10,321	$	10,661	(3%)
Services net revenue	$	2,212	$	2,178	2%
Non-GAAP adjustments:					
Impact of purchase accounting		79		146	
Non-GAAP services net revenue	$	2,291	$	2,324	(1%)
Net revenue	$	12,534	$	12,838	(2%)
Non-GAAP adjustments:					
Impact of purchase accounting		78		147	
Non-GAAP net revenue	$	12,612	$	12,985	(3%)
Product gross margin	$	1,435	$	1,204	19%
Non-GAAP adjustments:					
Impact of purchase accounting		12		13	
Amortization of intangibles		124		121	
Other corporate expenses		1		1	
Non-GAAP product gross margin	$	1,572	$	1,339	17%
Services gross margin	$	983	$	925	6%
Non-GAAP adjustments:					
Impact of purchase accounting		77		145	
Amortization of intangibles		—		—	
Other corporate expenses		1		1	
Non-GAAP services gross margin	$	1,061	$	1,071	(1%)
Gross margin	$	2,418	$	2,129	14%
Non-GAAP adjustments:					
Impact of purchase accounting		89		158	
Amortization of intangibles		124		121	
Other corporate expenses		2		2	
Non-GAAP gross margin	$	2,633	$	2,410	9%
Operating expenses	$	2,579	$	2,464	5%
Non-GAAP adjustments:					
Impact of purchase accounting		(18)		(22)	
Amortization of intangibles		(403)		(408)	
Other corporate expenses		(90)		(36)	
Non-GAAP operating expenses	$	2,068	$	1,998	4%
Operating loss	$	(161)	$	(335)	52%
Non-GAAP adjustments:					
Impact of purchase accounting		107		180	
Amortization of intangibles		527		529	
Other corporate expenses		92		38	
Non-GAAP operating income	$	565	$	412	37%

DENALI HOLDING INC.

Reconciliation of Non-GAAP Financial Measures

(in millions, except per share amounts and percentages; unaudited)

	Three Months Ended		% Growth
	April 29, 2016	May 1, 2015	Yr. to Yr.
Net loss from continuing operations	$ (426)	$ (476)	11%
Non-GAAP adjustments:			
Impact of purchase accounting	107	180	
Amortization of intangibles	527	529	
Other corporate expenses	92	35	
Aggregate adjustment for income taxes	6	(137)	
Non-GAAP net income from continuing operations	$ 306	$ 131	134%
Earnings (loss) from continuing operations per share - diluted	$ (1.05)	$ (1.17)	10%
Non-GAAP adjustments per share - diluted	1.79	1.49	
Non-GAAP earnings from continuing operations per share - diluted	$ 0.74	$ 0.32	131%
Net loss from continuing operations	$ (426)	$ (476)	11%
Adjustments:			
Interest and other, net	205	179	
Income tax provision (benefit)	60	(38)	
Depreciation and amortization	660	663	
EBITDA	$ 499	$ 328	52%
EBITDA	$ 499	$ 328	52%
Adjustments:			
Stock based compensation expense	16	17	
Impact of purchase accounting (a)	68	147	
Other corporate expenses (b)	76	21	
Adjusted EBITDA	$ 659	$ 513	28%

(a) This amount includes the non-cash purchase accounting adjustments related to the going-private transaction.

(b) Consists of severance and facility action costs and acquisition, integration, and divestiture related costs.

DENALI HOLDING INC.
Segment Information
(in millions, except percentages; unaudited)

	Three Months Ended		% Growth Rates
	April 29, 2016	May 1, 2015	Yr. to Yr.
Client Solutions:			
Net Revenue (a):			
Commercial	$ 6,145	$ 6,428	(4%)
Consumer	2,426	2,441	(1%)
Total Client Solutions net revenue	$ 8,571	$ 8,869	(3%)
Operating Income:			
Client solutions operating income	$ 385	$ 219	76%
% of segment net revenue	*4.5%*	*2.5%*	
% of total segment operating income	*63.7%*	*50.8%*	
Enterprise Solutions Group:			
Net Revenue:			
Servers and networking	$ 3,075	$ 3,152	(2%)
Storage	538	550	(2%)
Total ESG net revenue	$ 3,613	$ 3,702	(2%)
Operating Income:			
ESG operating income	$ 192	$ 239	(20%)
% of segment net revenue	*5.3%*	*6.5%*	
% of total segment operating income	*31.7%*	*55.5%*	
Dell Software Group:			
Net Revenue:			
DSG net revenue	$ 334	$ 333	0%
Operating Income:			
DSG operating income	$ 28	$ (27)	204%
% of segment net revenue	*8.4%*	*(8.1%)*	
% of total segment operating income	*4.6%*	*(6.3%)*	
Reconciliation to consolidated net revenue:			
Total segment net revenue	$ 12,518	$ 12,904	
Corporate (b)	94	81	
Impact of purchase accounting	(78)	(147)	
Total consolidated net revenue	$ 12,534	$ 12,838	
Reconciliation to consolidated operating loss:			
Total segment operating income	$ 605	$ 431	
Impact of purchase accounting (c)	(107)	(180)	
Amortization of intangible assets	(527)	(529)	
Corporate (b)	(40)	(19)	
Other (d)	(92)	(38)	
Total operating loss	$ (161)	$ (335)	

(a) In the first quarter of Fiscal 2017, we redefined the categories within the Client Solutions business unit. None of these changes impacted our consolidated or total business unit results. Prior period amounts have been recast to provide comparability.
(b) Corporate consists of SecureWorks and unallocated transactions, which include long-term incentives, certain short-term incentive compensation expenses, and other corporate items that are not allocated to Denali's segments.
(c) Impact of purchase accounting includes non-cash purchase accounting adjustments related to the going-private transaction.
(d) Other includes severance and facility action costs, acquisition, integration, and divestiture related costs, and stock-based compensation expenses.