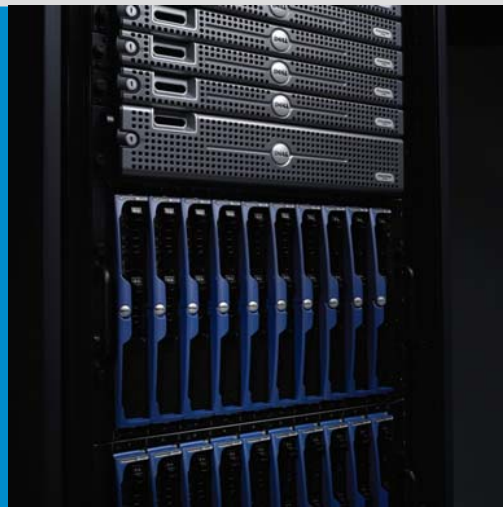


# Dell Q2 FY07 Results

August 17, 2006



- Statements in this presentation and the accompanying press release and conference call that relate to future results and events (including statements about Dell's anticipated financial and operating performance and the impact of the informal SEC investigation) are forward-looking statements based on Dell's current expectations.
- Actual results in future periods could differ materially from those projected in the forward-looking statements because of a number of risks and uncertainties, including:
  - The outcome of the investigation into Dell's revenue recognition and other accounting and financial reporting matters
  - General economic, business and industry conditions
  - The level and intensity of competition in the technology industry and the pricing pressures that have resulted
  - Local economic and labor conditions, political instability, unexpected regulatory changes, trade protection measures, tax laws and fluctuations in foreign currency exchange rates
  - The ability to accurately predict product, customer and geographic sales mix
  - The ability to timely and effectively manage periodic product transitions
  - Reliance on third-party suppliers for product components, including dependence on several single-source supplier relationships
  - The ability to effectively manage operating costs
  - The ability to attract and retain qualified personnel
  - The level of demand for the products and services Dell offers
  - The ability to manage inventory levels to minimize excess inventory, declining inventory values and obsolescence
  - The effect of armed hostilities, terrorism, natural disasters and public health issues on the global economy generally, on the level of demand for Dell's products and services and on Dell's ability to manage its supply and delivery logistics in such an environment.
- More information about these and other factors affecting Dell's business and prospects is contained in Dell's periodic filings with the Securities and Exchange Commission.
- Dell's CCC operating metrics, free cash flow, trailing 12 months EPS, and Non-GAAP EPS are considered Non-GAAP financial measures under Regulation G, and should be read in conjunction with the accompanying slide footnotes. See the reconciliation on the bottom of slide 5, and the Itemized Reconciliation between Net Income on a GAAP and Non-GAAP Basis in Exhibit 99.1 to Dell's Form 8-K filed February 16, 2006.

## Strong growth in Asia Pacific/Japan and Emerging Markets

- Generated \$14.1 billion in revenue, an increase of 5%, and EPS of \$0.22<sup>1</sup>, which includes \$0.04 for stock-based compensation
- Units were up 6% and we gained >1 point of share sequentially, achieving a record 19.3% share worldwide
- Operating income was \$605 million, 4.3% of revenue, which includes \$119 million of stock based compensation
- Priced too aggressive in the face of slowing industry demand in commercial markets worldwide and slower overall demand in Western Europe
- Component costs came down less than we anticipated, resulting in operating income which was lower than our May expectations on roughly similar revenue
- Almost \$700M in cash flow from operations
- Invested \$1.0B to repurchase 43 million shares and reduced share count 8% Y/Y

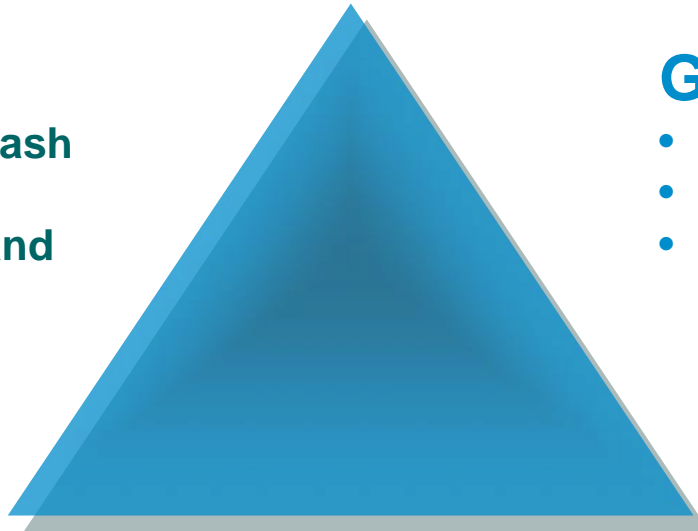
1. Results for the three and six month periods ended Aug. 4, 2006 include stock-based compensation expense of \$81 million (\$0.04 per share) and \$158 million (\$0.07 per share) respectively, net of tax, due to the implementation of Statement of Financial Accounting Standard No. 123 (revised 2004) *Share-Based 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.

# Q2 FY07 Financial Highlights

- Delivered \$14.1 billion of revenue and \$0.22 of EPS
- Spent \$1.0 billion to repurchase 43 million shares

## LIQUIDITY

- Almost \$700 million cash flow from operations
- \$10.8 billion in cash and investments
- CCC -40 days<sup>1</sup>



## GROWTH

- Units up 6%
- Revenue up 5%
- APJ units up 27%

## PROFITABILITY

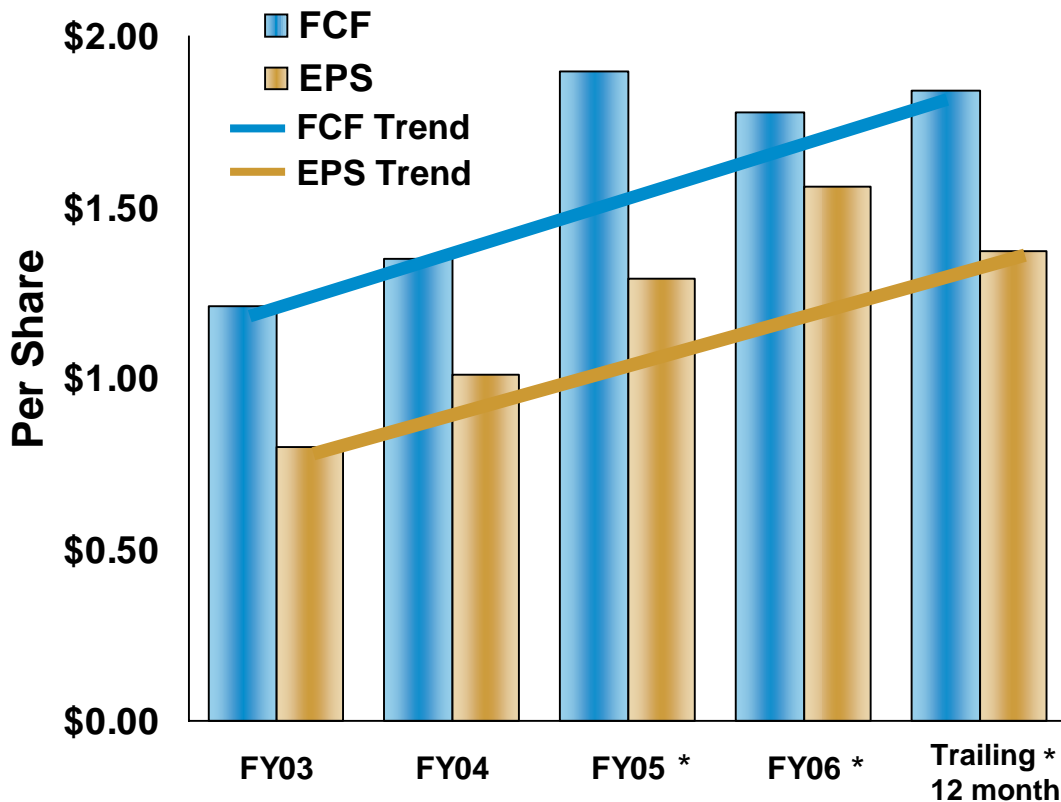
- Gross margin = 15.5%
- OPEX percent of revenue = 11.2%
- Operating margin = 4.3%
- Return on total capital = 42%

1. See the accompanying press release dated August 17, 2006. CCC would have been -43 days excluding the effect of in-transit customer shipments in DSO.

2. Growth rates Y/Y unless otherwise noted

# Industry Leading Returns

## Free Cash Flow & EPS Trends



- Cash flow from operations of almost \$700 million
- Free Cash Flow of \$490 million
- CFOps/share of \$0.30 & FCF/share of \$0.21
- Long-term strategy to consistently grow FCF/share and EPS faster than Revenue
- Return on total capital 42%

**Cash Flow from Operations**  
 Less: Tax ben of stock-based comp  
 Less: Capital Expenditures  
 Add: Financing Receivables  
**Free Cash Flow**

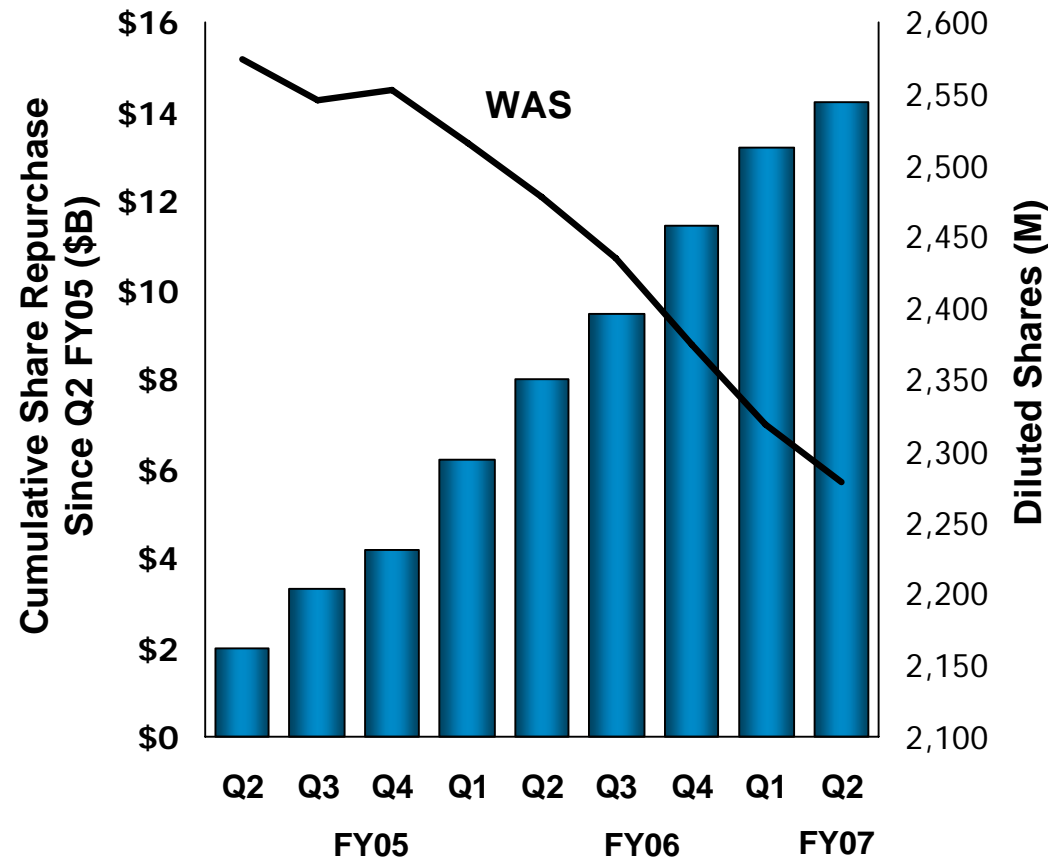
	Q2 FY07	Trailing 12 Mths
Cash Flow from Operations	\$ 673	\$ 4,425
Less: Tax ben of stock-based comp	\$ (1)	\$ (142)
Less: Capital Expenditures	\$ (200)	\$ (766)
Add: Financing Receivables	\$ 18	\$ 806
<b>Free Cash Flow</b>	<b>\$ 490</b>	<b>\$ 4,323</b>

\* EPS is non-GAAP. See the Itemized Reconciliation between Net Income on a GAAP and Non-GAAP Basis in Exhibit 99.1 to the Form 8-K filed on Feb 16, '06.

# Share Repurchase Program Continues to be Accretive

Dell reduced share count 12% over last two years

## Share Buyback



- Spent \$1.0B to repurchase 43M shares
- Decreased Q2 weighted average shares 8% Y/Y
- Repurchased 207M shares in last 12 months
- YTD repurchased 4.5x as many shares as were issued in options
- Plan to spend at least \$1.0B in Q3

# Q2 Product Summary

Product	Revenue	Revenue Growth		Unit Growth	
	\$B	Y/Y	Q/Q	Y/Y	Q/Q
Desktop PCs	4.9	-4%	-6%	-1%	-6%
Mobility	3.7	8%	1%	22%	1%
Servers	1.4	1%	0%	3%	-2%
Storage	0.5	36%	12%		
Enhanced Services	1.4	21%	2%		
S&P	2.2	10%	2%		
<b>TOTAL</b>	<b>\$14.1</b>	<b>5%</b>	<b>-1%</b>	<b>6%</b>	<b>-3%</b>

“Desktop PCs” includes desktops and desktop workstations.

“Mobility” includes notebooks, mobile workstations, Axim handhelds, and Dell MP3 Players.

“Servers” includes servers and networking hardware.

“Storage” includes all DAS, NAS, SAN and Dell tape external storage devices.

“Enhanced Services” includes assessment, design and Implementation, deployment, asset recovery and recycling, training, enterprise support, client support and managed lifecycle services.

“S&P” includes imaging & printing, TVs and displays, software, PC components and peripherals.

Note: Growth is calculated on underlying data

# Q2 FY07 Product Summary: Growth in Servers & Storage

Total enterprise including servers, storage and associated services, software and peripherals grew 11%



**PowerEdge 2950 & 1950**



**PowerEdge 1955 (Blade)**



**PowerVault MD1000**



**Dell Storage  
Server**

## Servers

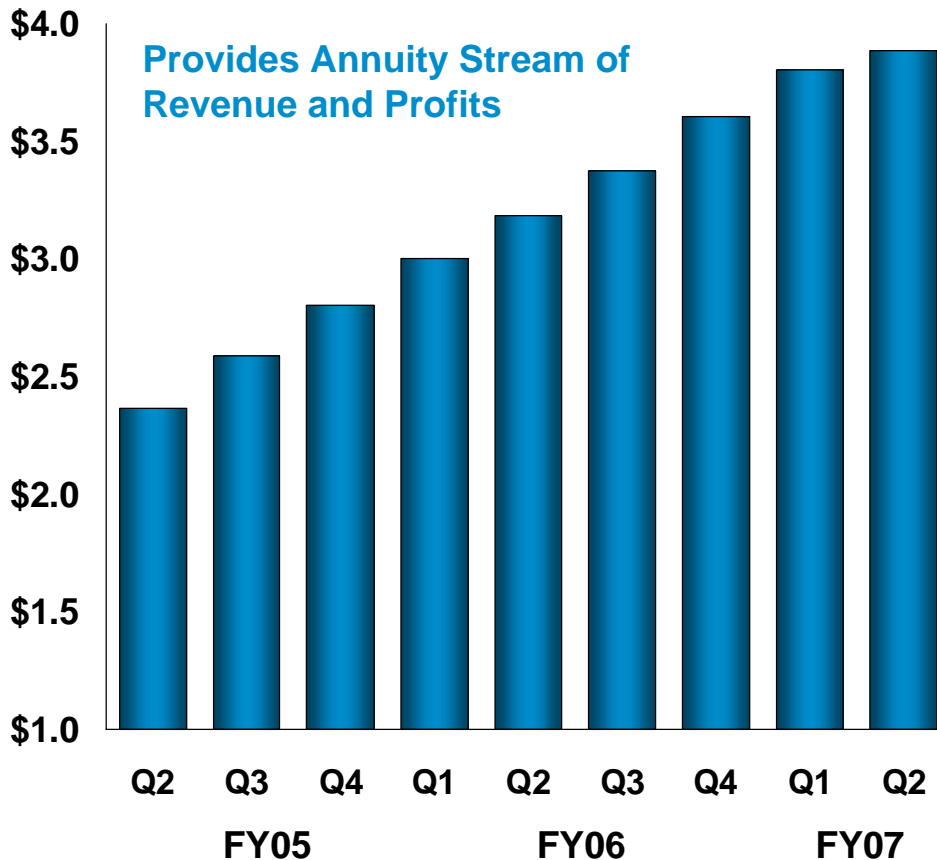
- Revenue of \$1.4B, up 1%
- WW server units grew 3%, blades up 36%
- New 9th gen servers based on Intel's Xeon 5100 technology increase performance up to 152%

## Storage

- Revenues of \$0.5B up 36% - driven by Dell/EMC
- New Storage Servers based on 9th gen. PE servers pre-configured with MS Storage Server
- New PowerVault MD1000 with SATA II Drives offers affordable storage capacity

# Q2 FY07 Product Summary: Enhanced Services are Growing Rapidly

## Deferred Services Revenue (\$B)



- Revenue up 21% to \$1.4B
  - Grew 28% outside the Americas
  - Over \$5.6B annualized run-rate
- New Platinum Plus
  - Support includes interactive command center tracking
  - Customers seeing 30% reduction in resolution time

S&P revenue grew 10%, driven by software growth



3110cn



5310n

## Imaging

- Imaging and printing revenues up 5% - total laser revenue up 34%
- New 3<sup>rd</sup> generation laser printers including 6 color, MFP and mono lasers
- Announced OpenManage Printer Manager software



26" HD LCD TV



30" WFP Display

## Displays

- Ranked top worldwide LCD monitor vendor, almost double the next closest vendor – won numerous awards
- New 26" HDTV LCD TV named Top Choice by HDTV mag.
- 30" WFP received World Class Award from PC World

# Q2 FY07 Product Summary: Strong Growth in Mobility

- Revenue of \$3.7B, up 8% on 22% unit growth
- Increased #1 Worldwide NB share .5% to 19.0%
- Continued refresh of entire notebook line with Intel Core Duo technology
  - XPS M2010: 20" display, innovative entertainment
  - Latitude D420: Ultra-Mobile 3 pound notebook
  - Inspiron 1505: Affordable Entertainment
  - XPS M1210: Ultra Mobile



**XPS M2010**



**Latitude D420**



**XPS M1710**



**Inspiron E1505**

# Q2 FY07 Product Summary: Leading Edge Technology in Desktop PCs

- With continuing shift to mobility, Desktop revenue declined -4% to \$4.9B, units down -1%
- Increased #1 Worldwide share by .4% to 19.1%
- New Precision 690 and 490 workstations up to 155% faster, with Dual-Core Intel Xeon
- New Dimension 9200 and Precision 390 feature Intel Core 2 Duo for 30-35% faster performance



**Precision 490**



**Dimension 9200**



**XPS 700**

# Q2 FY07 Regional Summary

	Revenue	Op Inc	Revenue Growth		Op Inc Growth		Unit Growth	
REGION	\$ M	\$ M	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q
Americas <sup>1</sup>	9,180	610	3%	3%	-29%	-18%	1%	2%
EMEA	3,006	19	3%	-10%	-90%	-90%	6%	-15%
APAC/Japan	1,908	95	17%	-1%	-23%	-30%	27%	-3%
Stock-based compensation expense <sup>2</sup>	-	-119	-	-	NA	NA	-	-
<b>TOTAL</b>	<b>14,094</b>	<b>605</b>	<b>5%</b>	<b>-1%</b>	<b>-48%</b>	<b>-36%</b>	<b>6%</b>	<b>-3%</b>

<sup>1</sup> Americas results include consolidation of DFS

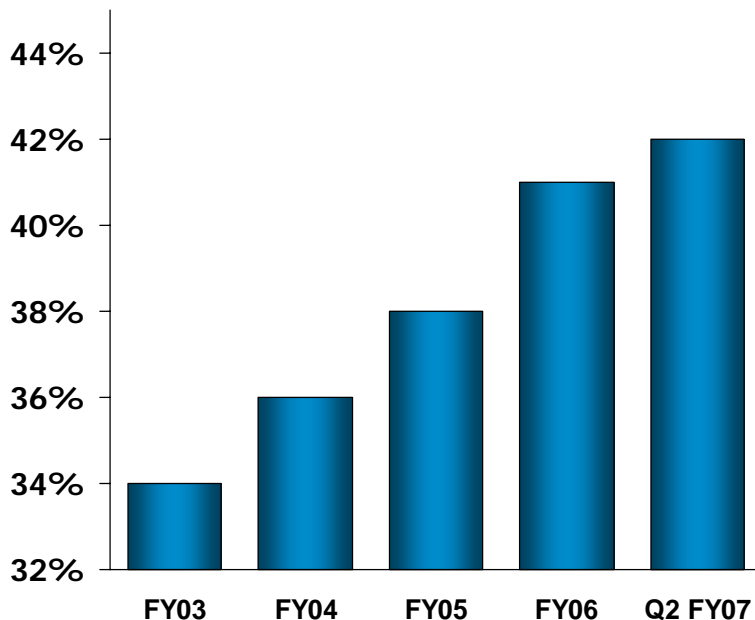
<sup>2</sup> Stock-based compensation expense is not allocated to the regions for management reporting purposes

Note: Growth is calculated on underlying data

# Q2 FY07 Geographic Expansion

Revenue outside the U.S. was up 11%, led by strong growth in Asia Pacific and emerging markets in the Americas

## Revenue Outside of the U.S.



- Asia Pacific & Japan
  - 17% revenue growth on 27% unit growth
  - Achieved #2 position in Q2 with 11.1% share
  - China & India units were up 37% & 82%
- Americas International
  - 29% revenue growth on 30% unit growth
  - Brazil up 58%
- Europe, Middle East & Africa
  - 3% revenue growth on 6% units growth, gaining 50 bps of share to 14%
  - Grew share in U.K. by 1 pt to 29.3%

# Relevant Items to Gauge Our Progress

- AMD on Dimension desktops and 2-way PowerEdge servers
- Excited about new processors from Intel, including Xeon 5100, Core 2 Duo and Merom
- Continue to take share in strategic regions and customer segments and intend to balance revenue growth with profitability
- Turnaround in our customer experience, but ongoing investments will put pressure on operating expenses
- Believe industry demand will decline modestly over the longer term
- Expect to spend about \$1 billion for share repurchase in Q3
- The majority of our cash is outside the U.S. – since repatriating has an economic impact, we will likely borrow in Q3 to augment our liquidity

# Strategic Overview: Industry Growth & Consolidation

- Balance our revenue growth and profitability
  - In business accounts, more closely monitoring our list and bid pricing
  - In consumer, simplifying our pricing and promotions structure
- The industry is slowing modestly
  - Worldwide unit growth down from 18% in Q2 of '05 to 9% in Q2 of this year
  - Western Europe is following a similar but more accelerated pattern
- Historically, Dell has fared better than our competition
  - Since '00, we gained almost 8 pts of share worldwide and 15 pts in the U.S.
  - While our larger competitors have undergone significant changes

- On track to drive >\$3 billion of cost improvements this year
- Includes lower component, structural material, transformation and warranty costs which are backend loaded into the year
- Took a step forward in this effort with the addition of AMD desktop processors for consumer, and Opteron two-socket servers for enterprise

# Strategic Overview: Turnaround in Customer Experience

- Increasing investment in improving Customer Experience from \$100M to \$150M
- Seeing signs of progress – reduction in hold times and call transfers, increase in customer satisfaction rates and higher repurchase intention results
- Customers are acknowledging our progress:
  - Dell's University of Michigan American Consumer Satisfaction Index improved 2.5 points Y/Y - our highest score since '04
  - Preferred brand in Investor's Business Daily U.S. Home PC buyers poll – almost 5x our nearest competitor
- Launched DellConnect remote diagnostic tool serving 1M customers at a 94% CSAT

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[www.dell.com/investor](http://www.dell.com/investor)  
for additional  
information

