

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

	Three Months Ended			% Growth Rates	
	October 31, 2008	August 1, 2008	November 2, 2007	Sequential	Yr. to Yr.
Net revenue	\$ 15,162	\$ 16,434	\$ 15,646	(8%)	(3%)
Cost of revenue.....	12,309	13,607	12,758	(10%)	(4%)
Gross margin	2,853	2,827	2,888	1%	(1%)
Selling, general and administrative	1,671	1,840	1,900	(9%)	(12%)
Research, development and engineering	167	168	159	(1%)	5%
Total operating expenses.....	1,838	2,008	2,059	(8%)	(11%)
Operating income	1,015	819	829		24%
Investment and other income, net	(6)	18	107	(132%)	(105%)
Income before income taxes	1,009	837	936	21%	8%
Income tax provision	282	221	170	28%	66%
Net income	\$ 727	\$ 616	\$ 766	18%	(5%)
Earnings per common share:					
Basic	\$ 0.37	\$ 0.31	\$ 0.34	19%	9%
Diluted	\$ 0.37	\$ 0.31	\$ 0.34	19%	9%
Weighted average shares outstanding:					
Basic	1,953	1,991	2,236	(2%)	(13%)
Diluted	1,957	1,999	2,266	(2%)	(14%)
<u>Percentage of Total Net Revenue:</u>					
Gross margin.....	18.8%	17.2%	18.5%		
Selling, general and administrative.....	11.0%	11.2%	12.2%		
Total research and development.....	1.1%	1.0%	1.0%		
Operating expenses.....	12.1%	12.2%	13.2%		
Operating income.....	6.7%	5.0%	5.3%		
Income before income taxes.....	6.7%	5.1%	6.0%		
Net income.....	4.8%	3.7%	4.9%		
Income tax rate	28.0%	26.4%	18.2%		
<u>Net Revenue by Product Category:</u>					
Desktop PCs.....	\$ 4,083	\$ 4,928	\$ 4,754	(17%)	(14%)
Mobility.....	4,849	4,871	4,729	(0%)	3%
Software and Peripherals	2,586	2,790	2,533	(7%)	2%
Servers and Networking	1,573	1,702	1,651	(8%)	(5%)
Services	1,449	1,462	1,355	(1%)	7%
Storage.....	622	681	624	(9%)	(0%)
<u>Percentage of Total Net Revenue:</u>					
Desktop PCs.....	27%	30%	30%		
Mobility.....	32%	30%	30%		
Software and Peripherals	17%	17%	16%		
Servers and Networking	10%	10%	11%		
Services	10%	9%	9%		
Storage.....	4%	4%	4%		
<u>Net Revenue by Geographic Region:</u>					
Americas Commercial.....	\$ 7,229	\$ 8,096	\$ 7,834	(11%)	(8%)
EMEA Commercial.....	3,272	3,503	3,448	(7%)	(5%)
Asia Pacific - Japan Commercial.....	1,818	2,054	1,790	(11%)	2%
Global Consumer.....	2,843	2,781	2,574	2%	10%
Consolidated net revenue.....	\$ 15,162	\$ 16,434	\$ 15,646	(8%)	(3%)
<u>Percentage of Total Net Revenue:</u>					
Americas Commercial.....	48%	49%	50%		
EMEA Commercial.....	21%	21%	22%		
Asia Pacific - Japan Commercial.....	12%	13%	11%		
Global Consumer.....	19%	17%	17%		
<u>Consolidated Operating Income</u>					
Americas Commercial.....	\$ 763	\$ 700	\$ 663		
EMEA Commercial.....	116	72	211		
Asia Pacific - Japan Commercial.....	123	157	76		
Global Consumer.....	112	(5)	(24)		
Consolidated segment operating income.....	1,114	924	926		
Stock-based compensation expense	(73)	(78)	(97)		
Amortization of intangible assets.....	(26)	(27)	(27)		
Consolidated operating income	1,015	819	829		

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)
(unaudited)

	Nine Months Ended		% Growth Rates Yr. to Yr.
	October 31, 2008	November 2, 2007	
Net revenue	\$ 47,673	\$ 45,144	6%
Cost of revenue.....	39,028	36,467	7%
Gross margin	8,645	8,677	(0%)
Selling, general and administrative	5,423	5,557	(2%)
<i>Research and Development:</i>			
Research, development and engineering	487	456	7%
In-process research and development	2	-	N/A
Total research and development	489	456	7%
Total operating expenses.....	5,912	6,013	(2%)
Operating income	2,733	2,664	3%
Investment and other income, net	137	281	(51%)
Income before income taxes	2,870	2,945	(3%)
Income tax provision	743	677	10%
Net income	<u>\$ 2,127</u>	<u>\$ 2,268</u>	(6%)
Earnings per common share:			
Basic	<u>\$ 1.07</u>	<u>\$ 1.01</u>	6%
Diluted	<u>\$ 1.06</u>	<u>\$ 1.00</u>	6%
Weighted average shares outstanding:			
Basic	1,993	2,236	(11%)
Diluted	1,998	2,262	(12%)
<u>Percentage of Total Net Revenue:</u>			
Gross margin.....	18.1%	19.2%	
Selling, general and administrative.....	11.4%	12.3%	
Total research and development.....	1.0%	1.0%	
Operating expenses.....	12.4%	13.3%	
Operating income.....	5.7%	5.9%	
Income before income taxes.....	6.0%	6.5%	
Net income.....	4.5%	5.0%	
Income tax rate.....	25.9%	23.0%	
<u>Net Revenue by Product Category:</u>			
Desktop PCs.....	\$ 13,712	\$ 14,713	(7%)
Mobility.....	14,624	12,610	16%
Software and Peripherals	8,116	7,254	12%
Servers and Networking	4,928	4,862	1%
Services	4,359	3,919	11%
Storage.....	1,934	1,786	8%
<u>Percentage of Total Net Revenue:</u>			
Desktop PCs.....	29%	32%	
Mobility.....	31%	28%	
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.....	\$ 22,623	\$ 22,765	(1%)
EMEA Commercial.....	10,581	9,927	7%
Asia Pacific - Japan Commercial.....	5,896	5,262	12%
Global Consumer.....	8,573	7,190	19%
Consolidated net revenue.....	<u>\$ 47,673</u>	<u>\$ 45,144</u>	
<u>Percentage of Total Net Revenue:</u>			
Americas Commercial.....	48%	50%	
EMEA Commercial.....	22%	22%	
Asia Pacific - Japan Commercial.....	12%	12%	
Global Consumer.....	18%	16%	
<u>Consolidated Operating Income</u>			
Americas Commercial.....	\$ 2,051	\$ 2,064	
EMEA Commercial.....	409	695	
Asia Pacific - Japan Commercial.....	411	304	
Global Consumer.....	142	(1)	
Consolidated segment operating income.....	3,013	3,062	
Stock-based compensation expense	(201)	(398)	
In-process research and development	(2)	-	
Amortization of intangible assets.....	(77)	-	
Consolidated operating income	<u>\$ 2,733</u>	<u>\$ 2,664</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)

	<u>October 31,</u> <u>2008</u>	<u>August 1,</u> <u>2008</u>	<u>November 2,</u> <u>2007</u> ⁽²⁾
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 7,910	\$ 8,623	\$ 12,236
Short-term investments	662	410	369
Accounts receivable, net	5,532	6,451	6,156
Financing receivables, net	1,526	1,629	1,560
Inventories, net	1,109	1,104	1,102
Other	4,795	3,559	2,925
Total current assets	<u>21,534</u>	<u>21,776</u>	<u>24,348</u>
Property, plant and equipment, net	2,458	2,588	2,631
Investments	374	501	1,980
Long-term financing receivables, net	435	348	389
Goodwill	1,743	1,753	204
Purchased intangible assets, net	750	781	69
Other non-current assets	523	660	759
Total assets	<u>\$ 27,817</u>	<u>\$ 28,407</u>	<u>\$ 30,380</u>
<u>Liabilities and Equity:</u>			
Current liabilities:			
Short-term debt	\$ 266	\$ 129	\$ 266
Accounts payable	9,475	11,215	11,411
Accrued and other	4,108	4,271	4,268
Short-term deferred service revenue	<u>2,572</u>	<u>2,572</u>	<u>2,386</u>
Total current liabilities	<u>16,421</u>	<u>18,187</u>	<u>18,331</u>
Long-term debt	1,851	1,840	392
Long-term deferred service revenue	3,001	3,117	2,635
Other non-current liabilities	<u>2,385</u>	<u>2,357</u>	<u>2,077</u>
Total liabilities	<u>23,658</u>	<u>25,501</u>	<u>23,435</u>
Redeemable common stock	-	83	101
Stockholders' equity	<u>4,159</u>	<u>2,823</u>	<u>6,844</u>
Total liabilities and equity	<u>\$ 27,817</u>	<u>\$ 28,407</u>	<u>\$ 30,380</u>
<u>Ratios:</u>			
Days of sales outstanding ⁽¹⁾	36	38	38
Days supply in inventory	8	7	8
Days in accounts payable	69	74	81
Cash conversion cycle	<u>(25)</u>	<u>(29)</u>	<u>(35)</u>
<u>Other Information:</u>			
Regular headcount (approximate).....	77,700	79,300	81,900
Temporary headcount	<u>3,100</u>	<u>3,700</u>	<u>7,200</u>
Total headcount	<u>80,800</u>	<u>83,000</u>	<u>89,100</u>
Average total revenue/unit (approximate)	\$ 1,440	\$ 1,420	\$ 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 October 31, 2008, August 1, 2008, and November 2, 2007, DSO and days of customer shipments not yet recognized were 33 and 3 days, 35 and 3 days and 35 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		Nine Months Ended	
	October 31, 2008	November 2, 2007	October 31, 2008	November 2, 2007
Cash flows from operating activities:				
Net income	\$ 727	\$ 766	\$ 2,127	\$ 2,268
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	194	153	575	424
Stock-based compensation	73	97	201	291
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(3)	9	(113)	40
Deferred income taxes	228	(25)	209	(86)
Other	52	48	137	64
Changes in operating assets and liabilities, net of effects from acquisitions:				
Accounts receivable.....	230	(748)	(162)	(1,313)
Financing receivables.....	(47)	(66)	(28)	(184)
Inventories.....	(12)	(126)	65	(437)
Other assets	(175)	(370)	(648)	(278)
Accounts payable	(1,664)	785	(1,992)	899
Deferred service revenue	19	350	424	790
Accrued and other liabilities	292	125	370	274
Change in cash from operating activities	(86)	998	1,165	2,752
Cash flows from investing activities:				
Investments:				
Purchases	(362)	(323)	(1,150)	(2,088)
Maturities and sales.....	282	618	2,034	2,745
Capital expenditures.....	(137)	(172)	(401)	(636)
Proceeds from sale of facility and land	-	-	44	-
Acquisition of business, net of cash received.....	-	(87)	(165)	(106)
Change in cash from investing activities	(217)	36	362	(85)
Cash flows from financing activities:				
Repurchase of common stock	(415)	(1)	(2,866)	(1)
Issuance of common stock under employee plans.....	11	-	79	21
Issuance (payment) of commercial paper, net	153	(60)	253	(100)
Proceeds from issuance of debt.....	-	13	1,519	38
Repayments of debt.....	(14)	(16)	(237)	(45)
Other	-	(6)	-	1
Change in cash from financing activities	(265)	(70)	(1,252)	(86)
Effect of exchange rate changes on cash and cash equivalents.....	(145)	68	(129)	109
Change in cash and cash equivalents.....	(713)	1,032	146	2,690
Cash and cash equivalents at beginning of period.....	8,623	11,204	7,764	9,546
Cash and cash equivalents at end of period.....	<u>\$ 7,910</u>	<u>\$ 12,236</u>	<u>\$ 7,910</u>	<u>\$ 12,236</u>