

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	
	May 5, 2006 ⁽¹⁾	February 3, 2006	April 29, 2005	Sequential	Yr. to Yr.
Net revenue	\$ 14,216	\$ 15,183	\$ 13,386	(6%)	6%
Cost of revenue	11,744	12,474	10,895	(6%)	8%
Gross margin	2,472	2,709	2,491	(9%)	(1%)
Selling, general and administrative	1,394	1,338	1,207	4%	15%
Research, development and engineering	129	125	110	3%	18%
Total operating expenses	1,523	1,463	1,317	4%	16%
Operating income	949	1,246	1,174	(24%)	(19%)
Investment and other income, net	50	57	59	(12%)	(15%)
Income before income taxes	999	1,303	1,233	(23%)	(19%)
Income tax provision	237	291	299	(18%)	(21%)
Net income	\$ 762	\$ 1,012	\$ 934	(25%)	(18%)
Earnings per common share:					
Basic	\$ 0.33	\$ 0.43	\$ 0.38	(23%)	(13%)
Diluted	\$ 0.33	\$ 0.43	\$ 0.37	(23%)	(11%)
Weighted average shares outstanding:					
Basic	2,297	2,350	2,456		
Diluted	2,318	2,375	2,515		
<u>Percentage of Total Net Revenue:</u>					
Gross margin	17.4%	17.8%	18.6%		
Selling, general and administrative	9.8%	8.8%	9.0%		
Research, development and engineering	0.9%	0.8%	0.8%		
Operating expenses	10.7%	9.6%	9.8%		
Operating income	6.7%	8.2%	8.8%		
Income before income taxes	7.0%	8.6%	9.2%		
Net income	5.4%	6.7%	7.0%		
Income tax rate	23.8%	22.3%	24.2%		
<u>Net Revenue by Geographic Region (in billions):</u>					
Americas	\$ 8.9	\$ 9.8	\$ 8.5	(8%)	4%
Europe	3.4	3.7	3.2	(9%)	6%
Asia Pacific - Japan	1.9	1.7	1.7	11%	17%
<u>Percentage of Total Net Revenue:</u>					
Americas	63%	64%	64%		
Europe	24%	24%	24%		
Asia Pacific - Japan	13%	12%	12%		
<u>Net Revenue by Product Category (in billions):</u>					
Desktop PCs	\$ 5.1	\$ 5.6	\$ 5.3	(9%)	(3%)
Mobility	3.7	3.8	3.3	(4%)	12%
Servers and Networking	1.3	1.4	1.3	(7%)	3%
Storage	0.5	0.6	0.4	(16%)	12%
Enhanced Services	1.4	1.4	1.1	2%	28%
Software and Peripherals	2.2	2.4	2.0	(6%)	11%
<u>Percentage of Total Net Revenue:</u>					
Desktop PCs	36%	37%	40%		
Mobility	26%	25%	24%		
Servers and Networking	9%	10%	10%		
Storage	3%	4%	3%		
Enhanced Services	10%	9%	8%		
Software and Peripherals	16%	15%	15%		

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

⁽¹⁾ Results for the three months ended May 5, 2006 include stock-based compensation expense of \$77 million, net of tax or \$0.03 per share, due to the implementation of Statement of Financial Accounting Standards 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.

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Condensed Consolidated Statement of Financial Position and Related Financial Highlights

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

(unaudited)

	May 5, 2006	February 3, 2006	April 29, 2005
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 6,877	\$ 7,042	\$ 5,874
Short-term investments	1,579	2,016	3,967
Accounts receivable, net	4,332	4,089	3,741
Financing receivables, net ⁽²⁾	1,451	1,363	710
Inventories, net	636	576	483
Other	2,522	2,620	2,277
Total current assets	17,397	17,706	17,052
Property, plant and equipment, net	2,074	2,005	1,741
Investments	2,690	2,691	3,533
Long-term financing receivables, net ⁽²⁾	256	325	196
Other non-current assets	454	382	165
Total assets	<u>\$ 22,871</u>	<u>\$ 23,109</u>	<u>\$ 22,687</u>

Liabilities and Stockholders' Equity:

Current liabilities:			
Accounts payable	\$ 10,069	\$ 9,840	\$ 9,057
Accrued and other	6,251	6,087	5,332
Total current liabilities	16,320	15,927	14,389
Long-term debt	503	504	504
Other non-current liabilities	2,674	2,549	2,170
Total liabilities	19,497	18,980	17,063
Stockholders' equity	3,374	4,129	5,624
Total liabilities and stockholders' equity	<u>\$ 22,871</u>	<u>\$ 23,109</u>	<u>\$ 22,687</u>

Ratios:

Days supply in inventory	5	4	4
Days of sales outstanding ^{(1) (2)}	30	29	28
Days in accounts payable	77	77	75
Cash conversion cycle	(42)	(44)	(43)

Other Information:

Headcount (approximate)	69,700	65,200	57,600
Average total revenue/unit (approximate)	\$ 1,430	\$ 1,490	\$ 1,520

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 May 5, 2006, February 3, 2006, and April 29, 2005, days of sales in accounts receivable and days of customer shipment not yet recognized were 27 and 3 days, 26 and 3 days, and 25 and 3 days, respectively.

⁽²⁾ Financing receivables, net have been separately classified on the balance sheet as of May 5, 2006 and February 3, 2006. The April 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
	May 5, 2006
Cash flows from operating activities:	
Net income	\$ 762
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	106
Stock-based compensation expense	112
Tax benefits from stock-based compensation	3
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(64)
Other	48
Changes in:	
Operating working capital	(113)
Non-current assets and liabilities	168
Net cash provided by operating activities	1,022
Cash flows from investing activities:	
Investments:	
Purchases	(3,087)
Maturities and sales	3,548
Capital expenditures	(184)
Net cash provided by investing activities	277
Cash flows from financing activities:	
Purchases of common stock	(1,691)
Issuance of common stock under employee plans	138
Excess tax benefits from stock-based compensation	23
Other	(3)
Net cash used in financing activities	(1,533)
Effect of exchange rate changes on cash and cash equivalents	69
Net decrease in cash and cash equivalents	(165)
Cash and cash equivalents at beginning of period	7,042
Cash and cash equivalents at end of period	\$ 6,877

Additional supplemental information is available on our website at
http://www.dell.com/downloads/global/corporate/conferences/q1fy07_earnings_pres.pdf