

DELL INC.

Condensed Consolidated Statement of Income and Related Financial Highlights

(in millions, except per share data)

(unaudited)

	Three Months Ended			% Growth Rates	
	February 3, 2006	October 28, 2005 ^(a)	January 28, 2005	Sequential	Yr. to Yr.
Net revenue	\$ 15,183	\$ 13,911	\$ 13,457	9%	13%
Cost of revenue	12,474	11,322	10,962	10%	14%
Other product charges	-	338	-		
Gross margin	2,709	2,251	2,495	20%	9%
Selling, general and administrative	1,338	1,391	1,198	(4%)	12%
Research, development and engineering	125	106	110	17%	13%
Total operating expenses	1,463	1,497	1,308	(2%)	12%
Operating income	1,246	754	1,187	65%	5%
Investment and other income, net	57	50	48	14%	19%
Income before income taxes	1,303	804	1,235	62%	6%
Income tax provision ^(b)	291	198	568	47%	(49%)
Net income	\$ 1,012	\$ 606	\$ 667	67%	52%
Earnings per common share:					
Basic	\$ 0.43	\$ 0.25	\$ 0.27		
Diluted	\$ 0.43	\$ 0.25	\$ 0.26		
Weighted average shares outstanding:					
Basic	2,350	2,395	2,485		
Diluted	2,375	2,435	2,553		
<u>Percentage of Total Net Revenue:</u>					
Gross margin	17.8%	16.2%	18.5%		
Selling, general and administrative	8.8%	10.0%	8.9%		
Research, development and engineering	0.8%	0.8%	0.8%		
Operating expenses	9.6%	10.8%	9.7%		
Operating income	8.2%	5.4%	8.8%		
Income before income taxes	8.6%	5.8%	9.2%		
Net income	6.7%	4.4%	5.0%		
Income tax rate ^(b)	22.3%	24.6%	46.0%		
<u>Net Revenue by Geographic Region (in billions):</u>					
Americas	\$ 9.8	\$ 9.2	\$ 8.9	6%	10%
Europe	3.7	3.1	3.1	19%	18%
Asia Pacific - Japan	1.7	1.6	1.5	10%	21%
<u>Percentage of Total Net Revenue:</u>					
Americas	64%	66%	66%		
Europe	24%	22%	23%		
Asia Pacific - Japan	12%	12%	11%		
<u>Net Revenue by Product Category (in billions):</u>					
Desktop PCs	\$ 5.6	\$ 5.1	\$ 5.6	10%	1%
Mobility	3.8	3.6	3.1	7%	22%
Servers and Networking	1.4	1.4	1.3	4%	10%
Storage	0.6	0.5	0.4	30%	41%
Enhanced Services	1.4	1.2	1.1	8%	26%
Software and Peripherals	2.4	2.1	2.0	9%	22%
<u>Percentage of Total Net Revenue:</u>					
Desktop PCs	37%	37%	42%		
Mobility	25%	26%	23%		
Servers and Networking	10%	10%	10%		
Storage	4%	3%	3%		
Enhanced Services	9%	9%	8%		
Software and Peripherals	15%	15%	14%		

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

^(a) Results for the three months ended October 28, 2005 include charges aggregating \$442 million (\$338 million of other product charges and \$104 million in selling, general and administrative expenses) related to the cost of servicing or replacing certain OptiPlex™ systems that include a vendor part that failed to perform to Dell's specifications, workforce realignment, product rationalizations, excess facilities, and a write-off of goodwill. The related tax effects of these items was \$104 million.

^(b) Results for the three months ended January 28, 2005 include an income tax charge of \$280 million related to the repatriation of earnings under the American Jobs Creation Act of 2004.

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(unaudited)

	Year Ended		% Growth Rates Yr. to Yr.
	February 3, 2006 ^(a)	January 28, 2005	
Net revenue	\$ 55,908	\$ 49,205	14%
Cost of revenue	45,620	40,190	14%
Other product charges	338	-	
Gross margin	9,950	9,015	10%
Selling, general and administrative	5,140	4,298	20%
Research, development and engineering	463	463	0%
Total operating expenses	5,603	4,761	18%
Operating income	4,347	4,254	2%
Investment and other income, net	227	191	19%
Income before income taxes	4,574	4,445	3%
Income tax provision ^(b)	1,002	1,402	(29%)
Net income	\$ 3,572	\$ 3,043	17%

Earnings per common share:

Basic	\$ 1.49	\$ 1.21
Diluted	\$ 1.46	\$ 1.18

Weighted average shares outstanding:

Basic	2,403	2,509
Diluted	2,449	2,568

Percentage of Total Net Revenue:

Gross margin	17.8%	18.3%
Selling, general and administrative	9.2%	8.7%
Research, development and engineering	0.8%	1.0%
Operating expenses	10.0%	9.7%
Operating income	7.8%	8.6%
Income before income taxes	8.2%	9.0%
Net income	6.4%	6.2%
Income tax rate ^(b)	21.9%	31.5%

Net Revenue by Geographic Region (in billions):

Americas	\$ 36.4	\$ 32.9	11%
Europe	12.9	10.8	19%
Asia Pacific - Japan	6.6	5.5	21%

Percentage of Total Net Revenue:

Americas	65%	67%
Europe	23%	22%
Asia Pacific - Japan	12%	11%

Net Revenue by Product Category (in billions):

Desktop PCs	\$ 21.1	\$ 20.8	2%
Mobility	14.1	11.8	19%
Servers and Networking	5.4	4.9	11%
Storage	1.9	1.3	38%
Enhanced Services	4.9	3.7	33%
Software and Peripherals	8.5	6.7	27%

Percentage of Total Net Revenue:

Desktop PCs	38%	42%
Mobility	25%	24%
Servers and Networking	10%	10%
Storage	3%	3%
Enhanced Services	9%	7%
Software and Peripherals	15%	14%

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

^(a) Results for fiscal year 2006 include charges aggregating \$442 million (\$338 million of other product charges and \$104 million in selling, general and administrative expenses) related to the cost of servicing or replacing certain OptiPlex™ systems that include a vendor part that failed to perform to Dell's specifications, workforce realignment, product rationalizations, excess facilities, and a write-off of goodwill recognized in the third quarter. The related tax effects of these items was \$104 million. Fiscal year 2006 also includes an \$85 million income tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004 recognized in the second quarter.

^(b) Results for the year ended January 28, 2005 include an income tax charge of \$280 million related to the repatriation of earnings under the American Jobs Creation Act of 2004 recorded in the fourth quarter.

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Itemized Reconciliation between Net Income on a GAAP and Non-GAAP Basis

(in millions, except per share data)
(unaudited)

	Twelve Months Ended February 3, 2006			
	GAAP ^a	Tax Benefit	Charges	Non-GAAP
Net revenue	\$ 55,908			\$ 55,908
Cost of revenue	45,620			45,620
Other product charges	338	-	(\$338)	-
Gross margin	9,950	-	338	10,288
Gross margin %	17.8%			18.4%
Total operating expenses	5,603	-	(104)	5,499
% of Revenue	10.0%			9.8%
Operating income	4,347	-	442	4,789
Operating margin %	7.8%			8.6%
Investment and other income, net	227			227
Income before income taxes	4,574	-	442	5,016
Income tax provision	1,002	85	104	1,191
Effective tax rate	21.9%			23.8%
Net income	\$ 3,572	\$ (85)	\$ 338	\$ 3,825
% of Revenue	6.4%			6.8%
Earnings per common share:				
Basic	\$ 1.49			\$ 1.59
Diluted	\$ 1.46			\$ 1.56
Weighted average shares outstanding:				
Basic	2,403			2,403
Diluted	2,449			2,449

	Three Months Ended January 28, 2005			Twelve Months Ended January 28, 2005		
	GAAP ^b	Tax Charge	Non-GAAP	GAAP ^b	Tax Charge	Non-GAAP
Income before income taxes	\$ 1,235		\$ 1,235	\$ 4,445		\$ 4,445
Income tax provision	568	\$ (280)	288	1,402	\$ (280)	1,122
Effective tax rate	46.0%		23.3%	31.5%		25.2%
Net Income	\$ 667	\$ 280	\$ 947	\$ 3,043	\$ 280	\$ 3,323
Earnings per common share:						
Basic	\$ 0.27		\$ 0.38	\$ 1.21		\$ 1.32
Diluted	\$ 0.26		\$ 0.37	\$ 1.18		\$ 1.29
Weighted average shares outstanding:						
Basic	2,485		2,485	2,509		2,509
Diluted	2,553		2,553	2,568		2,568

^a Results for fiscal year 2006 include charges aggregating \$442 million (\$338 million of other product charges and \$104 million in selling, general and administrative expenses) related to the cost of servicing or replacing certain OptiPlex™ systems that include a vendor part that failed to perform to Dell's specifications, workforce realignment, product rationalizations, excess facilities, and a write-off of goodwill recognized in the third quarter. The related tax effects of these items was \$104 million. Fiscal year 2006 also includes an \$85 million income tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004 recognized in the second quarter.

^b Results for the fourth quarter and year ended January 28, 2005 include an income tax charge of \$280 million related to the repatriation of earnings under the American Jobs Creation Act of 2004.

Use of Non-GAAP Financial Information

This press release includes additional Non-GAAP measures of gross margin, operating expenses, operating income, income before income taxes, income tax provision, net income, earnings per share, and cash conversion cycle. These Non-GAAP measures have been adjusted to exclude costs of servicing or replacing certain OptiPlex™ systems, workforce realignment, product rationalizations, excess facilities, a write-off of goodwill and related tax effects recognized in the third quarter of fiscal year 2006. These Non-GAAP measures also exclude the income tax benefit related to the repatriation of earnings under the American Jobs Creation Act recorded in the second quarter of fiscal year 2006. Non-GAAP results for the fourth quarter and fiscal year ended January 28, 2005 exclude an income tax charge related to the repatriation of earnings under the American Jobs Creation Act of 2004. These adjustments to Dell's GAAP results are made with the intent of providing both management and investors a more complete understanding of the core underlying operational results and trends and Dell's marketplace performance. Management believes that these additional Non-GAAP measures provide a basis for which meaningful year-over-year operating performance comparisons can be made and are consistent with how senior management assesses the company's operating performance. The presentation of this additional information is not meant to be a substitute for financial statements prepared in accordance with generally accepted accounting principles in the United States.

DELL INC.

Condensed Consolidated Statement of Financial Position and Related Financial Highlights

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

(unaudited)

	February 3, 2006	October 28, 2005	January 28, 2005
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 7,042	\$ 6,841	\$ 4,747
Short-term investments	2,016	2,440	5,060
Accounts receivable, net	4,089	4,299	3,563
Financing receivables, net ^(c)	1,363	761	985
Inventories, net	576	582	459
Other	2,620	2,641	2,083
Total current assets	<u>17,706</u>	<u>17,564</u>	<u>16,897</u>
Property, plant and equipment, net	2,005	1,895	1,691
Investments	2,691	2,952	4,294
Long-term financing receivables, net ^(c)	325	221	199
Other non-current assets	382	242	134
Total assets	<u>\$ 23,109</u>	<u>\$ 22,874</u>	<u>\$ 23,215</u>

Liabilities and Stockholders' Equity:

Current liabilities:			
Accounts payable	\$ 9,840	\$ 9,376	\$ 8,895
Accrued and other	6,087	5,871	5,241
Total current liabilities	<u>15,927</u>	<u>15,247</u>	<u>14,136</u>
Long-term debt	504	504	505
Other non-current liabilities	2,549	2,302	2,089
Total liabilities	<u>18,980</u>	<u>18,053</u>	<u>16,730</u>
Stockholders' equity	4,129	4,821	6,485
Total liabilities and stockholders' equity	<u>\$ 23,109</u>	<u>\$ 22,874</u>	<u>\$ 23,215</u>

Ratios:

Days supply in inventory ^(b)	4	5	4
Days of sales outstanding ^{(a) (c)}	29	31	27
Days in accounts payable ^(b)	77	75	73
Cash conversion cycle	<u>(44)</u>	<u>(39)</u>	<u>(42)</u>

Other Information:

Headcount (approximate)	65,200	63,700	55,200
Average total revenue/unit (approximate)	\$ 1,490	\$ 1,520	\$ 1,510

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

^(a) 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 February 3, 2006, October 28, 2005 and January 28, 2005, days of sales in accounts receivable and days of customer shipment not yet recognized were 26 and 3 days, 28 and 3 days and 24 and 3 days, respectively.

^(b) Days supply in inventory and days in accounts payable for the period ended October 28, 2005 have been calculated excluding \$338 million of other product charges as the charges were not recognized in accounts payable. If these product charges were included, days supply in inventory would have been 4 days and days in accounts payable would have been 72 days.

^(c) Financing receivables, net have been separately classified on the balance sheet as of February 3, 2006. Prior periods have been reclassified to conform to the current presentation. Days of sales outstanding have also been recalculated for all periods presented 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	Twelve Months Ended
	<u>February 3, 2006</u>	
Cash flows from operating activities:		
Net income	\$ 1,012	\$ 3,572
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107	393
Tax benefits from employee stock plans	108	261
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	46	70
Other	84	188
Changes in:		
Operating working capital	179	(21)
Non-current assets and liabilities	46	376
Net cash provided by operating activities	<u>1,582</u>	<u>4,839</u>
Cash flows from investing activities:		
Investments:		
Purchases	(2,800)	(7,562)
Maturities and sales	3,475	12,168
Capital expenditures	(221)	(728)
Net cash provided by investing activities	<u>454</u>	<u>3,878</u>
Cash flows from financing activities:		
Purchase of common stock	(1,999)	(7,249)
Issuance of common stock under employee plans and other	250	1,023
Net cash used in financing activities	<u>(1,749)</u>	<u>(6,226)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(86)</u>	<u>(196)</u>
Net increase in cash and cash equivalents	201	2,295
Cash and cash equivalents at beginning of period	6,841	4,747
Cash and cash equivalents at end of period	<u>\$ 7,042</u>	<u>\$ 7,042</u>

Additional supplemental information is available on our website at
http://www.dell.com/downloads/global/corporate/conferences/q4fy06_earnings_pres.pdf