

DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 — ACQUISITIONS

Fiscal 2013 Acquisitions

During Fiscal 2013, Dell acquired Quest Software Inc. ("Quest Software"), SonicWALL Inc. ("SonicWALL"), Wyse Technology, Inc. ("Wyse Technology"), AppAssure Software, Inc., Clarity Solutions, Inc., Make Technologies Inc., Gale Technologies, and Credant Technologies. The total purchase consideration for all of these acquisitions was approximately \$5.0 billion in cash for all of their outstanding shares. Dell completed its acquisition of Quest Software Inc. ("Quest Software") on September 27, 2012 for a purchase price of approximately \$2.5 billion, paid in cash. Quest Software is a global provider of IT management software. Dell recorded approximately \$1.7 billion in goodwill and \$1.1 billion in intangible assets related to its acquisition of Quest Software. Of the other Fiscal 2013 acquisitions, SonicWALL and Wyse Technology, which were purchased during the second quarter of Fiscal 2013, were the larger acquisitions. SonicWALL is a global technology company that offers advanced network security and data protection software solutions, and Wyse Technology is a global provider of client computing solutions designed to extend desktop virtualization offerings.

All of the above acquisitions are being integrated into Dell's Commercial segments. See Note 15 of the Notes to the Consolidated Financial Statements for additional information on Dell's operating segments.

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for all the acquisitions completed during Fiscal 2013:

	<u>Estimated Cost</u>	<u>Weighted-Average Useful Life</u>
	(in millions)	(in years)
Intangible Assets:		
Amortizable intangible assets:		
Customer relationships	\$ 687	6.9
Technology	1,293	5.6
Non-compete agreements	5	4.4
Trade names	77	6.6
Total amortizable intangible assets	<u>2,062</u>	<u>6.1</u>
In-process research and development	108	
Total intangible assets	<u>2,170</u>	
Cash and investments	407	
Accounts receivable	176	
Goodwill	3,487	
Deferred revenue	(417)	
Deferred tax liability, net	(571)	
Other liabilities and noncontrolling interest assumed, net of assets acquired ^(a)	<u>(213)</u>	
Total	<u>\$ 5,039</u>	

^(a) In conjunction with Dell's acquisition of Quest Software, Dell acquired a controlling ownership interest in a privately-held company. The fair value of the noncontrolling interest related to this investment was \$21 million at the date of acquisition.

Dell's preliminary estimate for goodwill acquired during the fiscal year ended February 1, 2013, was \$3.5 billion. This amount primarily represents synergies associated with combining the acquired companies with Dell to provide Dell's customers with a broader range of IT solutions. This goodwill is not deductible for tax purposes.

In conjunction with these acquisitions, Dell expects to incur approximately \$290 million in compensation-related retention expenses that will be expensed over a period of up to five years. There was no contingent consideration related to these acquisitions.

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The results of operations for acquisitions completed during the fiscal year ended February 1, 2013, which primarily consisted of SonicWALL, Wyse Technology, and Quest Software, are included in Dell's results of operations from each respective acquisition date. For the fiscal year ended February 1, 2013, the results of all businesses acquired during Fiscal 2013 contributed \$763 million to Dell's net revenue and reduced net income by \$168 million. These results include the impacts of amortization of purchased intangible assets and acquisition-related expenses.

The following table provides unaudited pro forma results of operations for the fiscal year ended February 1, 2013, and February 3, 2012, as if Dell's Fiscal 2013 acquisitions had been acquired at the beginning of the fiscal year ended February 3, 2012. The pro forma amounts presented below exclude \$85 million in merger-related fees that were reported in Quest Software's historical financial results. The pro forma results are adjusted for amortization of intangible assets, fair value adjustments for deferred revenue, acquisition-related expenses, the elimination of sales between Dell and its acquirees, and the related tax effects for these items, but do not include any anticipated cost synergies or other effects of the planned integration of the acquisitions. Accordingly, such pro forma results are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the dates indicated, nor are they indicative of the future operating results of the combined company.

	Fiscal Year Ended	
	February 1, 2013	February 3, 2012
	(in millions, except per share data, unaudited)	
Pro forma net sales	\$ 57,685	\$ 63,387
Pro forma net income	\$ 2,287	\$ 3,195
Pro forma earnings per share - basic	\$ 1.31	\$ 1.74
Pro forma earnings per share - diluted	\$ 1.30	\$ 1.72

Fiscal 2012 Acquisitions

During Fiscal 2012, Dell completed several acquisitions, including acquisitions of Compellent Technologies, Inc. ("Compellent"), SecureWorks Inc. ("SecureWorks"), DFS Canada, and Force10 Networks, Inc. ("Force10"). The total purchase consideration was approximately \$2.7 billion in cash for all of the outstanding shares for all acquisitions completed during the period. Compellent is a provider of virtual storage solutions for enterprise and cloud computing environments, and SecureWorks is a global provider of information security services. Force10 is a global technology company that provides datacenter networking solutions. Compellent, SecureWorks, and Force10 will be integrated into Dell's Commercial segments. DFS Canada enables expansion of Dell's direct finance model into Canada for all of Dell's segments. See Note 4 of the Notes to the Consolidated Financial Statements for further discussion on Dell Financial Services.

Dell recorded \$1.5 billion in goodwill related to acquisitions during the fiscal year ended February 3, 2012. This amount primarily represents synergies associated with combining these companies with Dell to provide Dell's customers with a broader range of IT solutions or, in the case of DFS Canada, to extend Dell's financial services capabilities. This goodwill is not deductible for tax purposes. Dell also recorded \$753 million in intangible assets related to these acquisitions, which consist primarily of purchased technology and customer relationships. The intangible assets have weighted-average useful lives ranging from 3 to 11 years. In conjunction with these acquisitions, Dell will incur approximately \$150 million in compensation-related expenses that will be expensed over a period of up to four years. There was no contingent consideration related to these acquisitions.

Dell has not presented pro forma results of operations for Fiscal 2012 acquisitions because these acquisitions are not material to Dell's consolidated results of operations, financial position, or cash flows on either an individual or an aggregate basis.

Fiscal 2011 Acquisitions

Dell completed five acquisitions during Fiscal 2011, consisting of Kace Networks, Inc. ("KACE"), Ocarina Networks Inc. ("Ocarina"), Scalent Systems Inc. ("Scalent"), Boomi, Inc. ("Boomi"), and InSite One, Inc. ("InSite"), for a total purchase consideration of approximately \$413 million in cash. KACE is a systems management appliance company with solutions

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tailored to the requirements of mid-sized businesses. KACE was integrated primarily into Dell's SMB and Public segments. Ocarina is a provider of de-duplication solutions and content-aware compression across storage product lines. Scalent is a provider of scalable and efficient data center infrastructure software. Boomi is a provider of on-demand integration technology. Ocarina, Scalent, and Boomi were integrated into Dell's Commercial segments. InSite provides cloud-based medical data archiving, storage, and disaster-recovery solutions to the health care industry. InSite was integrated into Dell's Public segment.

Dell recorded approximately \$284 million in goodwill and \$141 million in intangible assets related to these acquisitions. The goodwill related to these acquisitions is not deductible for tax purposes. In conjunction with these acquisitions, Dell incurred \$56 million in compensation-related expenses that were expensed over a period of one to three years. There was no contingent consideration related to these acquisitions.

Dell has not presented pro forma results of operations for the Fiscal 2011 acquisitions because these acquisitions are not material to Dell's consolidated results of operations, financial position, or cash flows on either an individual or an aggregate basis.