

DELL INC.

Condensed Consolidated Statement of Income and Related Financial Highlights

(in millions, except per share data or as otherwise noted)

(unaudited)

	Three Months Ended			% Growth Rates	
	August 4, 2006 ⁽¹⁾	May 5, 2006 ⁽¹⁾	July 29, 2005 ⁽²⁾	Sequential	Yr. to Yr.
Net revenue	\$ 14,094	\$ 14,216	\$ 13,428	(1%)	5%
Cost of revenue.....	11,904	11,744	10,929	1%	9%
Gross margin	2,190	2,472	2,499	(11%)	(12%)
Selling, general and administrative	1,457	1,394	1,204	5%	21%
Research, development and engineering	128	129	122	(1%)	5%
Total operating expenses.....	1,585	1,523	1,326	4%	19%
Operating income	605	949	1,173	(36%)	(48%)
Investment and other income, net	53	50	61	6%	(13%)
Income before income taxes	658	999	1,234	(34%)	(47%)
Income tax provision	156	237	214	(34%)	(27%)
Net income	\$ 502	\$ 762	\$ 1,020	(34%)	(51%)
Earnings per common share:					
Basic	\$ 0.22	\$ 0.33	\$ 0.42	(33%)	(47%)
Diluted	\$ 0.22	\$ 0.33	\$ 0.41	(33%)	(46%)
Weighted average shares outstanding:					
Basic	2,264	2,297	2,418		
Diluted	2,278	2,318	2,478		
<u>Percentage of Total Net Revenue:</u>					
Gross margin	15.5%	17.4%	18.6%		
Selling, general and administrative	10.3%	9.8%	9.0%		
Research, development and engineering	0.9%	0.9%	0.9%		
Operating expenses	11.2%	10.7%	9.9%		
Operating income	4.3%	6.7%	8.7%		
Income before income taxes	4.7%	7.0%	9.2%		
Net income	3.6%	5.4%	7.6%		
Income tax rate	23.8%	23.8%	17.4%		
<u>Net Revenue by Geographic Region (in billions):</u>					
Americas	\$ 9.2	\$ 8.9	\$ 8.9	3%	3%
Europe	3.0	3.4	2.9	(10%)	3%
Asia Pacific - Japan	1.9	1.9	1.6	(1%)	17%
<u>Percentage of Total Net Revenue:</u>					
Americas	65%	63%	66%		
Europe	21%	24%	22%		
Asia Pacific - Japan	14%	13%	12%		
<u>Net Revenue by Product Category (in billions):</u>					
Desktop PCs	\$ 4.9	\$ 5.1	\$ 5.1	(6%)	(4%)
Mobility	3.7	3.7	3.4	1%	8%
Servers and Networking	1.4	1.3	1.3	0%	1%
Storage	0.5	0.5	0.4	12%	36%
Enhanced Services	1.4	1.4	1.2	2%	21%
Software and Peripherals	2.2	2.2	2.0	2%	10%
<u>Percentage of Total Net Revenue:</u>					
Desktop PCs	35%	36%	37%		
Mobility	26%	26%	26%		
Servers and Networking	9%	9%	10%		
Storage	4%	3%	3%		
Enhanced Services	10%	10%	9%		
Software and Peripherals	16%	16%	15%		

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

⁽¹⁾ Results for the three months ended August 4, 2006 and May 5, 2006 include stock-based compensation expense of \$81 million (\$0.04 per share) and \$77 million (\$0.03 per share) respectively, net of tax, due to the implementation of Statement of Financial Accounting Standard No. 123 (revised 2004) Share-Based Payments, ("SFAS 123(R)"). Dell implemented SFAS 123(R) using the modified prospective method. Accordingly, net income prior to fiscal 2007 includes only compensation expense related to restricted stock awards, but does not include stock-based compensation expense for employee stock options or the purchase discount under Dell's employee stock purchase plan.

⁽²⁾ Results for the second fiscal quarter ended July 29, 2005 include the impact of an \$85 million (\$0.03 per share) tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004.

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 4, 2006 ⁽¹⁾	July 29, 2005 ⁽²⁾	
Net revenue.....	\$ 28,310	\$ 26,814	6%
Cost of revenue.....	23,648	21,824	8%
Gross margin.....	4,662	4,990	(7%)
Selling, general and administrative.....	2,851	2,411	18%
Research, development and engineering.....	257	232	11%
Total operating expenses.....	3,108	2,643	18%
Operating income.....	1,554	2,347	(34%)
Investment and other income, net.....	103	120	(14%)
Income before income taxes.....	1,657	2,467	(33%)
Income tax provision.....	393	513	(23%)
Net income.....	\$ 1,264	\$ 1,954	(35%)
Earnings per common share:			
Basic.....	\$ 0.55	\$ 0.80	(31%)
Diluted.....	\$ 0.55	\$ 0.78	(29%)
Weighted average shares outstanding:			
Basic.....	2,280	2,437	
Diluted.....	2,298	2,497	
<u>Percentage of Total Net Revenue:</u>			
Gross margin	16.5%	18.6%	
Selling, general and administrative	10.1%	9.0%	
Research, development and engineering	0.9%	0.9%	
Operating expenses	11.0%	9.9%	
Operating income	5.5%	8.8%	
Income before income taxes	5.9%	9.2%	
Net income	4.5%	7.3%	
Income tax rate	23.8%	20.8%	
<u>Net Revenue by Geographic Region (in billions):</u>			
Americas	\$ 18.1	\$ 17.4	4%
Europe	6.4	6.1	4%
Asia Pacific - Japan	3.8	3.3	17%
<u>Percentage of Total Net Revenue:</u>			
Americas	64%	65%	
Europe	22%	23%	
Asia Pacific - Japan	14%	12%	
<u>Net Revenue by Product Category (in billions):</u>			
Desktop PCs	\$ 10.0	\$ 10.4	(4%)
Mobility	7.4	6.7	10%
Servers	2.7	2.6	2%
Storage	1.0	0.8	23%
Enhanced Services	2.8	2.3	24%
Software and peripherals	4.4	4.0	10%
<u>Percentage of Total Net Revenue:</u>			
Desktop PCs	35%	39%	
Mobility	26%	25%	
Servers	9%	10%	
Storage	4%	3%	
Enhanced Services	10%	8%	
Software and peripherals	16%	15%	

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

⁽¹⁾ Results for the six month period ended August 4, 2006 include stock-based compensation expense of \$158 million (\$0.07 per share), net of tax, due to the implementation of Statement of Financial Accounting Standard No. 123 (revised 2004) Share-Based Payments, ("SFAS 123(R)"). Dell implemented SFAS 123(R) using the modified prospective method. Accordingly, net income prior to fiscal 2007 includes only compensation expense related to restricted stock awards, but does not include stock-based compensation expense for employee stock options or the purchase discount under Dell's employee stock purchase plan.

⁽²⁾ Results for the Year to Date period ended July 29, 2005 include the impact of an \$85 million (\$0.03 per share) tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004.

DELL INC.

Condensed Consolidated Statement of Financial Position and Related Financial Highlights

(in millions, except for "Ratios" and "Other information")

(unaudited)

	August 4, 2006	May 5, 2006	July 29, 2005
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 6,801	\$ 6,877	\$ 6,337
Short-term investments	1,265	1,579	2,709
Accounts receivable, net	4,741	4,332	3,910
Financing receivables, net ⁽²⁾	1,453	1,451	693
Inventories, net	651	636	570
Other	2,510	2,522	2,579
Total current assets	17,421	17,397	16,798
Property, plant and equipment, net	2,154	2,074	1,843
Investments	2,696	2,690	3,578
Long-term financing receivables, net ⁽²⁾	272	256	227
Other non-current assets	605	454	165
Total assets	<u>\$ 23,148</u>	<u>\$ 22,871</u>	<u>\$ 22,611</u>
<u>Liabilities and Stockholders' Equity:</u>			
Current liabilities:			
Accounts payable	\$ 10,323	\$ 10,069	\$ 9,196
Accrued and other	6,544	6,251	5,172
Total current liabilities	16,867	16,320	14,368
Long-term debt	504	503	504
Other non-current liabilities	2,652	2,674	2,230
Total liabilities	20,023	19,497	17,102
Stockholders' equity	3,125	3,374	5,509
Total liabilities and stockholders' equity	<u>\$ 23,148</u>	<u>\$ 22,871</u>	<u>\$ 22,611</u>
<u>Ratios:</u>			
Days supply in inventory	5	5	5
Days of sales outstanding ^{(1) (2)}	33	30	29
Days in accounts payable	78	77	76
Cash conversion cycle	(40)	(42)	(42)
<u>Other Information:</u>			
Headcount (approximate)	75,100	69,700	61,400
Average total revenue/unit (approximate)	\$ 1,460	\$ 1,430	\$ 1,480

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

⁽¹⁾ Days of sales outstanding include the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets. At August 4, 2006, May 5, 2006, and July 29, 2005, days of sales in accounts receivable and days of customer shipment not yet recognized were 30 and 3 days, 27 and 3 days, and 26 and 3 days, respectively.

⁽²⁾ Financing receivables, net have been separately classified on the balance sheet as of August 4, 2006 and May 5, 2006. The July 29, 2005 balance sheet has been reclassified to conform to the current presentation and days of sales outstanding have been recalculated to reflect the reclassification of certain items previously included in accounts receivable to financing receivables.

DELL INC.

Condensed Consolidated Statement of Cash Flows

(in millions)

(unaudited)

	Three Months Ended	Six Months Ended
	August 4, 2006	
Cash flows from operating activities:		
Net income	\$ 502	\$ 1,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	119	225
Stock-based compensation expense	119	231
Tax benefits from stock-based compensation	1	4
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(159)	(223)
Other	49	97
Changes in:		
Operating working capital	83	(30)
Non-current assets and liabilities	(41)	127
Net cash provided by operating activities	673	1,695
Cash flows from investing activities:		
Investments:		
Purchases	(2,869)	(5,956)
Maturities and sales	3,197	6,745
Acquisition of business, net of cash acquired	(97)	(97)
Capital expenditures	(200)	(384)
Net cash provided by investing activities	31	308
Cash flows from financing activities:		
Purchases of common stock	(1,000)	(2,691)
Issuance of common stock under employee plans	50	188
Excess tax benefits from stock-based compensation	18	41
Other	(2)	(5)
Net cash used in financing activities	(934)	(2,467)
Effect of exchange rate changes on cash and cash equivalents	154	223
Net decrease in cash and cash equivalents	(76)	(241)
Cash and cash equivalents at beginning of period	6,877	7,042
Cash and cash equivalents at end of period	\$ 6,801	\$ 6,801

Additional supplemental information is available on our website at
http://www.dell.com/downloads/global/corporate/conferences/q2fy07_earnings_pres.pdf