

DELL INC.
Condensed Consolidated Statement of Income and Related Financial Highlights
(in millions, except per share data)
(unaudited)

	Three Months Ended			% Growth Rates	
	August 1, 2008	May 2, 2008	August 3, 2007	Sequential	Yr. to Yr.
Net revenue	\$ 16,434	\$ 16,077	\$ 14,776	2%	11%
Cost of revenue.....	13,607	13,112	11,825	4%	15%
Gross margin	2,827	2,965	2,951	(5%)	(4%)
Selling, general and administrative	1,840	1,912	1,894	(4%)	(3%)
<i>Research and Development:</i>					
Research, development and engineering	168	152	155	11%	9%
In-process research and development	-	2	-	(100%)	-
Total research and development	168	154	155	10%	9%
Total operating expenses.....	2,008	2,066	2,049	(3%)	(2%)
Operating income	819	899	902	(9%)	(9%)
Investment and other income, net	18	125	96	(86%)	(82%)
Income before income taxes	837	1,024	998	(18%)	(16%)
Income tax provision	221	240	252	(8%)	(13%)
Net income	<u>\$ 616</u>	<u>\$ 784</u>	<u>\$ 746</u>	(21%)	(17%)
Earnings per common share:					
Basic	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.33</u>	(21%)	(6%)
Diluted	<u>\$ 0.31</u>	<u>\$ 0.38</u>	<u>\$ 0.33</u>	(18%)	(6%)
Weighted average shares outstanding:					
Basic	1,991	2,036	2,237	(2%)	(11%)
Diluted	1,999	2,040	2,264	(2%)	(12%)
<u>Percentage of Total Net Revenue:</u>					
Gross margin.....	17.2%	18.4%	19.9%		
Selling, general and administrative.....	11.2%	11.9%	12.8%		
Total research and development.....	1.0%	1.0%	1.0%		
Operating expenses.....	12.2%	12.9%	13.8%		
Operating income.....	5.0%	5.5%	6.1%		
Income before income taxes.....	5.1%	6.4%	6.8%		
Net income.....	3.7%	4.9%	5.1%		
Income tax rate	26.4%	23.5%	25.3%		
<u>Net Revenue by Product Category:</u>					
Desktop PCs.....	\$ 4,928	\$ 4,700	\$ 5,017	5%	(2%)
Mobility.....	4,871	4,904	3,865	(1%)	26%
Software and Peripherals	2,790	2,741	2,380	2%	17%
Servers and Networking	1,702	1,653	1,618	3%	5%
Services	1,462	1,448	1,283	1%	14%
Storage.....	681	631	613	8%	11%
<u>Percentage of Total Net Revenue:</u>					
Desktop PCs.....	30%	29%	34%		
Mobility.....	30%	31%	26%		
Software and Peripherals	17%	17%	16%		
Servers and Networking	10%	10%	11%		
Services	9%	9%	9%		
Storage.....	4%	4%	4%		
<u>Net Revenue by Geographic Region:</u>					
Americas Commercial.....	\$ 8,096	\$ 7,298	\$ 7,680	11%	5%
EMEA Commercial.....	3,503	3,806	3,162	(8%)	11%
Asia Pacific - Japan Commercial.....	2,054	2,024	1,765	1%	16%
Global Consumer.....	2,781	2,949	2,169	(6%)	28%
Consolidated net revenue.....	<u>\$ 16,434</u>	<u>\$ 16,077</u>	<u>\$ 14,776</u>		
<u>Percentage of Total Net Revenue:</u>					
Americas Commercial.....	49%	45%	52%		
EMEA Commercial.....	21%	24%	21%		
Asia Pacific - Japan Commercial.....	13%	13%	12%		
Global Consumer.....	17%	18%	15%		
<u>Consolidated Operating Income</u>					
Americas Commercial.....	\$ 700	\$ 588	\$ 757		
EMEA Commercial.....	72	221	202		
Asia Pacific - Japan Commercial.....	157	131	142		
Global Consumer.....	(5)	35	5		
Consolidated segment operating income.....	924	975	1,106		
Stock-based compensation expense	(78)	(50)	(204)		
In-process research and development	-	(2)	-		
Amortization of intangible assets.....	(27)	(24)	-		
Consolidated operating income	<u>819</u>	<u>\$ 899</u>	<u>\$ 902</u>		

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

DELL INC.
Condensed Consolidated Statement of Operations and Related Financial Highlights
(in millions, except per share data or as otherwise noted)
(unaudited)

	Six Months Ended		% Growth Rates Yr. to Yr.
	August 1, 2008	August 3, 2007	
Net revenue	\$ 32,511	\$ 29,498	10%
Cost of revenue.....	26,719	23,709	13%
Gross margin	5,792	5,789	0%
Selling, general and administrative	3,752	3,657	3%
<i>Research and Development:</i>			
Research, development and engineering	320	297	8%
In-process research and development	2	-	N/A
Total research and development	322	297	9%
Total operating expenses.....	4,074	3,954	3%
Operating income	1,718	1,835	(6%)
Investment and other income, net	143	174	(18%)
Income before income taxes	1,861	2,009	(7%)
Income tax provision	461	507	(9%)
Net income	<u>\$ 1,400</u>	<u>\$ 1,502</u>	(7%)
Earnings per common share:			
Basic	<u>\$ 0.70</u>	<u>\$ 0.67</u>	4%
Diluted	<u>\$ 0.69</u>	<u>\$ 0.66</u>	5%
Weighted average shares outstanding:			
Basic	2,013	2,236	(10%)
Diluted	2,019	2,259	(11%)
<u>Percentage of Total Net Revenue:</u>			
Gross margin.....	17.8%	19.6%	
Selling, general and administrative.....	11.5%	12.4%	
Total research and development.....	1.0%	1.0%	
Operating expenses.....	12.5%	13.4%	
Operating income.....	5.3%	6.2%	
Income before income taxes.....	5.7%	6.8%	
Net income.....	4.3%	5.1%	
Income tax rate	24.8%	25.3%	
<u>Net Revenue by Product Category:</u>			
Desktop PCs.....	\$ 9,628	\$ 9,959	(3%)
Mobility.....	9,775	7,881	24%
Software and Peripherals	5,531	4,721	17%
Servers and Networking	3,355	3,211	5%
Services	2,910	2,564	14%
Storage.....	1,312	1,162	13%
<u>Percentage of Total Net Revenue:</u>			
Desktop PCs.....	30%	34%	
Mobility.....	30%	26%	
Software and Peripherals	17%	16%	
Servers and Networking	10%	11%	
Services	9%	9%	
Storage.....	4%	4%	
<u>Net Revenue by Geographic Region:</u>			
Americas Commercial.....	\$ 15,394	\$ 14,931	3%
EMEA Commercial	7,309	6,479	13%
Asia Pacific - Japan Commercial.....	4,078	3,472	17%
Global Consumer.....	5,730	4,616	24%
Consolidated net revenue.....	<u>\$ 32,511</u>	<u>\$ 29,498</u>	
<u>Percentage of Total Net Revenue:</u>			
Americas Commercial.....	47%	50%	
EMEA Commercial.....	22%	22%	
Asia Pacific - Japan Commercial.....	13%	12%	
Global Consumer.....	18%	16%	
<u>Consolidated Operating Income</u>			
Americas Commercial.....	\$ 1,288	\$ 1,401	
EMEA Commercial.....	293	484	
Asia Pacific - Japan Commercial.....	288	228	
Global Consumer.....	30	23	
Consolidated segment operating income.....	1,899	2,136	
Stock-based compensation expense	(128)	(301)	
In-process research and development	(2)	-	
Amortization of intangible assets.....	(51)	-	
Consolidated operating income	<u>\$ 1,718</u>	<u>\$ 1,835</u>	

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

DELL INC.
Condensed Consolidated Statement of Financial Position and Related Financial Highlights
(in millions, except for "Ratios" and "Other information")
(unaudited)

	August 1, 2008	May 2, 2008	August 3, 2007 ⁽²⁾
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 8,623	\$ 8,273	\$ 11,204
Short-term investments	410	228	658
Accounts receivable, net	6,451	6,002	5,296
Financing receivables, net	1,629	1,548	1,531
Inventories, net	1,104	1,258	973
Other	3,559	3,193	2,552
Total current assets	21,776	20,502	22,214
Property, plant and equipment, net	2,588	2,642	2,608
Investments	501	1,312	1,960
Long-term financing receivables, net	348	375	375
Goodwill	1,753	1,691	122
Purchased intangible assets, net	781	808	41
Other non-current assets	660	689	734
Total assets	\$ 28,407	\$ 28,019	\$ 28,054
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt	\$ 129	\$ 131	\$ 328
Accounts payable	11,215	10,891	10,578
Accrued and other	4,271	3,829	4,119
Short-term deferred service revenue	2,572	2,518	2,223
Total current liabilities	18,187	17,369	17,248
Long-term debt	1,840	1,848	378
Long-term deferred service revenue	3,117	2,906	2,438
Other non-current liabilities	2,357	2,350	1,946
Total liabilities	25,501	24,473	22,010
Redeemable common stock	83	92	116
Stockholders' equity	2,823	3,454	5,928
Total liabilities and equity	\$ 28,407	\$ 28,019	\$ 28,054
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	38	36	35
Days supply in inventory	7	9	7
Days in accounts payable	74	75	80
Cash conversion cycle	(29)	(30)	(38)
<u>Other Information:</u>			
Regular headcount (approximate)	79,300	79,900	84,000
Temporary headcount	3,700	4,700	7,100
Total headcount	83,000	84,600	91,100
Average total revenue/unit (approximate)	\$ 1,420	\$ 1,470	\$ 1,520

Note: Ratios are calculated based on underlying data in thousands.

⁽¹⁾ Days of sales outstanding ("DSO") is based on the ending net trade receivables and most recent quarterly revenue for each period. DSO includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in the other current assets. At August 1, 2008, May 2, 2008 and August 3, 2007, DSO and days of customer shipments not yet recognized were 35 and 3 days, 33 and 3 days and 32 and 3, respectively.

⁽²⁾ Prior period amounts have been revised to reflect a reclassification between short-term and long-term deferred service revenue.

DELL INC.
Condensed Consolidated Statements of Cashflows
(in millions, unaudited)

	Three Months Ended		Six Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
Cash flows from operating activities:				
Net income	\$ 616	\$ 746	\$ 1,400	\$ 1,502
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	196	139	381	271
Stock-based compensation	78	97	128	194
Excess tax benefits from stock-based compensation	-	-	-	(12)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(20)	9	(110)	31
Deferred income taxes	(53)	68	(19)	(61)
Other	47	(3)	85	28
Changes in operating assets and liabilities, net of effects from acquisitions:				
Accounts receivable.....	(495)	(521)	(392)	(565)
Financing receivables.....	(135)	(87)	19	(118)
Inventories.....	153	(208)	77	(311)
Other assets	(281)	(85)	(473)	92
Accounts payable	324	890	(328)	114
Deferred service revenue	264	277	405	440
Accrued and other liabilities	414	531	78	149
Change in cash from operating activities	<u>1,108</u>	<u>1,853</u>	<u>1,251</u>	<u>1,754</u>
Cash flows from investing activities:				
Investments:				
Purchases	(616)	(661)	(788)	(1,765)
Maturities and sales.....	1,318	1,059	1,752	2,127
Capital expenditures.....	(142)	(293)	(264)	(464)
Proceeds from sale of facility and land	44	-	44	-
Acquisition of business, net of cash received.....	5	(19)	(165)	(19)
Change in cash from investing activities	<u>609</u>	<u>86</u>	<u>579</u>	<u>(121)</u>
Cash flows from financing activities:				
Repurchase of common stock	(1,420)	-	(2,451)	-
Issuance of common stock under employee plans.....	47	-	68	21
Excess tax benefits from stock-based compensation	-	-	-	12
Issuance (payment) of commercial paper, net	(1)	-	100	(40)
Proceeds from issuance of debt.....	-	13	1,519	25
Repayments of debt.....	-	(11)	(223)	(29)
Other	-	(5)	-	(5)
Change in cash from financing activities	<u>(1,374)</u>	<u>(3)</u>	<u>(987)</u>	<u>(16)</u>
Effect of exchange rate changes on cash and cash equivalents.....	7	8	16	41
Change in cash and cash equivalents.....	350	1,944	859	1,658
Cash and cash equivalents at beginning of period.....	8,273	9,260	7,764	9,546
Cash and cash equivalents at end of period.....	<u>\$ 8,623</u>	<u>\$ 11,204</u>	<u>\$ 8,623</u>	<u>\$ 11,204</u>

DELL INC.
Supplementary Items
(in millions, except per share data)
(unaudited)

The following supplemental data is provided for additional information.

All items are included in Dell's U.S. GAAP results.

	Three Months Ended August 1, 2008	
	Pre-Tax \$M	Est. EPS Impact
Amortization of Purchased Intangibles	\$ (27)	\$ (0.01)
Severance & Facility Closures	\$ (25)	\$ (0.01)