Dell Q3 FY06 Results

November 10, 2005

Special Note

- **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) 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:**
  - 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 failure 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 Non-GAAP gross profit, operating expenses, operating income, income before income taxes, income tax provision, net income, EPS, and CCC operating metrics are considered Non-GAAP financial measures under Regulation G and should be read in conjunction with the accompanying slide footnotes.**

Q3 FY06 Overview

Pleased with our ability to deliver industry leading profitability, consistent growth in earnings and a balanced P&L

- **Record Non-GAAP EPS of $0.39 [1], an increase of 18%**
- **Delivered $1.1 billion in cash flow from operations**
- **Invested $1.4 billion to repurchase shares**
- **Progress against growth initiatives:**
  - **Revenue outside the U.S. increased 20%**
  - **Enhanced Services revenue up 36% to $1.2 billion**
  - **Storage revenue up 35% and server units up 21%**
  - **Software & Peripherals revenue grew 25% to $2.1 billion**

1: Non-GAAP results for the period ended October 28, 2005, excludes $442 million ($0.14 per share) of charges for servicing certain Optiplex™ systems, workforce realignment, product rationalizations, excess office facilities and a write off of goodwill. See Non-GAAP reconciliation on the following page.

Q3 FY06 GAAP to Non-GAAP Bridge

	GAAP	Charges[1]	Non-GAAP
Gross Profit	$ 2,251	$ 338	$ 2,589
Gross Margin	*16.2%*		*18.6%*
Operating Expenses	1,497	(104)	1,393
% of Revenue	*10.8%*		*10.0%*
Operating Income	754	442	1,196
Operating Margin	*5.4%*		*8.6%*
Income Tax	198	104	302
Effective Tax Rate	*24.6%*		*24.2%*
Net Income	$ 606	$ 338	$ 944
% of Revenue	*4.4%*		*6.8%*
Earnings per common share:			
Basic	$ 0.25	$ 0.14	$ 0.39
Diluted	$ 0.25	$ 0.14	$ 0.39

(in millions, except per share data)

1: Charges represent cost of servicing certain Optiplex TM systems, workforce realignment, product rationalizations, excess office facilities and a write off of goodwill. All subsequent references are to Non-GAAP amounts.

Q3 FY06 Financial Highlights

- Delivered record $0.39 EPS and $13.9 billion revenue
- Spent $1.4B to repurchase 41 million shares

LIQUIDITY

- $1.1 billion cash flow from operations
- $12.3 billion in cash & investments
- CCC -36 days[1]

GROWTH

- Units up 15%
- Revenue up 11%
- EPS up 18%

PROFITABILITY

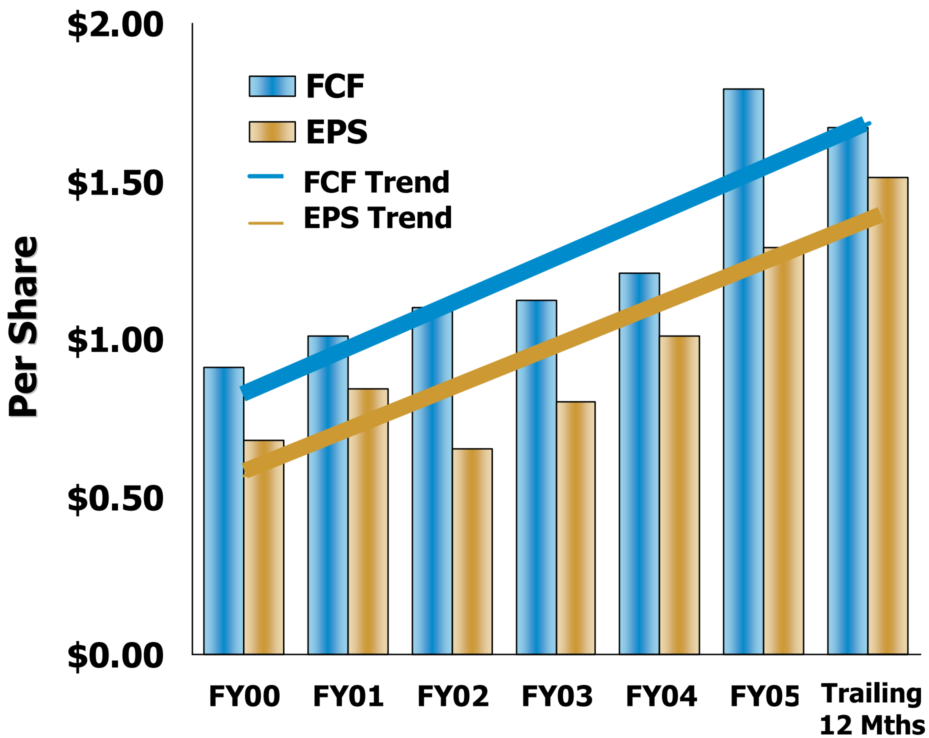
- Gross margin = 18.6%
- OPEX percent of revenue = 10.0%
- Operating margin = 8.6%

1. CCC would have been -39 days excluding the effect of in-transit customer shipments in DSO

Source: Market info is based on Industry Estimates
Note: Growth rates Y/Y unless otherwise noted

Free Cash Flow

Free Cash Flow & EPS Trends



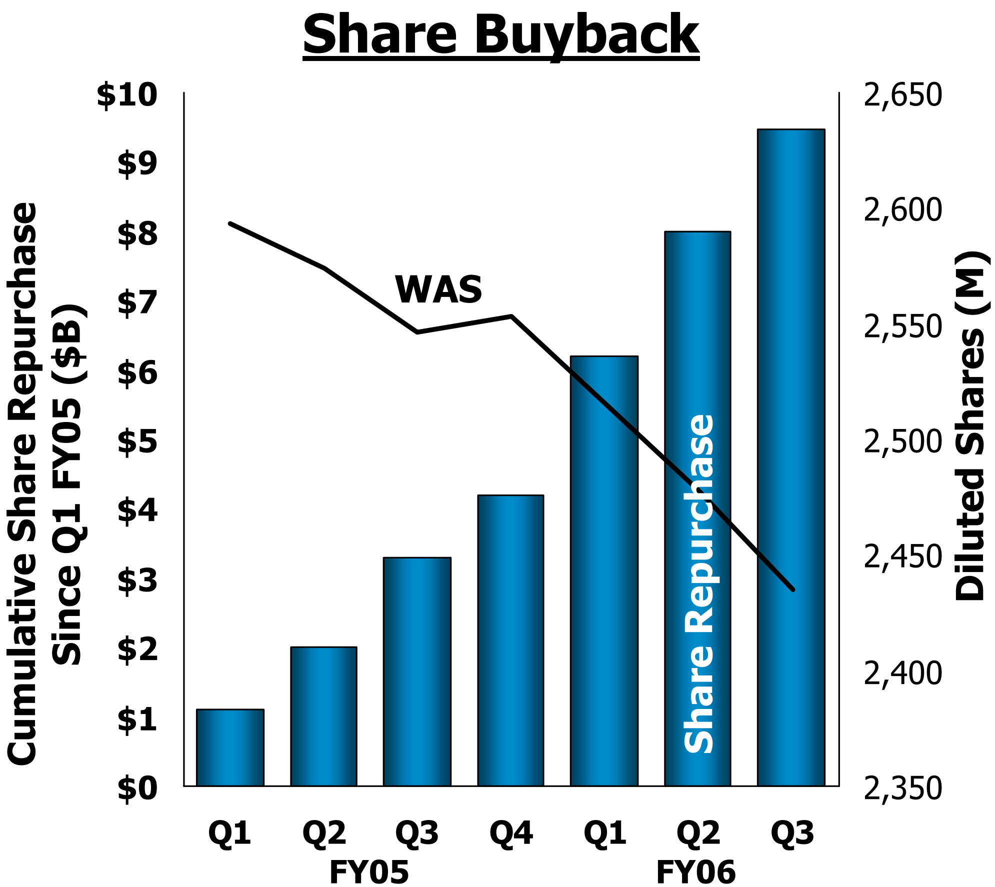
	Q3 FY06	Trailing 12 Mths
Cash Flow from Operations	$ 1,148	$ 5,075
Less: Tax ben of Empl stock plan	$ (30)	$ (292)
Less: Capital Expenditures	$ (160)	$ (677)
Add: DFS Financing Assets	$ 51	$ 154
Free Cash Flow	$ 1,009	$ 4,260

- Strong cash flows
  - CFOps of $1.1B
  - FCF of over $1.0B
  - CFOps/share of $0.47 & FCF/share of $0.41
- Strategy is to consistently grow EPS and FCF/share faster than Revenue
- FCF multiple over projected EPS growth* below 1.0
- CCC of -36 days

TTM = trailing twelve months

* Formula: Mkt Cap / Trailing 4 qtr FCF / Projected Long Term EPS Growth

Share Repurchase



- Spent $1.4 billion to repurchase 41 million shares
- YTD have repurchased 138 million shares
  - More than 3x the stock options we expect to grant for the full year
- Decreased WAS by almost 5% year to date
- Plan to spend at least $1.7 billion in Q4

Q3 Product Summary

	Revenue	Revenue Growth		Unit Growth	
Product	**$B**	**Y/Y**	**Q/Q**	**Y/Y**	**Q/Q**
Desktop PCs	5.1	-2%	2%	6%	-2%
Mobility	3.6	14%	4%	38%	7%
Servers	1.4	16%	4%	21%	-2%
Storage	0.5	35%	11%		
Enhanced Services	1.2	36%	7%		
S&P	2.1	25%	4%		
TOTAL	**$13.9**	**11%**	**4%**	**15%**	**1%**

"Desktop PCs" includes desktops and desktop workstations.
"Mobility" includes notebooks, mobile workstations, Axim handhelds, and Dell DJ MP3 Players.
"Servers" includes servers and networking hardware.
"Storage" includes all DAS, NAS, SAN and Dell tape external storage devices.
"Enhanced Services" includes support, deployment, managed, professional and financial services.
"S&P" includes imaging & printing, TVs and displays, software, PC components and peripherals.

Note: Growth is calculated on underlying data

Q3 Product Summary:
Servers & Storage

PowerEdge 6800 & 6850

Quad-socket servers -- featuring dual-core Intel Xeon processors

Storage

- Revenues up 35%
- Strong revenue growth in the Americas, up 44%
- SAN revenue grew more than 3 times faster than the industry excluding Dell [1]

Servers and Networking

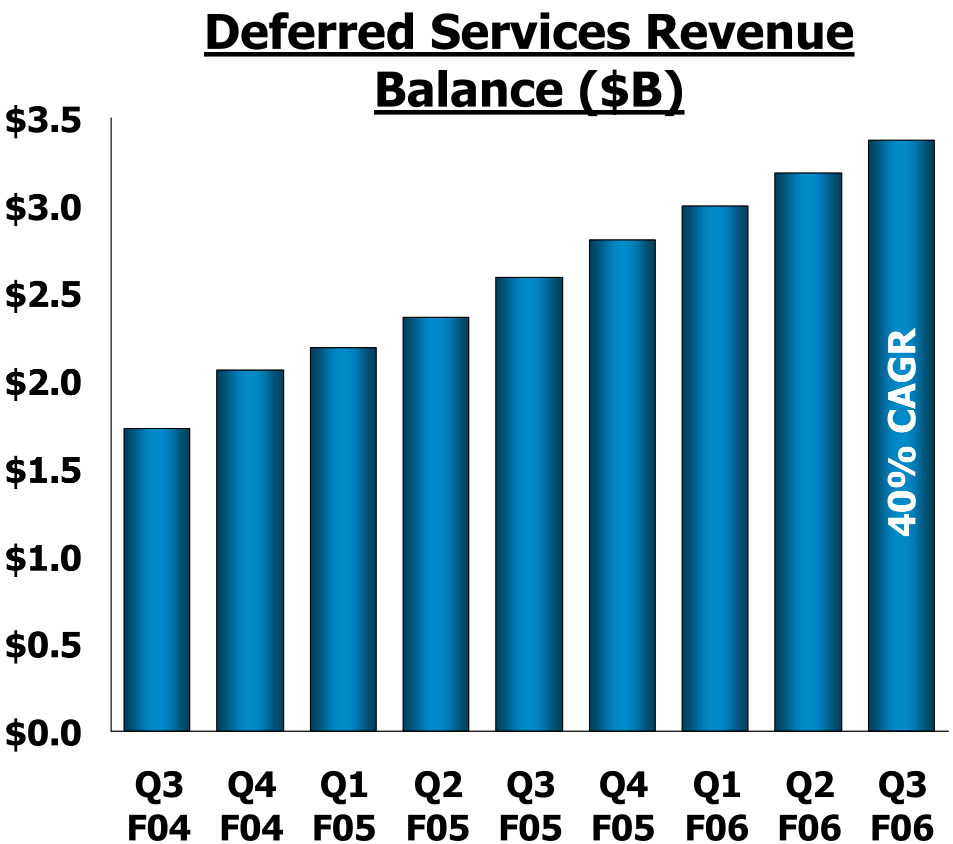
- Revenue of $1.4 billion, up 16%
- Unit growth of 21% - 2X the rest of the industry
  - Gained 3 points of share in the U.S. extending lead over #2 vendor by 7.5 points, and gained almost 2 points worldwide
- Added multi core Xeon® technology – single, dual and four socket – delivering 50% greater performance
- Introduced new comprehensive database offering featuring the new Microsoft SQL server database

[1] Source: Q2 2005 IDC Storage Tracker

Note: Growth rates Y/Y unless otherwise noted

Source: Market info is based on Industry and Company Estimates

Q3 Product Summary:
Enhanced Services



Professional Services, Managed Services, Deployment Services, Support Services, Training and Certification

- Enhanced services revenue up 36% to $1.2 billion
  - Grew over 70% outside of the Americas
- Deferred revenue balance up $200M sequentially to $3.4B
- Recent recognition
  - Received STAR Award for service excellence by the Service & Support Professionals Association
  - Rated #1 for impeccable customer service in recent CIO magazine survey

Note: Growth rates Y/Y unless otherwise noted

Q3 Product Summary: Software & Peripherals

S&P revenue of $2.1 billion, up 25% driven by digital displays and imaging

1710n Laser Printer

Photo AIO 944

W5001C HD Plasma TV

Imaging and Printing

- Total imaging and printing revenues up 31%
- Greater emphasis on AIO inkjet, mono and color laser
  - Expect U.S. laser share of 13%
  - Expect U.S. inkjet share of 20%
- Consumables revenue up >100%; 46% of Dell printer revenues
- Launched 4 new products – 2 new Photo AIO inkjets and 2 personal lasers

Televisions

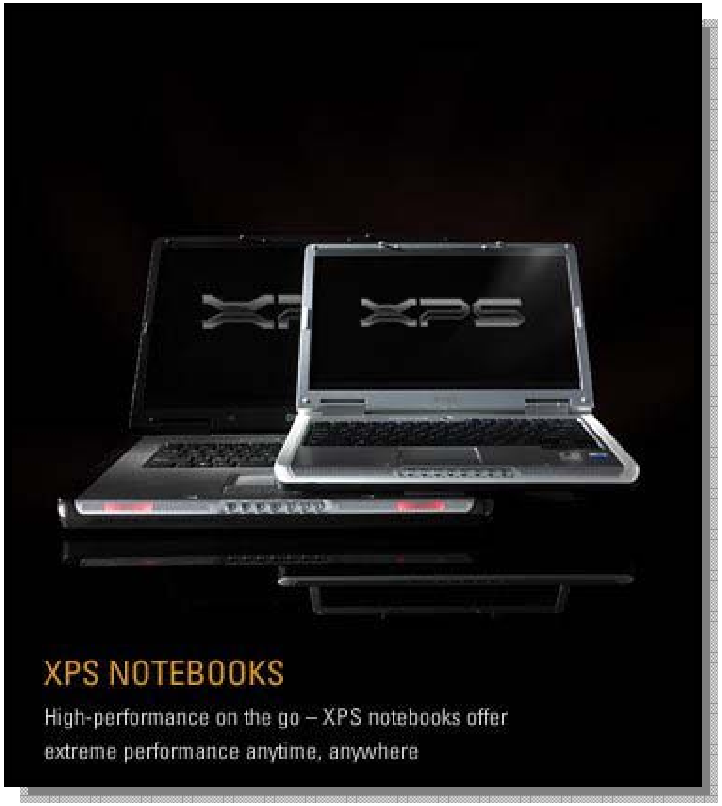
- Announced 3 new televisions: 50" Plasma HDTV, 37" LCD and 32" LCD

Note: Growth rates Y/Y unless otherwise noted
Source: Market info is based on Industry and Company Estimates

Q3 Product Summary: Mobility

Mobility

- Revenue of $3.6 billion, up 14% on unit growth of 38%
- First major computer supplier to announce multiple wireless carrier partnerships focused on integrated broadband capability
- New XPS high performance notebooks
- #1 in Worldwide and U.S. Notebook share
- Received Frost & Sullivan CEO Choice Award for the most reliable notebook manufacturer in North America



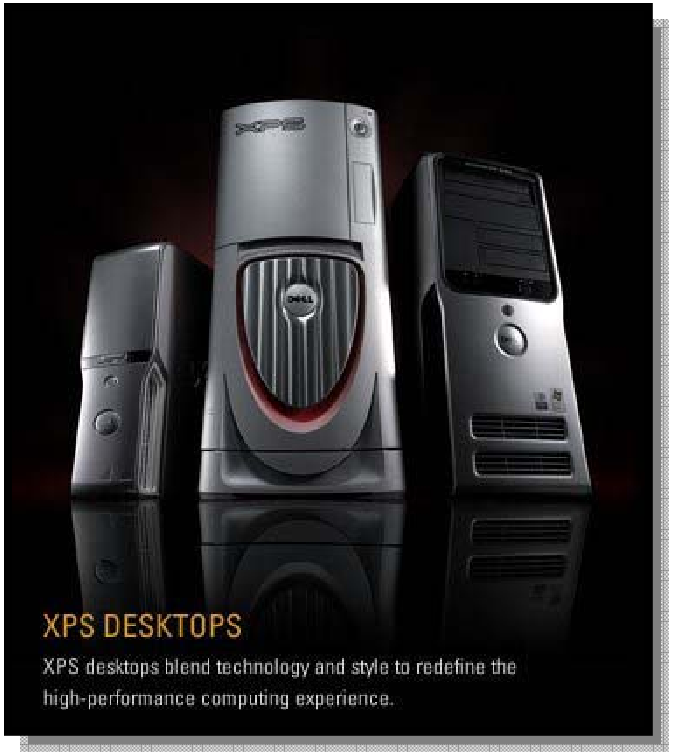
XPS M170 & XPS M140

Note: Growth rates Y/Y unless otherwise noted
Source: Market info is based on Industry and Company Estimates

Q3 Product Summary: Desktop PCs

Desktop PCs

- Revenue of $5.1 billion, down 2% on unit growth of 6%
- Continue to see shift to mobility products
- Refreshed XPS luxury line of high performance computers
- #1 in Worldwide and U.S. share
- Added multi core Xeon® technology to Precision Workstations
- Received Frost & Sullivan CEO Choice Award for the most reliable desktop manufacturer in North America



XPS 200, XPS 600, & XPS 400

Note: Growth rates Y/Y unless otherwise noted
Source: Market info is based on Industry and Company Estimates

Q3 Regional Summary

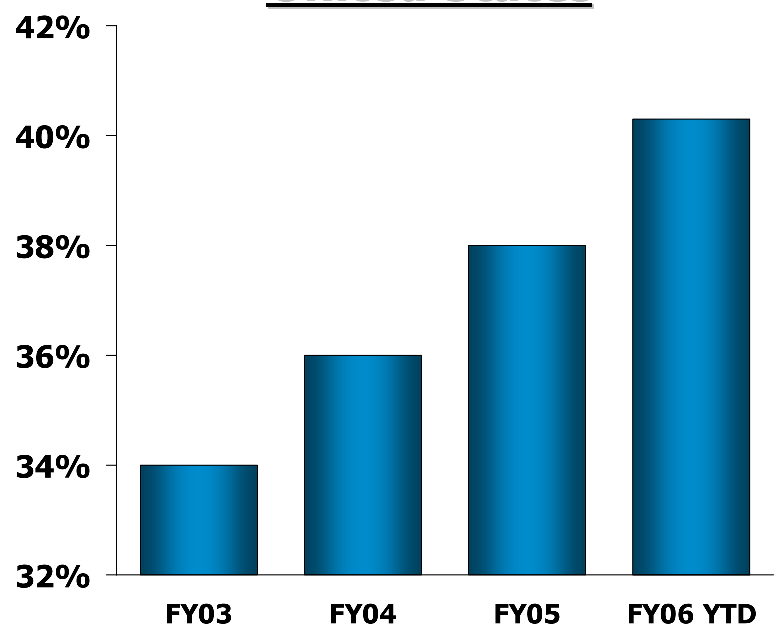
	Revenue	Op Inc	Revenue Growth		Op Inc Growth	
REGION	$ M	$ M	Y/Y	Q/Q	Y/Y	Q/Q
Americas Business Unit	7,324	817	10%	2%	18%	7%
U.S. Consumer	1,901	80	-2%	12%	-17%	-18%
Total Americas	9,225	897	8%	4%	14%	4%
EMEA	3,098	181	19%	6%	-5%	-5%
APAC/Japan	1,588	118	20%	-3%	0%	-4%
TOTAL	13,911	1,196	11%	4%	9%	2%

Note: Americas Business unit and U.S. Consumer results include consolidation of Dell Financial Services (DFS)

Note: Growth is calculated on underlying data

Q3 Geographic Expansion

Revenue Outside of the United States



- Revenue growth of 20% outside of the US
  - Contributed 40% of total revenues
- Europe, Middle East & Africa
  - Excluding the U.K., revenues were up 25%, led by France, Germany and U.K. home and small business
  - Nearly 50% revenue growth in Services & S&P combined
- Asia Pacific & Japan
  - Led by rapid expansion in China where revenue was up 29% on unit growth of 46%
  - Services grew 71% and S&P 53%
- Americas International
  - Revenue up 22%, led by Latin America – over 30% growth in mobility products and over 20% growth in server products

Note: Growth rates Y/Y unless otherwise noted

Q4 FY06 Outlook

- Revenue of $14.6 - $15.0 billion; up 9-11% Y/Y
- Expect margins in Q4 to contract modestly from Q3 driven by a seasonal increase in consumer and investments in our customer experience initiatives
- Investment and other income of about $60 million
- Tax rate of 24.25%
- Share repurchase of at least $1.7 billion
- EPS between $0.40 and $0.42; up 8-13% Y/Y
- Extra week in Q4 – historically has had a minimal impact on results

Executional Excellence

- Dell model is known for driving executional excellence and we are keenly focused on that in this quarter and for the future
- After Q2, began making changes to balance product and pricing model
  - Implemented improvements to increase efficiency & drive lower Opex
  - Implemented processes to drive pricing consistency across customer segments
  - Focused resources to improve customer support
- While we still have work to do, we are already seeing results
  - Consolidation of Consumer and SMB in the U.S.
  - Pending launch of TechConnect which allows Dell agents to remotely connect to a customer's computer via broadband to solve problems
  - Acceleration of FY07 cost reduction initiatives
  - Improvements in IT that are reducing complexity and improving our online capabilities

Model is Advantaged

- Cost advantaged at all price points and in all products
- Driving a better balance that optimizes profit while providing sustainable top line growth
- Focused on driving product and operating cost reductions
- Reinvigorating growth in the premium space while capturing market and profit share in all price points
  - Superior technology sell-up
  - Strategic management of component mix to ensure it skews to the high end versus the industry
- Result is solid revenue and earnings growth
  - Operating profit margin is from 2 to 5 times that of every major competitor

Accessibility of Technology

- Dell model optimized to bring the most relevant technology to our customer in the most efficient manner
- Excited by several technology and product advancements coming in the next 12 months
  - 9th Gen servers featuring dual core processors, fully buffered DIMM memory and new SAS and SATA drive technologies
  - New array of industry leading network storage products that will utilize new SATA technologies
  - New OpenManage systems management software
- In client, traditional focus on higher value for customers and better margins for Dell
  - Mix shift to dual-core mobile notebooks and workstations with broadband wireless and launch of enhanced XPS desktops
  - Later next year, launch of the new Vista O/S will provide giant step forward in computing functionality

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