

DELL Q1 FY09 PERFORMANCE REVIEW



Michael Dell
Chairman and CEO

May 29, 2008

Don Carty
Vice Chairman and CFO
Brian Gladden
SVP, CFO Designate

DELL Q1 FY09 EARNINGS SPECIAL NOTE

Statements in this presentation that relate to future results and events (including statements about our expected future financial and operating performance) are forward-looking statements based on our current expectations. Actual results and events in future periods could differ materially from those projected in the forward-looking statements because of a number of risks and uncertainties, including: general economic, business and industry conditions; our ability to maintain a cost advantage over our competitors; local economic and labor conditions, political instability, unexpected regulatory changes, trade protection measures, tax laws, copyright levies and fluctuations in foreign currency exchange rates; our ability to accurately predict product, customer and geographic sales mix and seasonal sales trends; information technology and manufacturing infrastructure failures; our ability to effectively manage periodic product transitions; any additional issues or matters that may arise from the ongoing SEC investigation; our ability to maintain a strong internal control environment; our reliance on third-party suppliers for quality product components, including reliance on several single-source or limited-source suppliers; our ability to access the capital markets; unfavorable results of legal proceeding could harm our business and result in substantial costs; our acquisition of other companies; our ability to properly manage the distribution of our products and services; effective hedging of our exposure to fluctuations in foreign currency exchange rates and interest rates; obtaining licenses to intellectual property developed by others on commercially reasonable and competitive terms; our ability to attract, retain and motivate key personnel; loss of government contracts; expiration of tax holidays or favorable tax rate structures; changing environmental laws; and the effect of armed hostilities, terrorism, natural disasters and public health issues. For a discussion of those and other factors affecting the company's business and prospects, see Dell's periodic filings with the Securities and Exchange Commission.



DELL Q1 FY09 EARNINGS REVIEW

Don Carty
Vice Chairman and CFO

DELL Q1 FY09 OVERVIEW

Highlights

- A year ago we laid out for you the actions we were taking to transform this company:
 - Restructuring the organization to move decision making closer to the customer
 - Improving customer satisfaction
 - New innovative product across our entire portfolio and all regions
 - The globalization of services which at its core simplifies IT for our customers
 - And a comprehensive review of all costs with the goal of streamlining structure, eliminating bureaucracy and better aligning expenses with the business environment and our growth opportunities
- Our results this quarter demonstrate we've made progress – though there is still much more to do



Q1 FY09 KEY PERFORMANCE METRICS

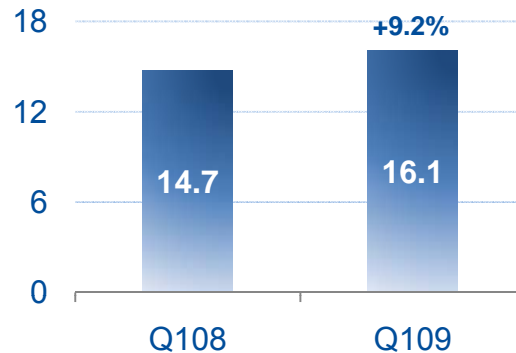
Units

Millions



Revenue

\$ Billions

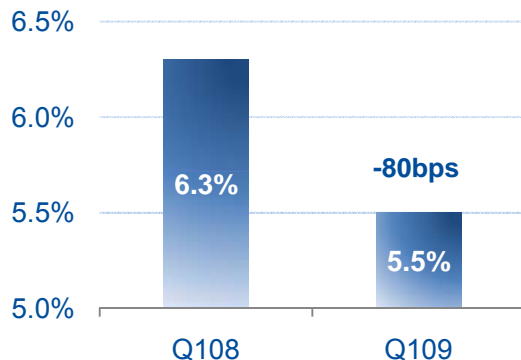


Highlights

- Global consumer units were up +47% Y/Y and revenue up +20% Y/Y
- APJ commercial units were up +31% Y/Y and revenue up +19% Y/Y
- EMEA commercial units were up +30% Y/Y and revenue up +15% Y/Y
- BRIC units were up +73% Y/Y and revenue up +58% Y/Y, 9% of Dell revenue
- Excluding impact of acquisitions, headcount is down 7,000 Y/Y, and down nearly 3,700 in Q1
- EPS grew +12% Y/Y

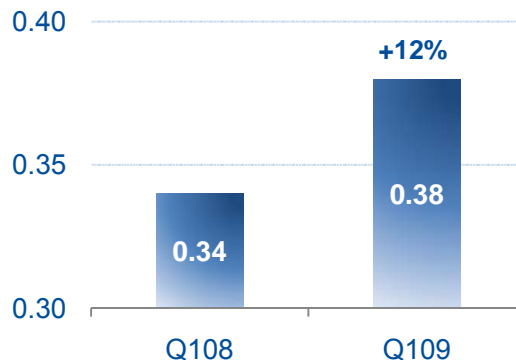
OpInc

%



EPS

\$



Q1 FY09 CONSOLIDATED RESULTS

Consolidated P&L

\$ in Millions – except Units & EPS

	Q108	Q109	Y/Y Growth
Units (<i>thousands</i>)	9,007	10,959	21.7%
Revenues	14,722	16,077	9.2%
Gross Margin	2,838	2,965	
<i>GM % of revenue</i>	19.3%	18.4%	-83 bps
Operating Expenses	1,905	2,066	
<i>OPEX % of revenue</i>	13.0%	12.9%	-9 bps
Operating Income	933	899	
<i>OpInc % of revenue</i>	6.3%	5.5%	-75 bps
Income Before Taxes	1,011	1,024	
Income Tax	255	240	
<i>Effective Tax Rate %</i>	25.2%	23.5%	
Net Income	756	784	3.7%
<i>NI % of revenue</i>	5.1%	4.9%	
Diluted EPS	\$0.34	\$0.38	12%

Dynamics

- Revenues grew +9% Y/Y to \$16.1B
- Units +22% Y/Y driven by accelerating growth in emerging countries and Global Consumer
- Mobility products grew +43% Y/Y
- Operating expenses down -100bps sequentially to 12.9%
- Operating income \$899M, or 5.5% of revenue
- EPS \$0.38 up +12% Y/Y



Q1 FY09 EARNINGS OVERVIEW

Additional Disclosure

- Consistent with Q1, you will find additional disclosure in our financial tables quantifying the impact of certain items, including acquisitions, which are included in our GAAP results. In the quarter we had:
 - \$106 million in expense, or four cents per share, related to the realignment of our business, including severance costs and facility closures
 - \$26 million, or one cent per share, in amortization expense of purchased intangible assets
 - \$19 million in expense, or one cent per share, in investigation related costs
 - A \$42 million increase in financing and other income, or two cents per share, related to an error in currency exchange rates from prior periods
 - A \$46 million, or two cents per share, reversal in the provision for employee bonuses for fiscal 2008
 - A reduction in a litigation reserve related to a favorable ruling in a patent case of \$55 million, or two cents per share

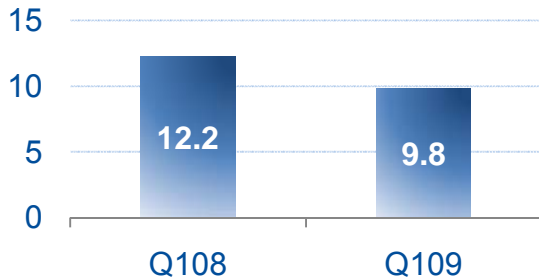
Note: These items are recognized in different tax jurisdictions and are tax-effected at different rates.



Q1 FY09 BALANCE SHEET METRICS

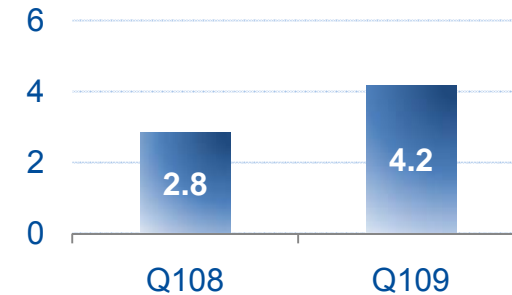
Cash & Investments

\$ Billions



CFO*

\$ Billions



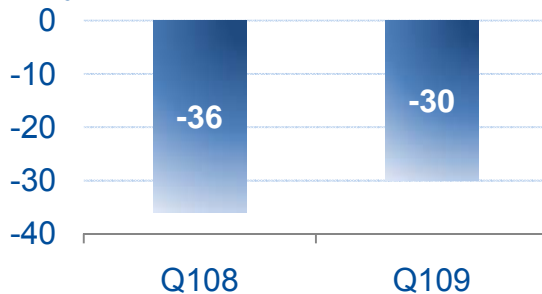
*CFO trailing last four quarters

Dynamics

- CFO was \$143M impacted by lower payables, tax and bonus payments
- \$9.8B in cash and investments
- Spent \$1.0B to buy 52 million shares
- Spent \$170M on The Networked Storage Company and MessageOne acquisitions
- Issued \$1.5B in medium and long-term notes and paid off \$200M in senior debentures

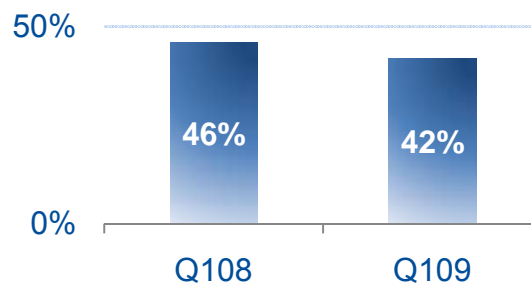
Cash Conversion Cycle

days



Return on Total Capital

%



SEGMENTS APJ COMMERCIAL

APJ Commercial P&L

\$ in Millions

	Q108	Q208	Q308	Q408	Q109
Revenues	1,707	1,765	1,790	1,905	2,024
<i>Sequential Growth, %</i>		3.4%	1.4%	6.4%	6.2%
<i>Y/Y Growth, %</i>					18.6%
Operating Income	86	142	76	120	131
<i>OpInc % of revenue</i>	5.1%	8.1%	4.3%	6.3%	6.5%
<i>Sequential Growth, bps</i>		302 bps	-380 bps	204 bps	17 bps
<i>Y/Y Growth, bps</i>					143 bps

Dynamics

- Revenues grew +19% Y/Y to \$2.0B
- Units +31% Y/Y driven by growth in emerging countries
- Revenue in India grew 52% Y/Y, and China was up 30% Y/Y
- Dell is #2 overall in desktops and notebooks in APJ excluding Japan with share growth in every area
- Operating income \$131M up +52% Y/Y and 6.5% of revenue vs. 5.1% last year



SEGMENTS GLOBAL CONSUMER

Global Consumer P&L

\$ in Millions

	Q108	Q208	Q308	Q408	Q109
Revenues	2,447	2,169	2,574	3,188	2,949
<i>Sequential Growth, %</i>		-11.4%	18.7%	23.8%	-7.5%
<i>Y/Y Growth, %</i>					20.5%
Operating Income	18	5	(24)	3	35
<i>OpInc % of revenue</i>	0.7%	0.2%	-0.9%	0.1%	1.2%
<i>Sequential Growth, bps</i>		-51 bps	-117 bps	103 bps	109 bps
<i>Y/Y Growth, bps</i>					45 bps

Dynamics

- Revenues grew +20% Y/Y to \$2.9B
- Units +47% Y/Y. Units grew more than two times the market and increased global share by 1.2 points to 8.8 percent
- Unit growth in U.S. up +52% Y/Y and in APJ up +93% Y/Y; Notebook units grew +78% Y/Y
- Expanded global retail to 13,000 stores, in Q1 we added Suning in China and Costco in the U.S.
- Operating income increased to 1.2%, or \$35M



SEGMENTS EMEA COMMERCIAL

EMEA Commercial P&L

\$ in Millions

	Q108	Q208	Q308	Q408	Q109
Revenues	3,317	3,162	3,448	3,680	3,806
<i>Sequential Growth, %</i>		-4.7%	9.0%	6.7%	3.4%
<i>Y/Y Growth, %</i>					14.7%
Operating Income	282	202	211	283	221
<i>OpInc % of revenue</i>	8.5%	6.4%	6.1%	7.7%	5.8%
<i>Sequential Growth, bps</i>		-211 bps	-27 bps	157 bps	-188 bps
<i>Y/Y Growth, bps</i>					-270 bps

Dynamics

- Revenues grew +15% Y/Y to \$3.8B on 20% unit growth in the U.K. and strength in emerging countries
- Emerging countries (Russia, Turkey and the Ukraine) revenues grew +57% Y/Y and units grew up +83% Y/Y
- Units up +30% Y/Y, and grew server share +1.4%
- Operating income \$221M, or 5.8%; profitability in EMEA was adversely impacted by a more competitive pricing environment, favorable warranty changes in Q1 of last year, and severance costs in Q1 of this year



SEGMENTS AMERICAS COMMERCIAL

Americas Commercial P&L

\$ in Millions

	Q108	Q208	Q308	Q408	Q109
Revenues	7,251	7,680	7,834	7,216	7,298
<i>Sequential Growth, %</i>		5.9%	2.0%	-7.9%	1.1%
<i>Y/Y Growth, %</i>					0.6%
Operating Income	644	757	663	502	588
<i>OpInc % of revenue</i>	8.9%	9.9%	8.5%	7.0%	8.1%
<i>Sequential Growth, bps</i>		98 bps	-139 bps	-151 bps	110 bps
<i>Y/Y Growth, bps</i>					-82 bps

Dynamics

- Revenues were \$7.3B, up +1% Y/Y
- Units +3% Y/Y and share grew at a premium to the market; notebook units grew +11% Y/Y and share +1% Y/Y; server units grew +20% Y/Y and share +1.5% Y/Y
- Solid growth in Latin America, units up +22% Y/Y, including unit growth in Mexico +39% Y/Y
- Operating income \$588M, or 8.1% of revenue; business absorbed acquisitions and invested in sales capability
- Continue to see more conservative spending in the financial sector, state and local government and the SMB space



Q1 FY09 PRODUCT SUMMARY

Product Revenue Trends

\$ in Millions

LOB	Q108	Q208	Q308	Q408	Q109
Desktop PCs	4,942	5,017	4,754	4,860	4,700
Mobility	4,016	3,865	4,729	4,813	4,904
Servers	1,593	1,618	1,651	1,612	1,653
Storage	549	613	624	649	631
Services	1,281	1,283	1,355	1,401	1,448
S&P	2,341	2,380	2,533	2,654	2,741
Total	14,722	14,776	15,646	15,989	16,077

Revenue Trends Q/Q, %

Desktop PCs	4%	2%	-5%	2%	-3%
Mobility	3%	-4%	22%	2%	2%
Servers	1%	2%	2%	-2%	3%
Storage	-14%	12%	2%	4%	-3%
Services	-2%	0%	6%	3%	3%
S&P	1%	2%	6%	5%	3%
Total	2%	0%	6%	2%	1%

Revenue Trends Y/Y, %

Desktop PCs	-7%	0%	-1%	2%	-5%
Mobility	6%	1%	19%	24%	22%
Servers	18%	20%	8%	2%	4%
Storage	12%	12%	8%	2%	15%
Services	5%	2%	7%	7%	13%
S&P	7%	7%	11%	15%	17%
Total	3%	4%	9%	10%	9%

Dynamics

- **Server** revenues were up +4% Y/Y; units up +21% Y/Y fastest growth in two years and 3x rate of industry
- **Storage** revenues up +15% Y/Y, driven by first full quarter of EqualLogic
- **Services** revenue was up +13% Y/Y while our deferred services revenue balance grew +23% Y/Y to \$5.4B
- **Mobility** revenue grew +22% Y/Y driven by a +43% Y/Y increase in units
- **Desktop** revenue was down -5% Y/Y on +9% Y/Y unit growth
- **Software and peripherals** revenue increased +17% Y/Y



DELL OUTLOOK

- First, we will continue to incur costs as we realign our business to improve competitiveness, reduce headcount and invest in infrastructure and acquisitions.
- Second, we are seeing conservatism in IT spending in the U.S. – and that has extended modestly from global and large customers into public, small and medium business accounts. We expect that to continue through the summer particularly as many of these customer segments are seasonally slower.
- Third, we are overlapping a period of record cost declines.
- And fourth, we will continue to benefit from improving performance in areas like emerging countries, notebooks, enterprise and services which collectively are driving a more diversified portfolio of geographies and products.
- Against this backdrop, we recently shared our goal to lowering total cost and are targeting \$3 billion in annualized savings by fiscal 2011.
- Long term, our focus remains on growing faster than the industry, improved profitability and superior cash returns with a focus on making decisions that deliver the best long term result for our shareholders.



DELL Q1 FY09
STRATEGY AND PROGRESS

Michael Dell
Chairman and CEO

Q1 FY09 LONG-TERM GOALS

- In April, we laid out broad long terms goals to drive shareholder value including
 - Deliver sustained unit growth at a premium to the market
 - Execute against our \$3 billion cost opportunity
 - Deliver sustained EPS growth
 - Execute on our five core growth initiatives
 - Grow our retail and the channel for scale and profit



Q1 FY09 OUR PROGRESS

Long-term goal

Sustained growth premium

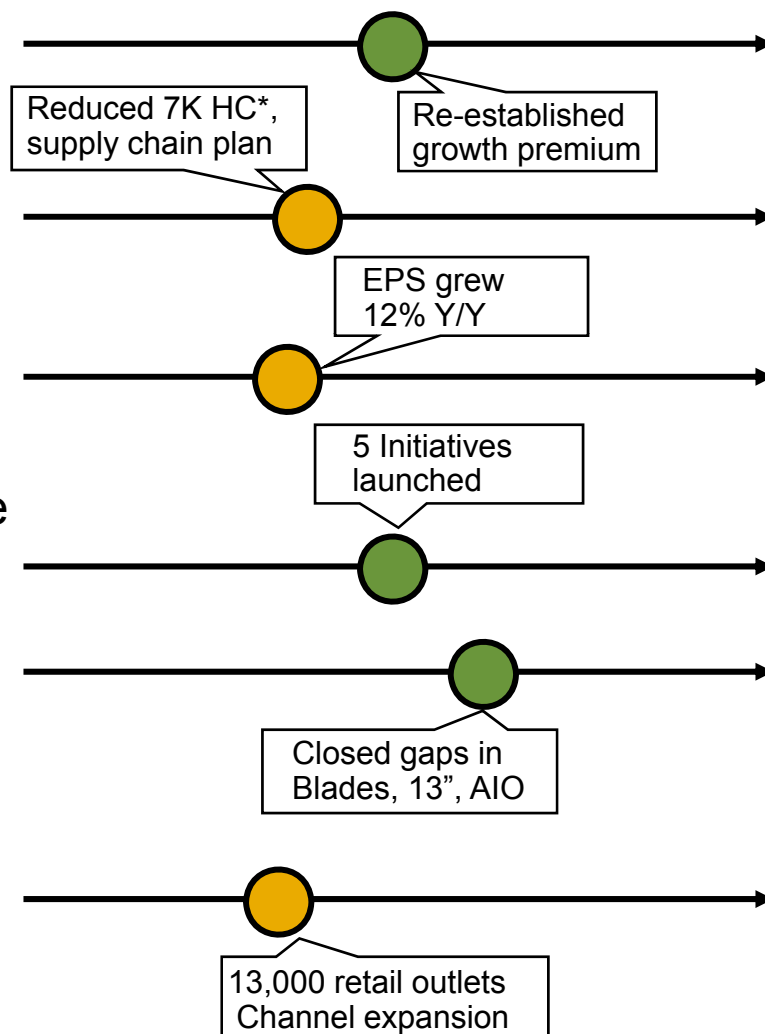
\$3B in cost opportunity

Sustained EPS growth

Leading performance on 5 core initiatives

Best-in-class products for all segments

Retail / partner channel at scale



Our progress

Units grew 22%, 1.6x the market

Reduced HC and adjusted comp plans

Cost savings begin to flow through P&L

Units in emerging countries up 45% Y/Y

Launched 9 new servers since Jan; leader in virtualization

PartnerDirect launched in EMEA and APJ

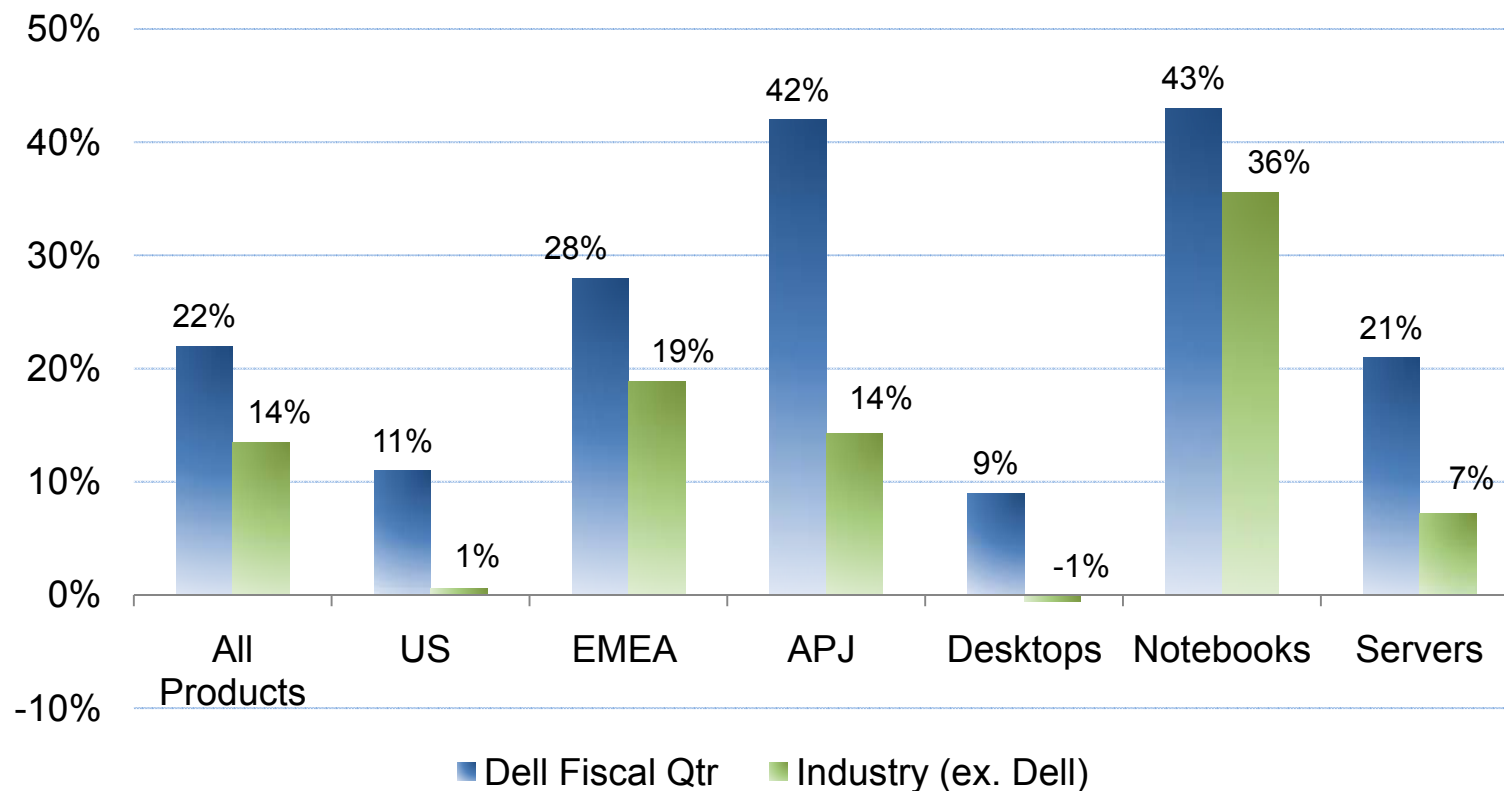
* Excluding acquisitions



DELL GROWTH PREMIUM

- Dell is growing faster than the industry in all major product categories and regions
- Dell unit growth 22% Y/Y and 1.6x the industry growth rate

Dell Growth Rate vs. Industry



COST AND PRODUCTIVITY INITIATIVES

\$3 BILLION DOLLAR OBJECTIVE

- **Cost of Goods Sold:** Personally leading cost reduction meetings, and have detailed roadmap of targeted savings, actions, executive ownership to design products differently and reduce costs further
- **Headcount:** Reduced our headcount, before the impact of acquisitions, by 7,000 Y/Y which includes nearly 3,700 heads this past quarter. In our first quarter we recognized \$106 million in severance and facilities related expenses and we will see the benefits more fully as we move through the year
- **Compensation:** We also made adjustments to our compensation plans including evaluating and aligning our long term incentive plans, both cash and equity, to current industry conditions
- **OPEX:** Is down 7% sequentially, from 13.9% in Q4 to 12.9% in Q1, but still more work to do



Q1 FY09 ENTERPRISE INITIATIVE

Products

M600 Blades



R805 Virtualization Optimized Server



Dell EqualLogic PS5000



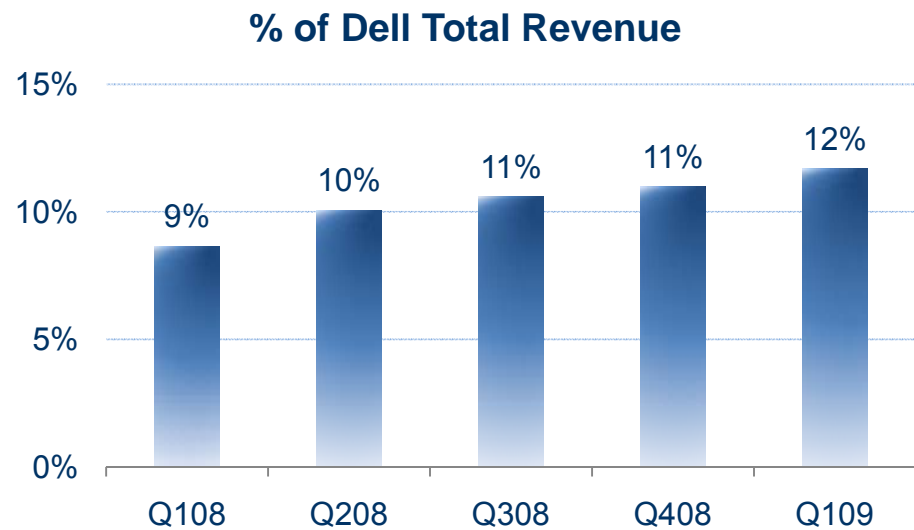
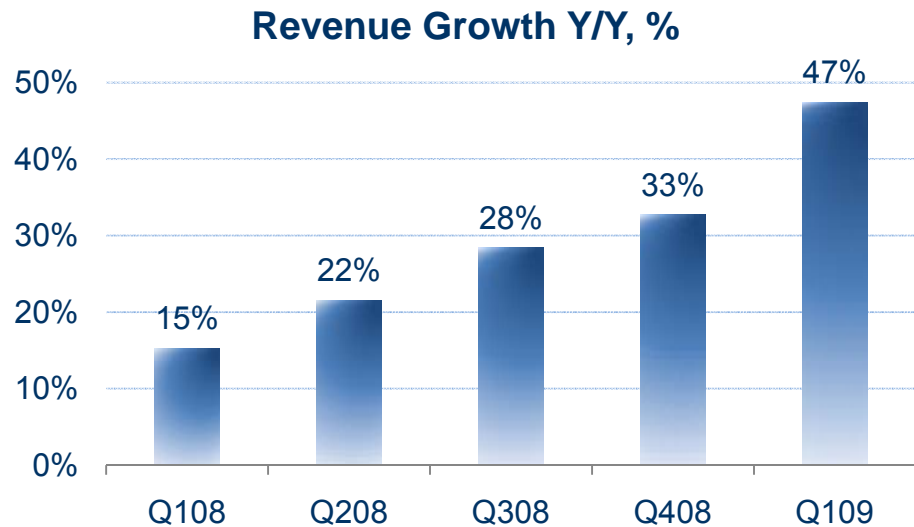
Dynamics

- Launched nine new servers since January:
 - M600 and M605 two socket blades, the M1000E Blade enclosure
 - R805 and R905 virtualization optimized servers
- Leader in disruptive solutions powering about half of the fastest growing Chinese internet companies for “The Cloud” as well as the largest portal in China
- Grew 8% faster than the market and gained 1.5 share points worldwide
- Grew storage revenue by 15% Y/Y
- Took share in Q1 and are now firmly extended our position as the #1 worldwide provider of iSCSI SAN solutions
 - Dell EqualLogic PS5000 series IP SANs
 - Dell/EMC AX4 and 5i SANs



Q1 FY09 EMERGING COUNTRIES INITIATIVE

BRIC plus 10 countries*



Dynamics

- BRIC plus 10 revenue grew 47% Y/Y on unit growth of 62% Y/Y
- BRIC plus 10 now represents \$7.2 billion run-rate and 12% of Dell's revenues
- Launched the Dell 500 notebook specifically designed for emerging countries, now shipping in China and India
- Expanded Partner Direct program in EMEA and APJ

* **BRIC plus 10 countries include:** Mexico, Brazil, Colombia, Argentina, Russia, Turkey, Ukraine, South Africa, China, India, Thailand, Indonesia, Philippines, Vietnam



Q1 FY09 KEY TAKEAWAYS

- Acceleration in our growth is just a first step as we execute against the broad goals. We have a lot more to do to restore our competitiveness so that we can deliver long-term profitable growth.
- We have significant opportunity to reduce our costs while improving productivity.
- We have the most robust portfolio of products and services in our history.
- Dell is uniquely positioned to provide solutions to our customers that allow them to tackle their biggest challenge – reducing complexity and cost by simplifying their IT environments.

