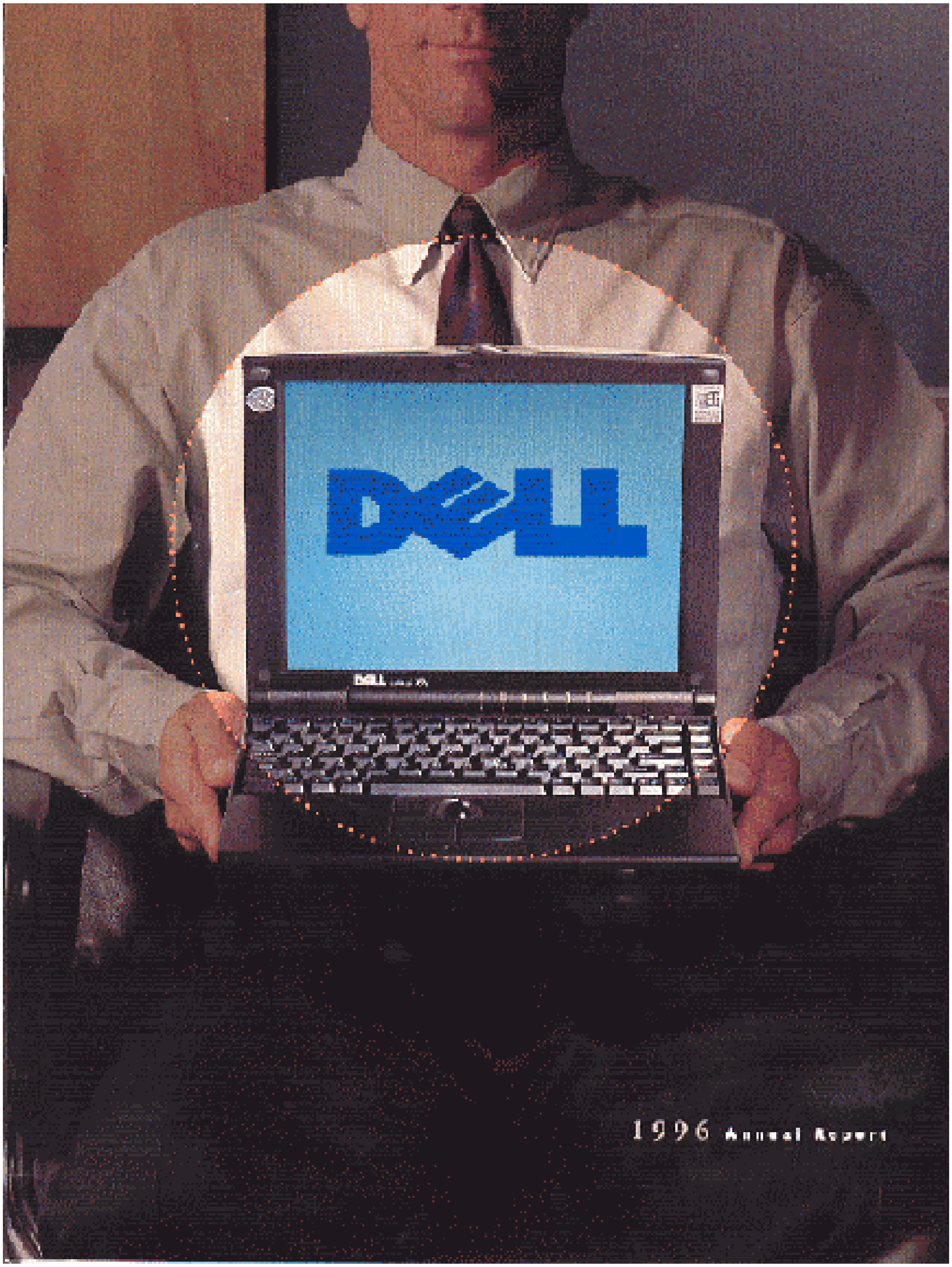

DELL
1996 Annual Report

Dell Computer Corporation was established in 1984, capturing a unique position in the technology industry. The company introduced the concepts of selling computer systems directly to customers; offering build-to-order computer systems; and providing direct, toll-free technical support and next-day, on-site service. Dell today ranks among the world's largest personal computer companies, based on revenues, and is considered a force behind the popularization of computers.

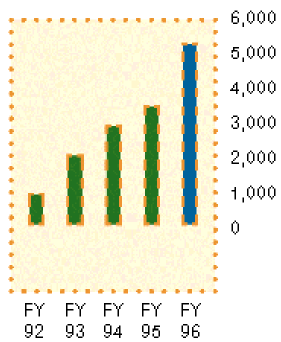
The company develops, manufactures and distributes a complete range of high-performance computer systems. These include Latitude notebook computers; Dimension and OptiPlex desktop computers; PowerEdge network servers; and DellWare software and peripheral products. Dell's products are sold in more than 130 countries to customers extending from major corporations, government agencies, and medical and educational institutions to small businesses and individuals. The company employs approximately 8,400 people. Headquarters are located in Austin, Texas, with manufacturing facilities in Austin; Limerick, Ireland; and Penang, Malaysia.

Financial Highlights
Dell Computer Corporation

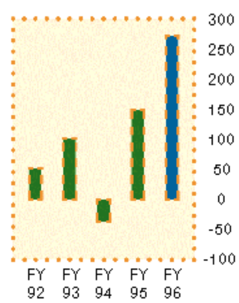
(in millions, except per share data)

	Fiscal Year Ended		
	January 30, 1994	January 29, 1995	January 28, 1996
Net sales	$2,873	$3,475	$5,296
Net Income (loss)	$ (.36)	$ 149	$ 272
Primary earnings (loss) per common share	$ (.53)	$ 1.69	$ 2.67
Primary weighted average shares outstanding	74.7	83.1	97.1
Working capital	$ 510	$ 718	$ 1,018
Total assets	$ 1,140	$ 1,594	$ 2,148
Total stockholders equity	$ 471	$ 652	$ 973

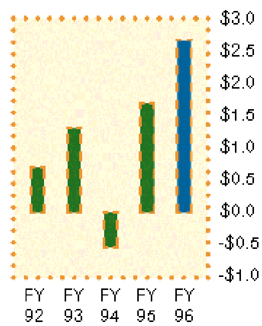
Net Sales
dollars in millions



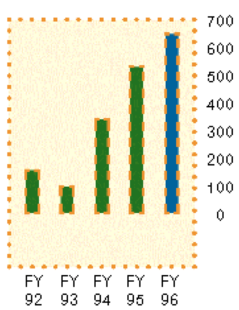
Net Income (Loss)
dollars in millions



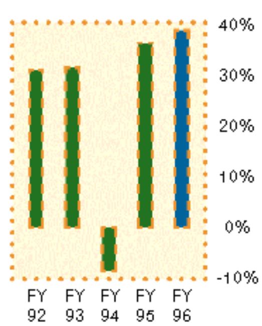
Primary Earnings (Loss)
Per Common Share



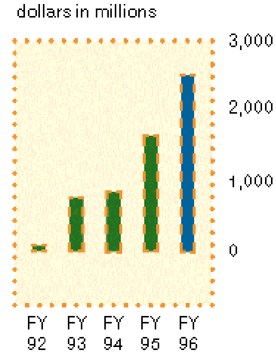
Total Cash &
Marketable Securities
dollars in millions



Return on Invested
Capital



Market Capitalization
dollars in millions



To Our Shareholders, Customers, Suppliers and Employees

We are pleased to report the most successful year in our history. We strengthened our position as the worldwide leader in direct marketing of computer systems in fiscal 1996, with outstanding financial results.

- Revenues grew 52 percent over the previous year, to a record $5.3 billion.
- Operating income increased 51 percent, to $377 million.
- Our rapid growth was financed entirely with internal funds, and we ended the year with one of the strongest balance sheets in the industry.

We are proud of the value we delivered to our investors. Our goal in this report is to draw your attention to the reasons for our success.

Three things stand out as the most important factors behind our financial results: first, our intense focus on our business of marketing computer systems directly to our customers; second, continued development of our direct model to provide superior levels of customer satisfaction and loyalty; and third, sustained execution by the Dell team against our key operating priorities.

The Power of Dell Direct

The competitive advantages of our direct business approach are several and compelling. They include developing comprehensive customer relationships; entering the market quickly with new, relevant technology; building each computer to order; providing expert services tailored for differing customer needs; and maintaining low levels of inventory and capital investment.

The strength of our business model enables us to do business with the premier companies throughout the world. More than 90 percent of our sales last year were to businesses and governments.

Fiscal 1996 demonstrated the success of the Dell direct approach and the power of focused execution. It is our pleasure to present this report to you.

Financial Strength and Consistency

Last year, our industry was again characterized by products that deliver increasing performance and functionality at decreasing prices.

We sustained our financial strength in this environment by maintaining a balance among liquidity, profitability and growth.

We closed the fiscal year with $646 million in cash and investments - one of the strongest liquidity positions in the industry. We have reported positive cash flow from operations for 11 consecutive quarters and maintained a focus on careful management of assets and control of costs.

A strong balance sheet enabled us to expand our infrastructure in support of our growth while maintaining flexibility for the future. We financed our growth from internal funds without adding debt or equity.

Sustained Profitability

Our financial performance also reflects significant improvement in our net income, which increased 82 percent over last fiscal year to $272 million.

Over the course of the year, we reduced operating expenses as a percentage of net sales to keep pace with gross margin declines caused by pricing actions taken to drive our growth. Managing operating expenses and gross margins together over time continues to be our goal, although there may be quarterly fluctuations due to market dynamics or our own imperfect execution, as there were in fiscal 1996.

We achieved the reduction in operating expenses as a percentage of net sales in fiscal 1996 even as we increased our investments in critical areas such as people, product development, new markets and information systems.

In addition, our earlier decision to withdraw from retail consumer sales, a segment of the marketplace many in the industry now recognize as largely unprofitable, sharpened our focus on our direct model and thereby contributed to profitability.

We continued to expand our marketshare during the year, benefiting from increased penetration within the direct channel, as well as expansion of the channel itself. We added $1 billion in revenue from major accounts alone. We have earned a high level of loyalty from these customers, who order repeatedly from Dell as they require new and replacement computer systems.

Sales to small and medium-sized businesses and to experienced individual consumers accelerated during fiscal 1996 as an increasing number of knowledgeable customers recognized the benefits of buying direct.

Our performance brought added value to shareholders. Our stock closed the calendar year at $34.63, an appreciation of 69 percent in 12 months adjusted for our two-for-one stock split. And a $100 investment at the time Dell first went public in 1988 was worth $1,222 at the end of the 1995 calendar year.

To further enhance shareholder value, our Board of Directors has authorized us to repurchase up to 12 million shares of our common stock.

Continuing to Invest in Direct

Our goal is to sustain our momentum and to increase our share of the direct channel. We are committed to continuing to invest in our unique business model to achieve that goal.

Specifically, at the beginning of the year we agreed to operating priorities that presented the greatest opportunities to build a foundation for sustained profitable growth:

- broadening our range of leadership products;
- expanding our geographic scope;
- building our infrastructure and further improving quality, cost and productivity; and
- continuing to build a world-class workforce.

These operating priorities lie at the heart of our business, driving both long-term investments as well as daily decisions. We have made good progress on them.

Product leadership has fueled our growth from the start. We achieve leadership through partnerships with the world's best technology companies and the value we add with our own research and development, and through continuous feedback from our customers. Over the past two years, we have made significant investments to expand our product portfolio with good results.

In only its second year, our line of Latitude notebook computers has achieved cumulative sales of $1 billion and earned numerous awards for technical excellence. The notebook computer market is expected to grow 25 percent per year for the rest of the decade, and we believe we are well positioned to participate in that growth.

The network server market is expected to grow even faster than the market for notebook computers, at about 30 percent annually. To serve this growing market, Dell continues to invest in research and development, a specialized field sales and systems engineering force, and technology alliances.

Balanced Global Growth

We performed against our global expansion priority by strengthening our resources and market position in three primary regional operations.

Sales in Dell Americas, which includes the United States, Canada and Latin America, grew 45 percent last year. In the United States, Dell is the sixth largest computer systems company.

Dell Europe surged to seventh in computer sales in its region last year, from an 11th-place ranking the year before. Dell is now the second largest personal computer company in the United Kingdom. And a renewed focus on our direct business model in Germany and France - two of the most important markets in Europe - enabled us to post annual growth of 85 percent and 64 percent, respectively.

Asia Pacific is both the company's newest operating region and the one with the greatest long-term potential for growth. The 15 largest Asian countries, with a combined population of more than 3 billion people, have only one personal computer for each 165 people, compared with one PC for every 3.5 people in the United States. During the fiscal year, we opened direct operations in six Asian countries and made our products available through distribution alliances in nine more. Sales in this region grew 181 percent over the last fiscal year.

Within the Asia Pacific region, Dell Japan continues to be an extraordinary opportunity. We invested in infrastructure and management in Japan to extend our model in the country that represents the second largest personal computer market in the world. The vast majority of Dell Japan’s sales are to businesses.

Building a Strong Foundation

Our growth presents the challenge of providing adequate infrastructure to support our size. Last year we opened our new Asia Pacific Customer Center in Penang, Malaysia; doubled the production capacity of our manufacturing facility in Limerick, Ireland; increased production from our Austin, Texas, facility by more than 40 percent; and expanded our Round Rock, Texas, facilities to accommodate our growing sales, marketing, service and support organizations for Dell Americas.

In addition, we are working to develop worldwide, state-of-the-art internal information systems and processes. The systems are designed to keep pace with future requirements and to monitor, measure and further develop our direct customer relationships.

We also are concentrating on increasing the efficiency of our existing systems and processes. Our focus on quality, cost and productivity led to decreased manufacturing costs, improved quality from suppliers and a reduction in operating expenses as a percentage of net sales.

Commitment to People

Hiring, developing and retaining talented people was our most important priority last year. It will continue to be one of our greatest challenges in the future because growth in our industry outstrips the available pool of experienced people.

During the year, we significantly reduced employee turnover, enhanced compensation and profit-sharing programs, and increased training requirements for all employees. In addition, we recruited several key executives from larger companies that have dealt successfully with the challenges of rapid growth.

Growth alone, however, is not our objective. Our goal is to maximize shareholder value through our focus on profitable global expansion. Our key measurement for profitability is return on invested capital (ROIC). Last year we refocused on reducing inventory and receivables, improved forecasting, and tightened our transitions to new products. As a result, we delivered a 39 percent return on invested capital in fiscal 1996 - one of the highest ROIC ratios of any major computer systems company.

The Challenge of Execution

We share with others in our industry significant challenges in the future. Intense competition from domestic and international competitors and the rapid pace of technologic change place ever greater demands on our ability to correctly identify those products and services that will be most important to our customers.

But we believe our greatest challenge will be our own ability to execute and maintain focus.

If we succeed in meeting this challenge, we will strengthen our position as the direct leader and deliver the best customer experience in markets we serve.

As always, we appreciate your support in this endeavor.

Michael S. Dell
Chairman of the Board,
Chief Executive Officer

Morton L. Topfer
Vice Chairman
May 1, 1996

Michael S. Dell, Morton L. Topfer in Penang, Malaysia, site of the company's new Asia Pacific Customer Center.

Special note: Statements in this document that relate to future results and events are based on the company's current expectations. Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties, including the level of demand for computers; the intensity of competition; currency fluctuations; and the company's ability to effectively manage product transitions and component availability, to minimize excess and obsolete inventory and to continue to improve its infrastructure. Additional discussion of these and other factors affecting the company's business and prospects is contained in the company's periodic filings with the Securities and Exchange Commission.

Operations Review

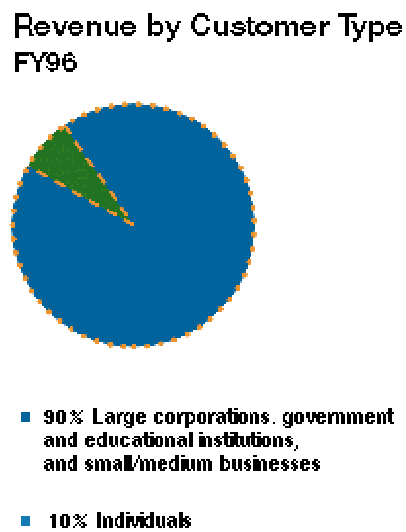
Dell does business with business *Four good reasons why knowledgeable customers choose Dell.* An increasing number of businesses, governments and educational institutions recognize the benefits of a relationship with the worldwide direct leader.

The immediate benefit of dealing directly with the manufacturer - elimination of reseller markups - is obvious. Dell's business, however, is growing on the strength of an integrated four-part program that aims to deliver the best customer experience through:

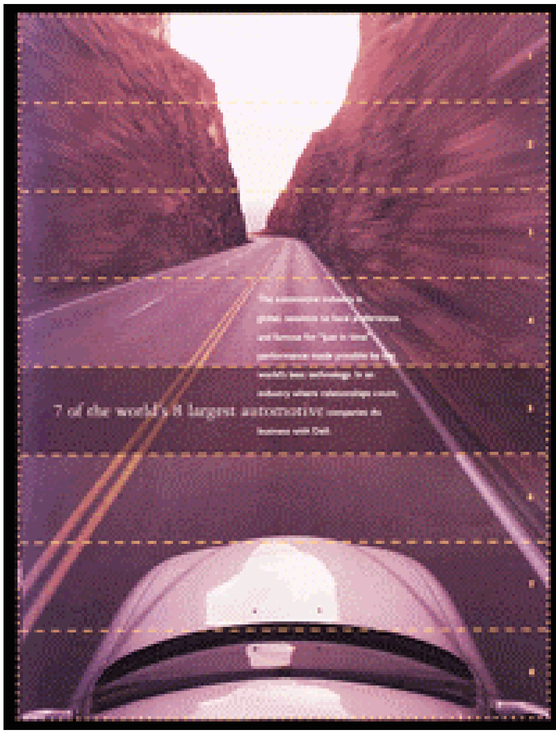
- comprehensive customer relationships;
- cooperative research and development with technology partners;
- custom-built computers; and
- expert services tailored to customer needs.

It is fashionable today to speak of business relationships. In our case, though, business customers can measure our performance at their bottom line. When buying computers, a growing number of businesses apply the standard of lifecycle costs - a calculation of the total cost of owning and operating computer equipment over its entire useful life, usually four to five years. When they apply that standard, they often choose Dell.

They choose Dell because we manage the customer experience at every step. We eliminate the reseller markup to reduce initial cost. We manufacture each computer to match the buyer's specific current needs, while building in capabilities for future enhancements. We customize service and support to meet each buyer's requirements. We help customers make smooth, cost-effective transitions to new technologies. And we help dispose of old equipment when a new product cycle begins.

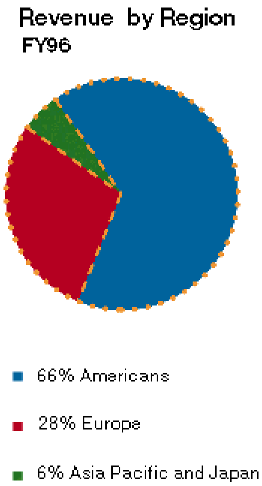


In this section of the report, we take a closer look at each of the four capabilities that together deliver a lower lifecycle cost and a better customer experience.



The automotive industry is global, sensitive to local preferences,
and famous for "just in time" performance made possible by the world's best technology. In and industry where relationships count,

7 of the 8 world's largest automotive companies do business with Dell



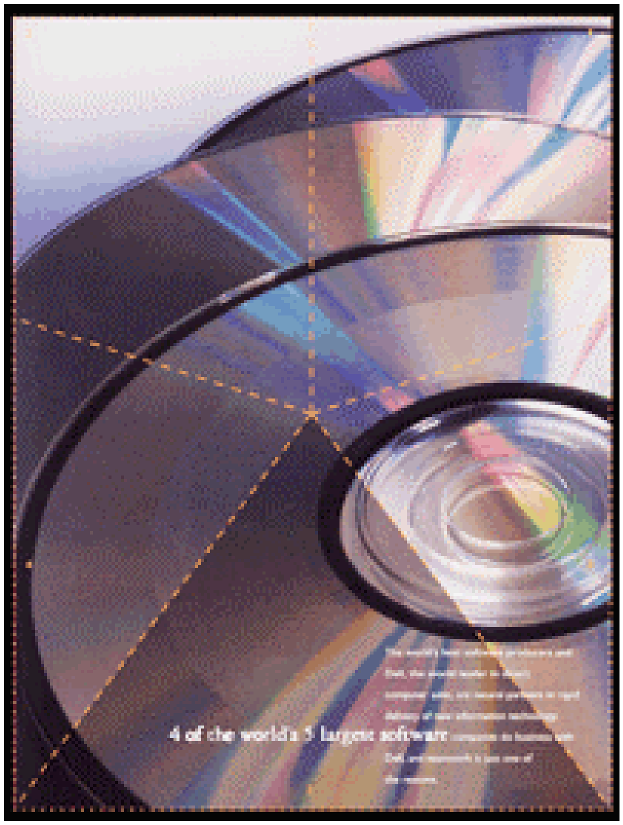
Comprehensive customer relationships

Teamwork among people who use computer systems and those who design and build them. Dell's business begins when our product development people sit down with our largest customers to plan the best way to meet their current and future technology needs. Business and government managers know a lot about computer systems and what they can do, so they know that a great product with the right technology at a good price is only the beginning of the total customer - and total computing - experience. In fact, Dell's relationship with its business customers becomes much more intense after the sale. We have dedicated account teams in the field, and we increased their numbers significantly last year. These are highly trained, high-tech people working directly with customers through face-to-face meetings to understand their operations and objectives. They then work closely with our technical experts to create solutions. These field teams are made up of sales people, customer service specialists and systems engineers who are located in the markets we serve all around the world. Their only assignment is to provide the best possible personal service and expert technical advice.

Our customer relationships provide us with a flow of information about our customers' plans and requirements and enable us to weigh their needs against the best emerging technologies from our partners. Through this process, we create technology roadmaps designed to ensure our customers have early, easy access to new, relevant technology as it enters the industry mainstream. We integrated networking, video and audio capabilities onto our desktop system motherboards last year, for example, so that customers would not need to purchase specialized cards when the time comes to add multi-media applications.

To further develop our understanding of our customers' technology needs, we launched annual technology conferences for our largest customers and key suppliers. In these working sessions, we explore emerging technologies, the changing needs of business, and ways we can work together to stay ahead of trends. These research and development summits were held in the United States and Europe last year, and the first session in Asia will be held this year.

Keeping track of new technology and emerging customer requirements is an international assignment at Dell, because our suppliers and our customers are located around the globe. Our global customer focus led to a 60-percent increase in sales by our multinational account teams last year. Companies with global operations want consistent products, technology, pricing and service across geographic boundaries, and that's what they get from Dell's multinational account program. We provide centralized ordering and billing, customized products configured for local needs and requirements, and the advantages of local delivery and local service.

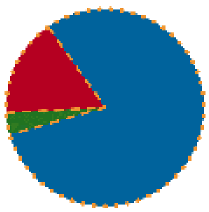


The world's best software producers and Dell, the world leader in direct computer sales, are natural partners in rapid delivery of new information technology.

Four of the world's 5 largest software companies do business with Dell, and teamwork is just one of the reasons

Operations Review

System Revenue by Product Line
FY96



- 81% Desktops
- 16% Notebooks
- 3% Servers

Cooperative research and development with technology partners

Technology companies spend $10 billion each year on R&D. We partner with the best of them. Our Latitude notebooks are among the industry leaders in battery life, thanks to the joint Dell-Sony development of a Smart Lithium-Ion battery with Advanced Power Management. This is one reason the Dell Latitude™ line became the sixth best-selling brand of notebooks in the world in only its second year on the market. Cumulative Latitude sales through last year exceeded $1 billion, accounting for 28 percent of the company's revenue growth in fiscal 1996 over fiscal 1995.

This is just one of many examples of the benefits of our working partnerships with the world's most advanced technology companies. Strategic technology partners such as Intel, Microsoft and 3Com look to us to gain valuable customer input that helps them refine their technologies to deliver true value to our customers.

When new technology that delivers reliability, compatibility and stability to our customers is developed, we work to build broad-based industry support. We lead and participate in industry-wide technology forums focused on technology validation and standardization. Our development teams then work to integrate that technology to maximize performance and minimize cost.

For instance, when customers expressed a need for long-lifecycle desktop computers, Dell engineers developed the product description and specifications. They then evaluated technology options for longevity, quality and reliability, and chose world-class development partners to bring the product to market. This cooperative approach allows us to determine the best way to deliver new systems to the market at the right time, whether through a purchase from the vendor, internal development, or a joint venture.

In recent months, our new line of network servers has been the focus of much of our own research and development, as well as joint development with technology partners. Network server products are going through a major transition fueled by the availability of enhanced versions of the Windows NT operating system and new technology from Intel that provides new levels of performance and data integrity.

Dell is integrating these new technologies from Intel to provide improved performance and application availability needed by customers with mission- critical applications on enterprise networks. We also are integrating new software from Microsoft for networking and application deployment.

Close ties to customers and to the sources of new technologies allow for rapid transition to innovative new products that meet real business needs. For example, we were the first manufacturer to convert an entire PC line, the Dell Dimension™ brand, to Intel's Pentium microprocessor, and we did it at the same prices we had charged for systems based on the Intel 486 microprocessor.

We began shipping systems with factory-installed Windows 95 on the day of its public introduction by Microsoft. Finally, we launched a comprehensive strategic alliance last year with 3Com, the leader in networking products, to integrate its technology into our products.
Our goal is the right technology at the right time for our customers, which does not always mean the earliest possible introduction. While we were the first to switch an entire desktop line to Pentium, we entered the market for Pentium processor-based notebooks several months after the microprocessor's introduction.

Why? Customers told us that battery life and reliability were of paramount concern to them, and the first

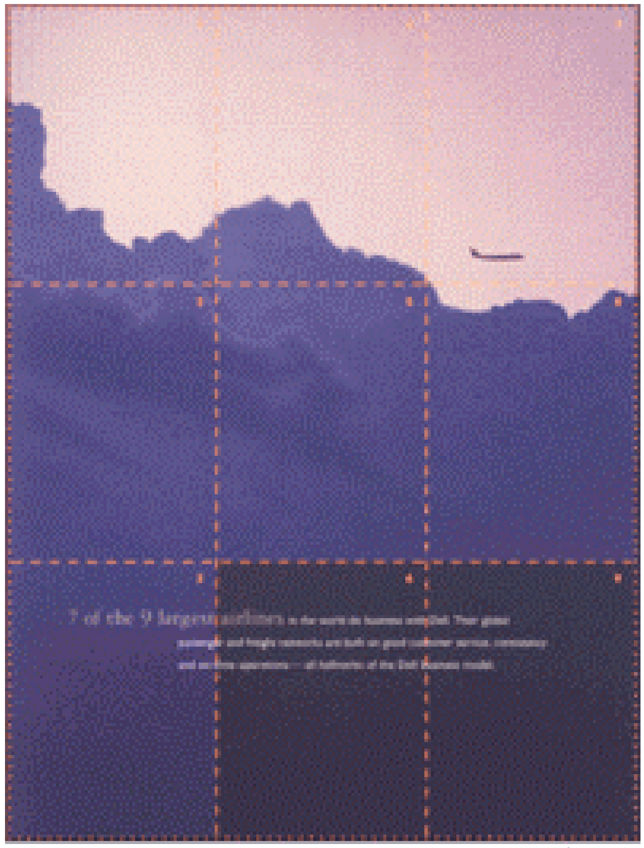
Pentium microprocessors for notebooks consumed too much battery power. We waited for the development of a low-power Pentium microprocessor, and then launched our Latitude Pentium line.

The result: sales of our Pentium microprocessor-based notebooks surged to 72 percent of notebook systems sales in the fourth quarter of fiscal 1996, just eight months after their introduction.

Cooperative relationships with strategic technology partners - and a deep understanding of customer needs - will continue to be the foundation of our research and development.

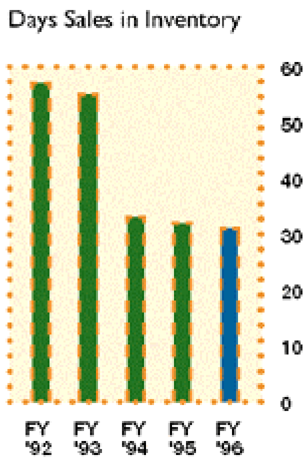
Even though there are almost 200 million personal computers in use today, ours is still an emerging industry. The conceptual shift from physical files and libraries to electronic files that can be shared instantaneously by millions of people worldwide fuels continuous advances in technology. By working with our technology partners and our business partners, we expect to manage technology transitions in order to deliver the right technology in the right products at the right time.

The record shows we are doing just that. Last year alone Dell won more than 100 awards for product performance excellence.



7 of the 9 largest airlines in the world do business with Dell. Their global passenger and freight networks are built on good customer service, consistency and on-time operations - all hallmarks of the Dell business model.

Operations Review



Custom-built computers

We have built millions of computers, each to a customer's specifications. From our first day in business, individuals who knew computers liked the way they could call Dell directly and order a personal computer built to their exact specifications. Today, that same personal service is given daily to customers ordering thousands of computers.

With our DellPlus and DellWare® programs, we have taken customization and customer-driven solutions to a new level.

DellPlus is our program for installing commercial and proprietary soft-ware, additional hardware including advanced networking and peripherals, and other customer selections at the factory at the time the customized computers are built. Last year, we continued to expand the capabilities of DellPlus.

When a Fortune 100 retailer needed separate systems delivered to each of 3,600 different locations all at the same time, the company turned to Dell. Through our DellPlus program, we integrated customer-specific hardware into our desktop systems, and coordinated ordering, receipt and configuration of all peripheral devices and monitors. We then shipped the systems directly to 3,600 store managers.

DellWare offers customers another 7,000 popular peripherals and soft-ware applications. The program registered a 50-percent increase in sales last year, divided between products for new computers and products purchased after the initial sale.

Through our build-to-order capability, DellPlus and DellWare, the company serves as a single source to meet the computer needs of large and small businesses and individuals knowledgeable about their computing requirements.

Building to order creates advantages for shareholders and customers. For our shareholders, our just-in-time manufacturing process means we have little investment in finished goods on our balance sheet, and we have no finished goods inventory in stock rooms or on retail shelves.

For our customers, it means we can quickly bring performance innovations and lower component costs to market, because we never have to work off a reseller's backlog of earlier products and materials.

As the world's financial markets grow and become more integrated, the expanding flow of information requires systems with greater mobility, connectivity, reliability, and flexibility. Six of the world's 7 largest diversified financial services companies do business with Dell because these are all attributes of the Dell product line.

Operations Review

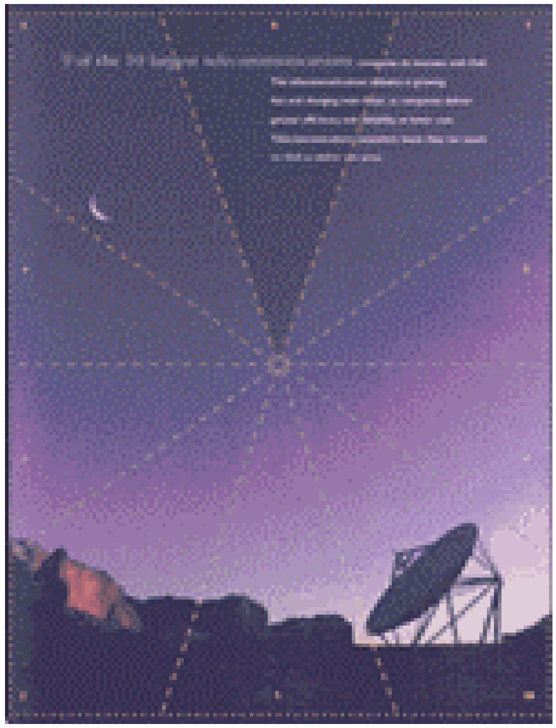
Expert services tailored to customer needs *Customers talk directly with Dell experts, the most knowledgeable people in the world about our products.* Just as our customers do not buy their computers through traditional computer resellers, they also do not go to someone else for technical support. Instead, they buy products directly and then get direct technical support from the people who know the product better than anyone else.

And in the same way that Dell builds computers to order, we provide critical support services designed to fit customer requirements. Through our own technical support and direct relationships with suppliers who provide specialized services, we significantly broadened the offering of service programs customers can receive through Dell.

Last year, for example, we set up and operated help desks - dedicated information and technical support telephone centers - for some of our largest customers. We also assigned systems engineers to customer locations to maintain Dell equipment, and we managed the disposal of customers&' old equipment when a new product cycle began.

Building on Dell's existing SelectCare(SM) menu of service options, we introduced new Premier Access service and support for corporate customers who have their own in-house service organizations. This service offers those customers fast access to Dell's customer service personnel for parts dispatch as well as direct access to advanced-level technical support.

To diagnose problems while on the road, Dell last year began providing U.S. customers traveling abroad with toll-free access to mobile computing experts - no matter what time of the day or what day of the week.



9 of the 10 largest telecommunications companies do business with Dell. The telecommunications industry is growing fast and changing even faster, as companies deliver greater efficiency and reliability at lower cost. Telecommunications customers know they can count on Dell to deliver the same.

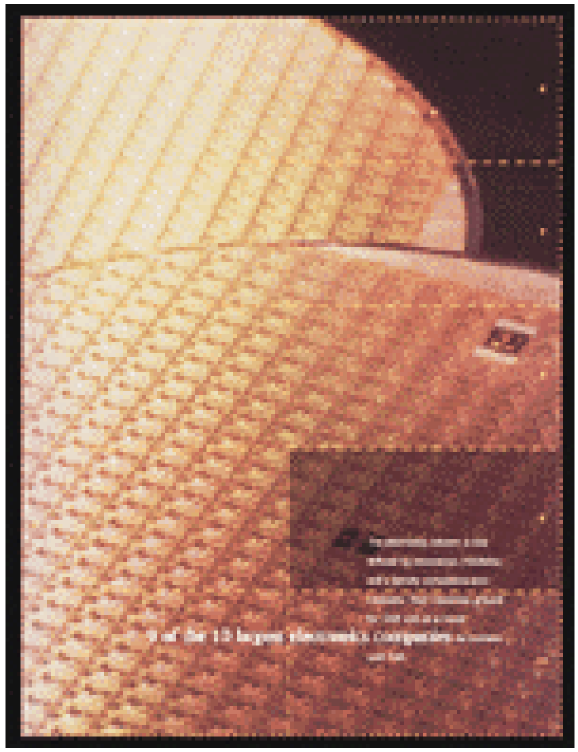
Operations Review

The Dell edge for the customer: accountability *The total customer experience is the new competitive battleground, and Dell is winning.* In a word, the Dell direct relationship amounts to accountability.

Accountability, to us, means customers can count on us. They can count on us to be responsive to their needs at every step of the product lifecycle. Our integrated operations remain focused on customer service from the time the system design first begins, through purchase, technical support and up-grades, asset management, and all the way to asset recovery and recycling of old equipment.

Our direct business model creates efficiencies for Dell which, in turn, result in lower costs for customers. As more and more business users turn to the lifecycle cost standard, Dell is a leading choice.

Dell is the choice because Dell alone among the world's leading computer companies offers businesses and governments direct and continuous contact with the people who design and build the systems. The unique Dell way of doing business is the reason Dell is the direct leader worldwide.



The electronics industry is one defined by innovation, reliability, and a fiercely competitive environment. That's common ground for Dell and, as a result 9 of the 10 largest electronics companies do business with Dell.

The Most Successful Year in Our History

Committed to Protecting our Environment

As new technologies come to market, the 200 million personal computers currently installed eventually will become outdated. Proper disposal of these systems, and the continual and growing succession of machines that will replace them, presents a formidable responsibility for both the customers who use computers and the industry that produces them.

At Dell, we share that responsibility with our customers. We are addressing it in several ways. We are committed to adhering to international and national standards wherever and whenever they come into force. We also are committed to establishing procedures and producing products that are protective of the environment.

In line with our commitment, we design our systems to be manufactured with environmentally compatible and recyclable materials. To aid recycling, we are designing our machines for ease of disassembly. We have established a program in partnership with our suppliers to ensure the components we use meet our standards of environmental responsibility, and that our suppliers' manufacturing processes do not disturb the environment.

We also offer our customers a number of asset recovery programs to help them dispose of used equipment when they upgrade to newer technology. These programs include access to collection centers for disassembly and recycling, and the assurance of safe disposal of non-recyclable materials.

Our goal is not only to meet, but also to champion all regulatory requirements around the world for environmental management of product design, packaging, disposal, material content and manufacturing processes. Our customers - and the environment - deserve no less.

A year of highlights: meeting with our customers to map the future . . . working alliances with the leaders in technology . . . global service for U.S. executives taking their Dell notebooks abroad . . . the first PC line powered exclusively by the Pentium microprocessor . . . and Fortune magazine's "Most Admired" list.

Networking with the best
Dell and 3Com Corporation, the leader in networking products, teamed up to provide systems solutions for our customers. We install 3Com technology at our factory that makes our PCs "network ready" on arrival to the customer. Dell's partnerships with 3Com, Intel, Microsoft and Sony reflect our commitment to cooperative R&D with the world's best technology companies.

Summit meetings
Executives of our largest customers and our technology partners got together with Dell engineers to explore emerging technologies and how they can meet the changing needs of business. These Dell Platinum Research and Development Summit meetings were held in the U.S. and Europe last year, and will expand to Asia this year. Our goal is to deliver the right technologies in the right products at the right time.

Straight talk between experts
Through our new Premier Access program, our customers' information systems managers are linked more closely than ever with our own technical support specialists. The customers' experts have direct and fast access to Dell's most experienced technicians for diagnosis and troubleshooting to help solve problems.

Dimension in the fast lane
Dell Dimension became the first major PC line to convert exclusively to the Pentium microprocessor. And

we did it while keeping prices within the same range of the earlier Intel 486 microprocessor. Fast transition to new technology is a hallmark of the Dell direct model.

Launching Windows 95

The biggest product introduction of the year, in ours or any other industry, was Microsoft's massive worldwide launch of Windows 95 on August 24. We began shipping Dell PCs with factory-installed Windows 95 the moment the product was released, with support on our World Wide Web page and troubleshooters trained by Microsoft on our toll-free lines.

Two for one

Dell's stock split two for one on October 27, the second stock split for shareholders since the company went public in June 1988. Dell has created value for shareholders with sales growth rates the past five years at twice the industry average, a strong balance sheet, and a consistent balance among liquidity, profitability and growth.

Adding value to new technology

While some computer companies stick with their own proprietary systems, we prefer the open standards approach because it gives us access to the best technology from companies around the world. Our own research, development and engineering budget, which totaled $95 million last year, focuses on innovations that enhance the value of available technology. It is a system that works: Dell was awarded 71 patents last year, and filed 136 patent applications.

The Most Successful Year in Our History

Multimedia for every desk and workstation
Integrated multimedia features, high-performance graphics and computing power for complex network environments: that was the news on October 16 when Dell introduced the OptiPlex™ GX family of desktop PCs for corporate and government customers. It's all part of Dell's commitment to product leadership.

Win, win, win
Dell's designers and engineers won an Industrial Design Excellence Award from the Industrial Designers Society of America for the sleek, powerful Latitude XP family. Dell's notebook customers won the benefits of a machine that will operate throughout a transcontinental flight. And Dell's shareholders won, too, when cumulative Latitude notebook sales exceeded $1 billion.

Communicating directly
Dell expanded the meaning of direct communication as it expanded its telephone sales and service to embrace electronic commerce. Dell customers can now find price information, purchase custom configured products, track orders, and ask technical service questions - all on-line through our Web site. Similarly, we support our employees worldwide with an internal Web site that offers everything from training manuals to corporate news.

An easy entry ramp for the information superhighway
Dell's new PowerEdge® Web Server integrates software and hardware to enable businesses to establish a presence on the Internet quickly at a lower cost than before. The Dell server is used for internal networks, on-line marketing and customer support, with advanced security and easy set-up because software and hardware are configured at the factory for immediate operation after delivery.

On the road again
Dell's reputation for servicing its stationary desktop computers is unmatched. Latitude notebooks, however, go wherever their owners go, and are expected to work just as hard. To keep up with its fast-moving customers, Dell launched a worldwide service program to support U.S. business people traveling and working abroad, through toll-free access to U.S.-based experts and local service partnerships.

Still more wins
Dell products garnered more than 100 awards and more than 220 favorable reviews from the worldwide information technology media last year, including two "Editor's Choice" Awards from PC Magazine, 34 "Best Buy" designations from PC World, a "Product of the Year" award from InfoWorld and a "World Class" award from PC World for Dell service and support.

A team effort
Dell's performance last year earned the company inclusion on *Fortune's* listing of "Most Admired" companies. Dell ranked fifth in its industry, with assessments based on several factors including quality of management, quality of products or services, community and environmental responsibility, financial soundness and value as a long-term investment. The "Most Admired" listing followed our selection as first among the Fortune 500® for shareholder return in 1994.

The Most Successful Year in Our History

Getting ready for the PC boom in Asia

We anticipate significant long-term opportunities in the 15 largest Asian countries, with a combined population of more than 3 billion. Today, the U.S. has almost 50 times as many PCs per capita as those countries, but the gap is expected to close quickly as information systems continue to spread around the world. In January, Dell opened its Asia Pacific Customer Center in Penang, Malaysia, to serve as a sales, manufacturing, service and support base for the huge Asian market.

Dedicated to Making a Difference

Success. We believe it means achieving industry leading financial results. We also believe it means making a strong commitment to our customers, our employees, and the communities in which they live and work. For years, Dell's employees backed up that belief through volunteer and giving campaigns. Last year, employees were given the opportunity to coordinate their efforts through the Dell Foundation.

Dell employee volunteers have consistently and continuously supported many organizations dedicated to helping people. Often, our employees enhance the value of our monetary or equipment contributions by devoting their time and talents to specific projects and organizations. For example, a Dell Foundation grant and the volunteer efforts of Dell professionals enabled Austin Independent School District students to construct a house in partnership with Habitat for Humanity. In Southeast Asia, Malaysia's Rakan Muda Youth Development Fund is supported through the volunteer efforts of employees in Dell’s Asia Pacific Customer Center in Penang, Malaysia.

These are just two examples of many efforts by Dell employees to have a real, measurable impact in our communities. We are dedicated to making a difference because we value good employees, and good employees care about their communities. So do good companies.

Selected Financial Data

The following selected financial data should be read in conjunction with the Consolidated Financial Statements, including the related notes, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations." The information set forth below is not necessarily indicative of the results of future operations.

	Fiscal Year Ended									
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994(a)	Jan. 31, 1993	Feb. 2, 1992	Feb. 3, 1991	Feb. 2, 1990	Jan. 27, 1989	Jan. 29, 1988	Jan. 31, 1987
	(in millions, except per share data)									
Statement of Operation Data:										
Net Sales:										
Americas	$3,474	$2,400	$2,037	$1,460	$ 648	$ 397	$ 317	$ 220	$ 153	$ 69
Europe	1,478	953	782	553	242	149	71	38	6	-
Asia Pacific and Japan	344	122	54	1	-	-	-	-	-	-
Consolidated net sales	5,296	3,475	2,873	2,014	890	546	388	258	159	69
Cost of sales	4,229	2,737	2,440	1,565	608	364	279	177	109	53
Gross margin	1,067	738	433	449	282	182	109	81	50	16
Operating expenses:										
Selling, general and administrative	595	424	423	268	182	115	81	52	28	10
Research, development and engineering	95	65	49	42	33	22	17	7	6	2
Total operating expenses	690	489	472	310	215	137	98	59	34	12
Operating income (loss)	377	249	(39)	139	67	45	11	22	16	4
Financial and other income (expense) net	6	(36)	-	4	7	(1)	(3)	(1)	(1)	-
Income (loss) before income taxes	383	213	(39)	143	74	44	8	21	15	4
Provision for income taxes (benefit)	111	64	(3)	41	23	17	3	7	6	2
Net income (loss)	272	149	(36)	102	51	27	5	14	9	2
Preferred stock dividends	(12)	(9)	(4)	-	-	-	-	-	-	-
Net income (loss) available to common stockholders	$ 260	$ 140	$ (40)	$102	$51	$27	$5	$14	$9	$2
Earnings (loss) per common share (b): Primary	$2.67	$1.69	$(.53)	$1.30	$0.70	$0.45	$0.09	$0.27	$0.24	$0.06
Fully diluted	$2.65	$1.58	$-	$-	$-	$-	$-	$-	$-	$-
Weighted average shares used to compute										
Earnings (loss) per common share(b):										
Primary	97.1	83.1	74.7	78.5	72.5	60.1	57.7	54.0	39.2	34.4
Fully diluted	98.7	94.6	-	-	-	-	-	-	-	-

Statement of Financial Position Data:										
Working capital	$1,018	$718	$510	$359	$283	$95	$58	$63	$27	$ 2
Total assets	$2,148	$1,594	$1,140	$927	$560	$264	$172	$167	$56	$24
Long-term debt	$113	$113	$100	$48	$41	$-	$-	$-	$-	$-
Redeemable convertible preferred stock	$-	$-	$-	$-	$-	$-	$-	$-	$20	$-
Total stockholders equity	$973	$652	$471	$369	$274	$112	$80	$75	$9	$3

(a) See Note 12 of Notes to Consolidated Financial Statements for a discussion of certain charges recorded in fiscal 1994 that contributed to the net loss.

(b) All share and per share information has been retroactively restated to reflect the two-for-one split of the Common Stock in October 1995 and the three-for-two split of the Common Stock in March 1992.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth for the fiscal years indicated the percentage of consolidated net sales represented by certain items in the Company's Consolidated Statement of Operations. All percentage amounts and ratios were calculated using the underlying data in thousands.

	Percentage of Consolidated Net Sales		
	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
Net Sales:			
Americas	65.6%	69.1%	70.9%
Europe	27.9	27.4	27.2
Asia Pacific and Japan	6.5	3.5	1.9
Consolidated net sales	100.0	100.0	100.0
Cost of sales	79.8	78.8	84.9
Gross margin	20.2	21.2	15.1
Operating expenses:			
Selling, general and administrative	11.3	12.2	14.7
Research, development and engineering	1.8	1.9	1.7
Total operating expenses	13.1	14.1	16.4
Operating income (loss)	7.1	7.1	(1.3)
Financing and other income (expenses), net	0.1	(1.0)	-
Income (loss) before income taxes	7.2	6.1	(1.3)
Provision for income taxes (benefits)	2.1	1.8	(0.1)
Net income (loss)	5.1	4.3	(1.2)
Preferred stock dividends	(0.2)	(0.3)	(0.1)
Net income (loss) available to common stockholders	4.9%	4.0%	(1.3)%

Net Sales. Consolidated net sales includes sales of computer systems (including hardware, certain software and accessories); computer peripherals; other hardware, software and accessories sold separately from computer systems; and extended service contracts. Sales of computer systems ("system revenue") amounted to 89%, 88% and 87% of consolidated net sales for fiscal 1996, 1995 and 1994, respectively. Consolidated net sales for fiscal 1996 increased 52% over fiscal 1995, compared with an increase of 21% in fiscal 1995 from fiscal 1994. The increase in sales in fiscal 1996 was due primarily to a 48% increase in units sold over the prior year, reflecting increased demand for the Company's desktop product offerings and its Latitude family of notebook computers. During fiscal 1996, sales of notebook computers represented 16% of system revenue, up from 8% of system revenue in fiscal 1995 and 3% of system revenue in fiscal 1994. The mix of system revenue generated by sales of Pentium-processor based products increased substantially in fiscal 1996, to 75% of system revenue, compared with 29% and 1% in fiscal 1995 and fiscal 1994, respectively. The increase in the mix of system revenue from Pentium-processor based products and from notebook computers (whether 486-based or Pentium-based) resulted in a 3% increase in average total revenue per unit in fiscal 1996 over the prior year. Average total revenue per unit increased

12% and unit volumes increased 8% for fiscal 1995 over fiscal 1994, primarily because of strong demand for the Company's Pentium processor-based products and notebook computers (all such notebook computers were 486-based in fiscal 1995).

The Company experienced growth in consolidated net sales in all geographic regions in both fiscal 1996 and fiscal 1995, with net sales from Asia Pacific and Japan continuing to increase as a percentage of consolidated net sales. Consolidated net sales (expressed in United States dollars) were not significantly affected during any of the last three fiscal years as a result of fluctuations in foreign currency exchange rates from the comparable periods of the prior year. The Company believes that a significant opportunity exists for continued growth in international operations. In November 1995, the Company began production in a 238,000-square-foot combination office and manufacturing facility on a nine-acre site in Penang, Malaysia, to meet the needs of its expanding Asia Pacific business. The land on which the Malaysian facility is located has been leased for a 60-year term, beginning November 1993, from the State Authority of Penang. The Company intends to continue to expand its international activities by increasing its market presence in existing markets, improving its infrastructure, pursuing additional distribution opportunities and entering new markets.

The mix of the Company's business between sales to major accounts (consisting of sales to major corporate, government, medical and education accounts and value-added resellers) and sales to small-to-medium businesses and individuals shifted in fiscal 1996, with sales to small-to-medium businesses and individuals comprising 37% of consolidated net sales in fiscal 1996 compared with 33% in the prior year. In fiscal 1994, sales to small-to-medium businesses and individuals represented 36% of consolidated net sales.

Gross Margin. Gross margin increased $329 million in fiscal 1996 over fiscal 1995 and increased $305 million in fiscal 1995 over the prior year. The Company's gross margin as a percentage of consolidated net sales decreased to 20.2% in fiscal 1996 from 21.2% in the prior year, mainly due to the shift in the sales mix from major accounts to small-to-medium businesses and individuals, which generally carry lower margins, and to the Company's more aggressive pricing strategy in comparison to the prior year. Additionally, in the fourth quarter of fiscal 1996, a problematic product transition involving certain of the Company's OptiPlex desktop products had an adverse effect on gross margin. These negative effects on gross margin were partially offset by lower warranty and inventory obsolescence costs as a percentage of consolidated net sales and certain economies of scale. The Company's gross margin percentage increased to 21.2% in fiscal 1995 from 15.1% in fiscal 1994. The gross margin percentage for fiscal 1994 was adversely affected by $70 million of inventory write-downs and related costs incurred during the first half of fiscal 1994 and, excluding these charges, would have been 17.5%. The increase in gross margin percentage to 21.2% in fiscal 1995 from 17.5% (as adjusted) in fiscal 1994 was due to improvements in manufacturing logistics and efficiencies, reductions in component costs and improvements in quality due to the Company's vendor certification and vendor consolidation programs, and lower charges for inventory obsolescence attributable to improved inventory management. Gross margins in fiscal 1995 compared with fiscal 1994 also benefited from higher average revenue per unit resulting from a more moderate pricing environment in the last half of fiscal 1995, a higher margin sales mix driven by notebook computers and Pentium processor-based systems, and changes in the Company's sales incentive programs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Expenses. The Company's goal is to manage operating expenses, over time, in relation to gross margin. During fiscal 1996, the Company strengthened its management team and increased staffing worldwide to meet the demands of its growth and to expand its international presence, resulting in increased compensation- related expenses. The Company also expended resources on its key global information systems project, which it began in late fiscal 1995 and expects to complete in fiscal 1999, and on improving current information systems until the multi-year project is completed. These infrastructure expenditures, plus increased spending for advertising and promotion, resulted in an increase in selling, general and administrative expenses of 41% in fiscal 1996 over the prior year. However, selling, general and administrative expenses as a percentage of consolidated net sales decreased to 11.3% in fiscal 1996 from 12.2% in fiscal 1995. Selling, general and administrative expenses for fiscal 1994 included $21 million of charges for consolidating operations, write-offs of certain assets and employee severance payments. The actions were taken to reduce costs and included the closing of a subsidiary in Europe and consolidation of its former operations into another central European location. European service and support operations were combined to reduce redundant costs. Additionally, certain headcount reductions were made due to the efficiencies created from the consolidations. Selling, general and administrative expenses as a percentage of consolidated net sales in fiscal 1994 were 14.7% but, excluding the $21 million of charges, would have been 14.0%. As a result of the cost reduction actions taken in fiscal 1994, selling, general and administrative expenses as a percentage of consolidated net sales decreased from 14.0% (as adjusted) in fiscal 1994 to 12.2% in fiscal 1995, further aided by reduced advertising and promotion expenses partially offset by increased compensation expense as the Company began to strengthen its management team.

To support increased product development activities and improved quality and time-to-market of its products, the Company increased headcount during fiscal 1996, resulting in increased compensation-related expenses. Furthermore, the Company incurred additional development costs in conjunction with the development of new notebook computer products. These activities resulted in an increase in research, development and engineering expenses of 45% in fiscal 1996 over the prior year. Research, development and engineering expenses as a percentage of consolidated net sales, however, decreased slightly in fiscal 1996. Research, development and engineering expenses increased 34% in absolute dollar terms (and increased as a percentage of consolidated net sales) when comparing fiscal years 1995 and 1994 primarily due to higher compensation expense in fiscal 1995 relating to an increase in headcount and higher development costs related to notebook computers and other product development efforts.

The Company believes that its ability to manage operating costs is an important factor in its ability to remain price competitive. However, the Company will continue to invest in information systems and infrastructure to manage and support its growth. As previously discussed, the Company is currently investing in a key global information systems project, which it expects to complete in fiscal 1999.

Financing and Other Income (Expense), Net. The table below sets forth, for each of the past three fiscal years, the components of financing and other income (expense), net:

	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
		(in millions)	
Financing and other income (expense), net:			
Investment income (loss), net:			
Marketable securities	$ 25	$ (7)	$ 9
Investment derivatives	-	(24)	5
Interest expense	(15)	(12)	(9)
Foreign currency transactions	(1)	3	1
International year-end transition	-	6	-
Other	(3)	(2)	(6)
	$ 6	$ (36)	$ -

Investment income (loss) on marketable securities increased to $25 million in fiscal 1996 from ($7) million in fiscal 1995. The $7 million investment loss in fiscal 1995 was due to realized losses of $24 million on certain of the Company's marketable securities, partially offset by investment income of approximately $17 million. The investment losses were primarily a result of interest rate increases in the United States, Canadian, Japanese and European interest rate markets. Excluding the impact of the realized losses in fiscal 1995, the increases in investment income from fiscal 1995 to fiscal 1996 and from fiscal 1994 to fiscal 1995 were primarily due to higher average investment balances and higher effective yields. The Company accounts for highly liquid investments with maturities of three months or less at date of acquisition as marketable securities and reflects the related cash flows as investing cash flows. As a result, a significant portion of its gross marketable securities purchases and maturities disclosed as investing cash flows is related to highly liquid investments.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company has historically employed a variety of interest rate derivative instruments to manage its principal, market and credit risks and to enhance its investment yield. Derivative instruments utilized include interest rate swaps, written and purchased interest rate options and swaptions (options to enter into interest rate swaps). Prior to June 1994, the Company structured derivative instruments in interest rate markets where it had foreign operations. Interest rate derivatives generally involve exchanges of interest payments based upon fixed and floating interest rates without exchanges of underlying notional amounts. For the first and second quarters of fiscal 1995, the average fair value of these investment derivative financial instruments totaled ($12) million and ($8) million, respectively. The Company closed all remaining investment derivatives during the second quarter of fiscal 1995, and at the end of fiscal 1995 and throughout fiscal 1996, the Company had no investment derivatives outstanding. Realized and unrealized net gains (losses) on investment derivatives recognized in income for fiscal 1995 were ($24) million compared with $5 million for fiscal 1994.

All of the Company’s foreign exchange and interest rate derivative instruments involve elements of market and credit risk in excess of the amounts recognized in the financial statements. The counterparties to financial instruments consist of a number of major financial institutions. In addition to limiting the amount of agreements and contracts it enters into with any one party, the Company regularly monitors the credit quality of its counterparties. The Company does not anticipate nonperformance by any of the counterparties.

The increase in interest expense in fiscal years 1996 and 1995 was primarily due to higher average debt balances outstanding and higher net interest costs associated with the Company’s 11% Senior Notes due August 15, 2000 (the "Senior Notes") issued in the third quarter of fiscal 1994. Concurrently with the issuance of the Senior Notes, the Company entered into interest rate swap agreements to reduce its related interest costs and, in the third quarter of fiscal 1995, entered into offsetting swap agreements to change its interest rate exposure. For further discussion of the interest rate swaps, see Note 6 of Notes to Consolidated Financial Statements. The weighted average interest rate, adjusted by the swaps, was 13.8%, 12.1% and 9.5% for fiscal years 1996, 1995 and 1994, respectively. At January 28, 1996, the Company was paying a net interest cost of 13.8% on the Senior Notes.

Prior to fiscal 1995, the Company consolidated its international operating results on a one-month delay to facilitate consolidated financial reporting. In the fourth quarter of fiscal 1995, the Company eliminated this one-month delay and, consequently, included one additional month of international operations in its income before income taxes for fiscal 1995. Net earnings before taxes of $6 million for this additional month were included in financing and other income (expense), net, resulting in an additional $4 million of net income or $0.05 of primary earnings per common share.

The reduction in other expense in fiscal 1995 was primarily due to higher financing-related expenses incurred in fiscal 1994 in connection with the refinancing of debt and credit facilities. Income Tax. The Company’s effective tax rate was 29.0% for fiscal 1996, compared with 30.0% and 7.6% for fiscal 1995 and fiscal 1994, respectively. The changes in the effective tax rate resulted from changes in the geographical distribution of income and losses and from significant second quarter fiscal 1994 losses.

Hedging Activities

The results of the Company’s international operations are affected by changes in exchange rates between certain foreign currencies and the United States dollar. Beginning in fiscal 1996, the majority of the Company’s international sales are made by international subsidiaries which have the U.S. dollar as their functional currency. Principal international subsidiaries which have the U.S. dollar as the functional currency are the Company’s Irish subsidiaries, including the European manufacturing facility, and its Malaysian manufacturing, sales and support subsidiary. As the value of the U.S. dollar strengthens against other currencies, sales made in those currencies translate into lower sales in U.S. dollars; as the value of the U.S. dollar weakens against other currencies, sales made in those currencies translate into higher sales in U.S. dollars. The financial statements for the Company’s other international subsidiaries are generally measured using the local currency as the functional currency. For many of these international subsidiaries, an increase in the value of the U.S. dollar increases costs incurred because many of the component purchases are denominated in the U.S. dollar. Therefore, changes in exchange rates may negatively affect the Company’s consolidated net sales (as expressed in United States dollars) and gross margins from

international operations.
The Company conducts a foreign currency hedging program to reduce its exposure to the risk that the dollar-value equivalent of anticipated cash flows will be adversely affected by changes in foreign currency exchange rates. The Company uses foreign currency purchased option contracts and forward contracts in an effort to reduce its exposure to currency fluctuations involving anticipated, but not firmly committed, transactions and transactions with firm foreign currency commitments. For further information regarding hedging activities and their effect on the Company's financial statements, see Note 1 and Note 4 of Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

The Company's cash flows from operating activities were $175 million in fiscal 1996 and represented the Company's primary source of cash. At January 28, 1996, and January 29, 1995, the Company's working capital totaled $1,018 million and $718 million, respectively. Days in accounts receivable at the end of fiscal 1996 decreased to 42 days from 47 days at the end of fiscal 1995. Days in accounts payable decreased to 33 days at the end of fiscal 1996 from 44 days at the end of fiscal 1995. Inventory levels decreased slightly to 31 days of supply at the end of fiscal 1996 from 32 days of supply at the end of fiscal 1995.

The Company utilized $101 million in cash during fiscal 1996 primarily to construct facilities and to acquire information systems (principally hardware and third-party software licenses) and personal computer office equipment. Capital expenditures for fiscal 1997 are expected to be approximately $100 million, primarily related to the construction of facilities, the acquisition of information systems and the acquisition of computer equipment for internal use. The Company believes that its cash and marketable securities and cash flows from operating activities will be adequate to fund its planned fiscal 1997 capital expenditures.

During fiscal 1996, the Company entered into a series of line of credit facilities, each of which bears interest at a defined Base Rate or Eurocurrency Rate and has a covenant based on quarterly maintenance of net worth. Maximum aggregate amounts available under these credit facilities are limited to $200 million less the aggregate of outstanding letters of credit under these facilities. During the commitment period, the Company is obligated to pay a fee on the unused portion of the credit facilities. No borrowings or letters of credit were outstanding under these credit facilities as of January 28, 1996, and the maximum available totaled $200 million.

In November 1995, several of the Company's subsidiaries entered into a transaction pursuant to which Dell Receivables L.P. ("Dell Receivables"), a newly formed wholly owned subsidiary of the Company, purchases certain accounts receivable and related assets from other Company subsidiaries and in turn transfers such accounts receivable and related assets to the Dell Trade Receivable Master Trust (the "Master Trust"). The Master Trust will issue certificates evidencing fractional undivided interests therein, which certificates may be sold to investors. This arrangement gives Dell Receivables the ability to raise up to $150 million through the sale of certificates of interest in the Master Trust and replaced the Company's receivables securitization arrangement that was scheduled to expire in June 1996. Dell Receivables is obligated to pay a commitment fee on the unused portion of the facility. At January 28, 1996, this facility was unused. During fiscal 1994, the Company sold $85 million of receivables pursuant to the terms of its previous receivables securitization arrangement. The discount on sale of receivables was included in financing and other income (expense), net. All such receivables sold were collected during fiscal 1994. The previous facility was unused in fiscal 1995 and 1996.

In August 1993, the Company issued $100 million of 11% Senior Notes Due August 15, 2000. Interest on the Senior Notes is payable semiannually, on February 15 and August 15 of each year. The Senior Notes are redeemable, in whole or in part, at the option of the Company at any time on or after August 15, 1998, at redemption prices decreasing from 103.50% to 101.75% of principal, depending upon the redemption date, plus accrued interest to the date of redemption. In December 1994, the Company obtained a $14 million loan secured by a 224,000-square-foot office building in Round Rock, Texas (with a net book value of $23 million at January 28, 1996). The loan is for 15 years at an interest rate of 10.28%; monthly payments of principal and interest, payable in arrears, began in February 1995. The long-term portion of the loan was $13 million at January 28, 1996.

In August 1993, the Company sold 1,250,000 shares of Series A Convertible Preferred Stock (the "Convertible Preferred Stock"), generating net proceeds of $120 million after deducting related issuance costs. In February 1995, the Company offered to pay a cash premium of $8.25 for each outstanding share of

Convertible Preferred Stock that was converted to Common Stock. For a discussion of the terms of the Convertible Preferred Stock and the terms of the conversion offer, see Note 7 of Notes to Consolidated Financial Statements. Holders of 1,190,000 shares of Convertible Preferred Stock elected to convert and, as a result, received an aggregate of approximately 10 million shares of Common Stock and $10 million in cash during the first quarter of fiscal 1996. The $10 million conversion premium and $1 million of expenses of the conversion offer were treated as an additional dividend on the Convertible Preferred Stock for financial reporting purposes. In addition, the weighted average shares outstanding used to compute primary earnings per common share for fiscal 1996 includes the shares of Common Stock issued upon conversion from the closing of the conversion period until the end of fiscal 1996.

In July 1995, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 100 million to 300 million. On October 9, 1995, the Company's Board of Directors declared a two-for-one Common Stock split, payable in the form of a 100% stock dividend to stockholders of record as of October 20, 1995. The distribution of such dividend occurred on October 27, 1995. All share and per share information has been retroactively restated in the Consolidated Financial Statements to reflect the stock split.

In November 1995, the Company's Board of Directors declared a dividend of one Preferred Share Purchase Right (a "Right") for each outstanding share of Common Stock. The distribution of the Rights was made on December 13, 1995, to the stockholders of record on that date. Each Right entitles the holder to purchase one one-thousandth of a share of a new series of preferred stock, the Series A Junior Participating Preferred Stock, at an exercise price of $225. For a discussion of the terms of such preferred stock, see Note 7 of Notes to Consolidated Financial Statements. The Rights will be exercisable only if a person or group acquires 15% or more of the Common Stock or announces a tender offer, the consummation of which would result in such person or group owning 15% or more of the Common Stock. For further discussion of the terms of the Rights, see Note 10 of Notes to Consolidated Financial Statements.

On February 22, 1996, the Company announced a stock repurchase program under which the Company may purchase up to 12 million shares of Common Stock in open market or private transactions. The repurchase program is intended to provide shares for issuance to employees under the Company's stock-based employee benefit plans. The total number of shares to be purchased will be based on several factors, including the level of stock issuances pursuant to employee awards, the price of the Common Stock and other general market conditions. Purchases may be made in the open market or in privately negotiated transactions from time to time at management's discretion. The Company may also utilize equity options as part of the repurchase program. For information regarding the status of the program to date, see Note 8 of Notes to Consolidated Financial Statements.

The Company's long-term commitments to use cash consist of the repayment of the $100 million in Senior Notes, the repayment of the outstanding balance of the $14 million secured loan and the payment of operating lease commitments.

Management believes that sufficient resources will be available to meet the Company's cash requirements through at least the next twelve months. Cash requirements for periods beyond the next twelve months depend on the Company's profitability, its ability to manage working capital requirements and its rate of growth.

Factors Affecting the Company's Business and Prospects

Numerous factors may affect the Company's business and the success of its operations. These factors include general economic and business conditions; the level of demand for personal computers; the level and intensity of competition in the personal computer industry and the pricing pressures that may result; the ability of the Company to timely and effectively manage periodic product transitions and component availability; the ability of the Company to develop new products based on new or evolving technology and the market's acceptance of those products; the ability of the Company to manage its inventory levels to minimize excess inventory, declining inventory values and obsolescence; the product, customer and geographic sales mix of any particular period; and the Company's ability to continue to improve its infrastructure (including personnel and systems) to keep pace with the growth in its overall business activities. For a discussion of these and other factors affecting the Company's business and prospects, see "Factors Affecting the Company's Business and Prospects" in "Item 1 Ñ Business" of the company's Annual Report or Form 10-K for fiscal 1996.

Consolidated Statement of Financial Position

Dell Computer Corporation

(in millions, except per share data)

		January 28, 1996		January 29, 1995
Assets				
Current assets:				
Cash	$	55	$	43
Marketable securities		591		484
Accounts receivable, net		726		538
Inventories		429		293
Other current assets		156		112
Total current assets		1,957		1,470
Property, plant and equipment, net		179		117
Other assets		12		7
	$	**2,148**	$	**1,594**
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$	466	$	403
Accrued and other liabilities		473		349
Total current liabilities		939		752
Long-term debt		113		113
Deferred profit on warranty contracts		116		68
Other liabilities		7		9
Commitments and contingencies		-		-
Stockholders' equity:				
Preferred stock and capital in excess of $.01 par value; shares authorized: 5,000,000; shares issued and outstanding 60,000 and 1,250,000, respectively		6		120
Common Stock and capital in excess of $.01 par value; shares authorized 300,000,000 and 100,000,000, respectively; shares issued an outstanding: 93,446,607 and 79,359,276 respectively		430		242
Retained earnings		570		311
Other		(33)		(21)
Total stockholders' equity		973		652
	$	**2,148**	$	**1,594**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations
Dell Computer Corporation

(in millions, except per share data)

	Fiscal Year Ended		
	January 28, 1996	January 29, 1995	January 30, 1994
Net Sales	$5,296	$3,475	$2,873
Cost of sales	4,229	2,737	2,440
Gross margin	1,067	738	433
Operating expenses:			
Selling, general and administrative	595	424	423
Research, development and engineering	95	65	49
Total operating expenses	690	489	472
Operating income (loss)	377	249	(39)
Financing and other income (expense), net	6	(36)	-
Income (loss) before income taxes	383	213	(39)
Provision for income taxes (benefit)	111	64	(3)
Net income (loss)	272	149	(36)
Preferred stock dividends	(12)	(9)	(4)
Net income (loss) available to common stockholders	$260	$140	$ (40)
Earnings (loss) per common share:			
Primary	$2.67	$1.69	$ (.53)
Fully diluted	$2.65	$1.58	$ -

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
Dell Computer Corporation

(in millions)

	Fiscal Year Ended		
	January 28, 1996	January 29, 1995	January 30, 1994
Cash flows from operating activities:			
Net income (loss)	$ 272	$ 149	$ (36)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	38	33	31
Net loss on marketable securities	-	21	-
Compensation expense recognized under employee stock plans	10	4	3
Other	-	-	1
Changes in:			
Operating working capital	(183)	(3)	97
Non-current assets and liabilities	38	39	17
Net cash provided by operating activities	175	243	113
Cash flows from investing activities			
Marketable securities:			
Purchases	(4,545)	(4,644)	(2,588)
Maturities and other redemptions	4,386	4,340	2,288
Sales	56	124	47
Capital expenditures	(101)	(64)	(48)
Net cash used in investing activities	(204)	(244)	(301)
Cash flows from financing activities			
Net payments for short-term borrowings	-	-	(9)
Proceeds from long-term debt	-	14	97
Repayments of borrowings	(1)	(1)	(50)
Net proceeds from issuance of preferred stock	-	-	120
Preferred stock dividends paid	(13)	(9)	(2)
Issuance of Common Stock under employee plans	48	35	22
Net cash provided by financing activities	34	39	178
Effect of exchange rate changes on cash	7	2	(2)
Net increase (decrease) in cash	12	40	(12)
Cash at beginning of period	43	3	15
Cash at end of period	$ 55	$ 43	$ 3

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Shareholder's Equity
Dell Computer Corporation

(in millions, except share data)

	Stockholder' Equity				
	Preferred Stock and Capital in Excess of Par Value	Common Stock and Capital in Excess of Par Value	Retained Earnings	Other	Total
Balances at January 31, 1993	$--	$178	$209	$ (18)	$369
Net loss	-	-	(36)	-	(36)
Issuance of 1,250,000 shares of preferred stock	120	-	-	-	120
Issuance of 2,142,166 shares of Common Stock					
under employee plans, including tax benefits	-	22	-	-	22
Preferred stock dividends paid	-	-	(2)	-	(2)
Unrealized gain on marketable securities	-	-	-	3	3
Foreign currency translation adjustment	-	-	-	(5)	(5)
Balances at January 30, 1994	120	200	171	(20)	471
Net income	-	-	149	-	149
Issuance of 3,501,214 shares of Common Stock					
under employee plans, including tax benefits	-	42	-	(4)	38
Preferred stock dividends paid	-	-	(9)	-	(9)
Unrealized loss on marketable securities	-	-	-	(6)	(6)
Foreign currency translation adjustment	-	-	-	9	9
Balances at January 29, 1995	120	242	311	(21)	652
Net income	-	-	272	-	272
Issuance of 4,066,363 shares of Common Stock					
under employee plans, including tax benefits	-	74	-	(17)	57
Issuance of 10,020,968 shares of Common Stock					
Due to preferred stock conversion	(114)	114	-	-	-
Amortization of unearned compensation	-	-	-	2	2
Preferred stock dividends paid	-	-	(13)	-	(13)
Unrealized gain on marketable securities	-	-	-	3	3
Balances at January 28, 1996	$6	$430	$570	$(33)	$973

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
Dell Computer Corporation

Note 1 - Description of Business and Summary of Significant Accounting Policies

Description of Business - The Company designs, develops, manufactures, markets, services and supports a wide range of computer systems, including desktops, notebooks and network servers, and also markets software, peripherals, and service and support programs. The Company markets its computer products and services under the Dell® brand name directly to its customers. These customers include major corporate, government, medical and education accounts, as well as small-to-medium businesses and individuals. The Company supplements its direct marketing strategy by marketing through value-added resellers. Based in Austin, Texas, the Company conducts operations worldwide through wholly owned subsidiaries; such operations are primarily concentrated in the United States and Europe.

Fiscal Year - The fiscal year of the Company ends on the Sunday nearest January 31.

Principles of Consolidation - The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of Dell Computer Corporation and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. Certain prior period amounts have been reclassified to conform with the current year presentation.

Prior to fiscal 1995, the Company consolidated its international operating results on a one-month delay to facilitate consolidated financial reporting. In the fourth quarter of fiscal 1995, the Company eliminated this one-month delay and, consequently, included one additional month of international operations in its income before income taxes for fiscal 1995. Net earnings before taxes of $6 million for this additional month were included in financing and other income (expense), net and the related cash flows were included in cash flows from operating activities.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year end and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Marketable Securities - The Company's marketable securities are classified as available-for-sale and, accordingly, are reported at fair value. Fair values are based on quoted broker prices or dealer quotes. Unrealized gains and losses are reported, net of taxes, as a component of stockholders' equity. Unrealized losses are charged against income when a decline in fair value is determined to be other than temporary. The specific identification method is used to determine the cost of securities sold. The Company accounts for highly liquid investments with maturities of three months or less at date of acquisition as marketable securities and reflects the related cash flows as investing cash flows. As a result, a significant portion of its gross marketable securities purchases and maturities disclosed as investing cash flows is related to highly liquid investments.

Inventories - Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis. On a quarterly basis, the Company compares the amount of the inventory on hand and under commitment on a part-by-part basis with its latest forecasted requirements to determine whether write-downs for excess or obsolete inventory are required.

Property, Plant and Equipment - Property, plant and equipment is carried at cost. Depreciation is provided using the straight-line method over the economic lives of the assets, which range from seven to 30 years for buildings and two to five years for all other assets. Leasehold improvements are amortized over the shorter of five years or the lease term.

Foreign Currency Translation - The majority of the Company's international sales are made by international subsidiaries which have the U.S. dollar as their functional currency. Principal international subsidiaries which have the U.S. dollar as the functional currency are the Company's Irish subsidiaries, including the European manufacturing facility, and its Malaysian manufacturing, sales and support subsidiary. Financial statements for international subsidiaries which have the U.S. dollar as the functional currency are remeasured into U.S. dollars using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets. Income and expense items for these subsidiaries are remeasured using monthly average exchange rates with resultant gains and losses included in the results of operations. The financial statements for the Company's other international subsidiaries are generally measured using the local currency as the functional currency. Accordingly, assets and liabilities of these subsidiaries are translated at current rates of exchange at the balance sheet date. The resultant gains and losses from translation are included as a component of stockholders' equity. Income and expense items for these subsidiaries are translated using monthly average exchange rates. Gains or losses resulting from remeasuring monetary asset and liability accounts that are denominated in currencies other than a subsidiary's functional currency are included as a component of financing and other income (expense), net.

Foreign Currency Hedging Instruments - The Company enters into foreign currency purchased option contracts and forward contracts to hedge its probable anticipated, but not firmly committed, trans-actions and transactions with firm foreign currency commitments. Realized and unrealized gains or losses and premiums on foreign currency purchased option contracts that are designated and effective as hedges of probable anticipated, but not firmly committed, foreign currency transactions are deferred and recognized in income as a component of revenue, cost of sales and/or operating expenses in the same period as the hedged transaction. Forward contracts designated as hedges of probable anticipated transactions are accounted for on a mark-to-market basis and are included in revenue, cost of sales and/or operating expenses. Foreign currency exposures related to transactions with firm foreign currency commitments are generally hedged using forward contracts, which are accounted for on a mark-to-market basis, with realized and unrealized gains and losses included in financing and other income (expense), net, as an offset to the underlying hedged transaction.

Interest Rate Management - Interest rate differentials to be paid or received on interest rate swaps that are designated to specific borrowings are accrued and recognized as an adjustment to interest expense. Realized gains or losses on terminated interest rate swap positions designated to specific borrowings are recognized as an adjustment to interest expense over the original life of the interest rate swaps.

Investment Derivatives - Derivative financial instruments that are not designated to a specific asset or liability are considered investment derivatives and are accounted for on a mark-to-market basis, with realized and unrealized gains or losses recognized as incurred and included as a component of financing and other income (expense), net. The Company discontinued its investment derivative program in the second quarter of fiscal 1995.

Option Contracts Indexed to the Company's Common Stock - Put and call options utilized in connection with the Company's stock repurchase program give the Company the choice of net cash settlement or settlement in additional shares of Common Stock. Proceeds received upon the sale of options and amounts paid upon the purchase of options are recorded as a component of stockholders' equity. Subsequent changes in the fair value of the option contracts are not recognized. If the option contracts are ultimately settled in cash, the amount of cash paid or received is recorded as a component of stockholders' equity.

Revenue Recognition - Sales revenue is recognized at the date of shipment to customers. Provision is made currently for estimated product returns. Revenue from separately priced extended warranty programs is deferred and recognized over the extended warranty period, and the related extended warranty costs are recognized as incurred.

Warranty and Other Post-sales Support Programs - The Company provides currently for the estimated costs that may be incurred under its warranty and other post-sales support programs.

Advertising Costs - Advertising costs, excluding the costs associated with direct-response advertising, are charged to expense the first time the advertising takes place. The costs of direct-response advertising are charged to expense upon mailing. There were no direct-response advertising costs reported as assets at

January 28, 1996, and January 29, 1995. Advertising expenses for fiscal years 1996, 1995 and 1994 were $83 million, $63 million and $77 million, respectively.

Income Taxes - The provision for income taxes is based on earnings reported in the financial statements under an asset and liability approach, which requires the recognition of deferred tax assets and liabilities and their reported amounts for financial statement purposes.

Earnings (Loss) Per Common Share - Primary earnings (loss) per common share are computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares and common stock equivalents (if dilutive) outstanding during each period. Common stock equivalents include stock options. The Convertible Preferred Stock is not a common stock equivalent for purposes of computing earnings (loss) per common share. The number of common stock equivalents outstanding is computed using the treasury stock method. The weighted average shares outstanding used to compute primary earnings per common share for fiscal 1996 includes the shares of Common Stock issued upon conversion of Convertible Preferred Stock from the closing of the conversion period until the end of the fiscal year. Shares used in the calculation of fully diluted earnings (loss) per common share have been adjusted for the assumed conversion of all of the Company's outstanding Convertible Preferred Stock for all periods presented. See Note 7 - Preferred Stock.

Recently Issued Accounting Standards - In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). The Company has not elected early adoption of SFAS 121; consequently, it will become effective beginning with the Company's first quarter of fiscal 1997. Adoption of SFAS 121 will not have a material effect on the Company's financial position or results of operations. In October 1995, the FASB issued SFAS 123, "Accounting for Stock-Based Compensation." The Company has not elected early adoption of SFAS 123; consequently, it will become effective beginning with the Company's first quarter of fiscal 1997. As permitted under SFAS 123, upon adoption, the Company will continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and will provide pro forma disclosures of net income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense. Adoption of SFAS 123 will not have a material effect on the Company's financial position or results of operations.

Notes to Consolidated Financial Statements
Dell Computer Corporation

Note 2 - Marketable Securities

The following table describes the Company's holdings of marketable securities at January 28, 1996, and January 29, 1995. Contractual maturities of debt securities, classified as available-for-sale and carried at fair value, are included as of January 28, 1996.

	January 28, 1996				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percent Fair Value
	(in millions, except percent data)				
Preferred stock	$ 57	$ -	$ -	$ 57	10%
Mutal funds	75	-	-	75	13
State and municipal securities:					
Maturities less than 60 days	118	-	-	118	20
Maturities 60 days to one year	68	-	-	68	11
Maturities one to three years	12	-	-	12	2
U.S. corporate and bank debt:					
Maturities less than 60 days	138	-	-	138	23
Maturities 60 days to one year	58	-	-	58	10
Maturities one to three years	17	-	-	17	3
International corporate and bank debt:					
Maturities less than 60 days	44	-	-	44	7
Maturities 60 days to one year	4	-	-	4	1
Maturities one to three years	-	-	-	-	-
Total marketable securities	$591	$ -	$ -	$591	100%

	January 29, 1995				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percent Fair Value
	(in millions, except percent data)				
Preferred stock	$70	$ -	$ -	$70	14%
Mutual funds	55	-	-	55	11
State and municipal securities	188	1	1	188	39
U.S. corporate and bank debt	138	-	4	134	28
International corporate and bank debt	37	-	-	37	8
Total marketable securities	$488	$ 1	$ 5	$484	100%

The Company's gross realized gains on the sale of marketable securities were $0.3 million for fiscal 1996, $3 million for fiscal 1995 and $1 million for fiscal 1994. Gross realized losses were $0.01 million, $24 million and $1 million for fiscal years 1996, 1995, and 1994, respectively.

Notes to Consolidated Financial Statements
Dell Computer Corporation

Note 3 - Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at January 28, 1996 and January 29, 1995:

	Jan. 28, 1996		Jan. 29, 1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in millions)		
Nonderivative financial instruments:				
Assets:				
Marketable securities	$591	$591	$484	$484
Liabilities:				
Long-term debt	113	123	113	118
Receive fixed/pay floating				
interest rate swaps	-	(6)	-	(9)
Receive floating/pay fixed				
interest rate swaps	-	(2)	-	(1)
Derivative financial instruments:				
Foreign currency option contracts:				
Assets	38	33	15	15
Forward contracts for firm currency commitments:				
Assets	25	25	5	5
Liabilities	14	14	-	-

Cash, accounts receivable, accounts payable and accrued and other liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

The fair value of marketable securities, long-term debt and interest rate derivative instruments has been estimated by the Company based upon market quotes from brokers. The fair value of foreign currency forward contracts has been estimated using market quoted rates of foreign currencies at the applicable balance sheet date. The estimated fair value of foreign currency purchased option contracts is based on market quoted rates at the applicable balance sheet date and the Black-Scholes options pricing model. Considerable judgment is necessary in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Changes in assumptions could significantly affect the estimates.

Note 4 - Financial Instruments and Risk Management Foreign Currency Risk Management

Foreign Currency Hedging Instruments - The results of the Company's international operations are affected by changes in exchange rates between certain foreign currencies and the United States dollar. Beginning in fiscal 1996, the majority of the Company's international sales are made by international subsidiaries which have the U.S. dollar as their functional currency. The Company uses foreign currency purchased option contracts and forward contracts in an effort to reduce its exposure to currency fluctuations involving probable anticipated, but not firmly committed, transactions and transactions with firm foreign currency commitments. The risk of loss associated with purchased options is limited to premium amounts paid for the option contracts, which could be significant. The risk of loss associated with forward contracts is equal to the exchange rate differential from the time the contract is made until the time it is settled.

Hedging of Probable Anticipated Transactions and Firm Foreign Currency Commitments - The Company enters into foreign currency purchased options and, to a lesser extent, forward contracts to hedge a portion of its probable anticipated, but not firmly committed, transactions. These transactions include international sales by U.S. dollar functional currency entities, foreign currency denominated purchases of certain components and intercompany shipments to certain international subsidiaries. Foreign currency purchased options generally expire in twelve months or less, and forward contracts generally mature in three months or less. The principal currencies hedged are the German mark, the British pound and the Japanese yen.

Transactions with firm foreign currency commitments are generally hedged using foreign currency forward contracts for periods not exceeding three months.

At January 28, 1996, and January 29, 1995, the Company held purchased option contracts that were designated and effective as hedges of probable anticipated sales by international subsidiaries and intercompany shipments with a total notional amount of $714 million and $434 million, respectively, and a combined net realized and unrealized deferred loss of $5 million and $2 million, respectively. At January 29, 1995, the Company held option contracts that were designated and effective as hedges of probable anticipated foreign currency denominated purchases with a total notional amount of $65 million and a combined net realized and unrealized deferred gain of $2 million. During the fourth quarter of fiscal 1996, the Company closed all option contracts that were designated and effective as hedges of probable anticipated foreign currency denominated purchases. At January 28, 1996, the net realized deferred loss relating to these contracts was $7 million. Forward contracts designated to hedge foreign currency transaction exposures of $365 million and $29 million were outstanding at January 28, 1996, and January 29, 1995, respectively.

Interest Rate Risk Management

The Company has also entered into certain interest rate derivative instruments as a means of managing its interest rate risk and the interest costs associated with its 11% Senior Notes Due August 15, 2000. See Note 6 - Long-term Debt and Financing Arrangements.

Investment Derivatives

The Company has historically employed a variety of interest rate derivative instruments to manage its principal, market and credit risks and enhance its investment yield. Derivative instruments utilized included interest rate swaps, written and purchased interest rate options and swaptions (options to enter into interest rate swaps). Prior to June 1994, the Company structured derivative instruments in interest rate markets where it had foreign operations. Interest rate derivatives generally involve exchanges of interest payments based upon fixed and floating interest rates without exchanges of underlying notional amounts. For the first and second quarters of fiscal 1995, the average fair value of these investment derivative financial instruments totaled ($12) million and ($8) million, respectively. The Company closed all remaining investment derivatives during the second quarter of fiscal 1995, and at the end of fiscal 1995 and throughout fiscal 1996, the Company had no investment derivatives outstanding. Realized and unrealized net gains (losses) on investment derivatives recognized in income for fiscal 1995 were ($24) million compared with $5 million for fiscal 1994.

Notes to Consolidated Financial Statements
Dell Computer Corporation

Note 5 - Income Taxes
The provision for income taxes consists of the following:

	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
	(in millions)		
Current:			
Domestic	$102	$52	$29
Foreign	25	16	8
Prepaid	(16)	(4)	(40)
Provision for income taxes (benefit)	$111	$64	$ (3)

Income (loss) before income taxes included approximately $176 million, $126 million and ($32) million related to foreign operations in the fiscal years ended January 28, 1996, January 29, 1995 and January 30, 1994, respectively.

The Company has not recorded a deferred income tax liability of approximately $70 million for additional U.S. federal income taxes that would result from the distribution of earnings of its foreign subsidiaries, if they were repatriated. The Company currently intends to reinvest indefinitely the undistributed earnings of its foreign subsidiaries.

The deferred tax asset is comprised of the following principal temporary differences:

	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
	(in millions)		
Depreciation	$ 5	$ (5)	$ -
Provisions for doubtful accounts and returns	25	23	20
Inventory and warranty provisions	18	26	28
Deferred service contract revenue	53	25	9
Import promotion reserve	(5)	-	-
Other	(29)	9	7
Deferred tax asset	$67	$78	$64

The difference between the income tax provisions in the Consolidated Financial Statements and the tax expense computed at the U.S. federal statutory rate of 35% for each of the last three fiscal years is as follows:

	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
	(in millions)		
Tax provision (benefit) at the U.S. federal statutory rate	$134	$75	$(14)
Research and development credit	(1)	(1)	(1)
Foreign income taxed at different rate	(23)	(16)	10
Net operating loss carryovers	1	2	4
Other	-	4	(2)
Provision (benefit) for income taxes	$111	$64	$(3)
Effective tax rates	29.0%	30.0%	7.6%

Note 6 - Long-term Debt and Financing Arrangements

The following table sets forth the components of the Company's long-term debt as of the end of each of the last two fiscal years:

	Jan. 28, 1996	Jan. 29, 1995
	(in millions)	
11% Senior Notes Due August 15, 2000	$100	$100
Facility loan	14	14
	114	114
Less - current portion	1	1
	$113	$113

On August 26, 1993, the Company issued $100 million of 11% Senior Notes Due August 15, 2000 (the "Senior Notes"). Interest on the Senior Notes is payable semiannually, on February 15 and August 15 of each year. The Senior Notes are redeemable, in whole or in part, at the option of the Company at any time on or after August 15, 1998, at redemption prices decreasing from 103.50% to 101.75% of principal, depending upon the redemption date, plus accrued interest to the date of redemption. The Indenture governing the Senior Notes contains certain covenants, including limitations on the amount of future indebtedness and restrictions on the payment of cash dividends on Common Stock under certain circumstances. However, the covenants limiting future indebtedness may be inapplicable from time to time if the Senior Notes are assigned an investment grade rating by both of the major rating services.

Concurrently with the issuance of the Senior Notes, the Company entered into interest rate swap agreements to reduce its related interest costs. The swap agreements effectively changed the Company's interest rate exposure from a fixed-rate to a floating-rate basis. However, in response to increasing interest rates, in August 1994, the Company entered into offsetting swap agreements to effectively change its interest rate exposure from a floating-rate basis to a fixed-rate basis. The interest rate swap agreements mature on August 15, 1998, the first available redemption date of the Senior Notes. At both January 28, 1996, and January 29, 1995, the Company had outstanding receive fixed/pay floating interest rate swaps with an aggregate notional amount of $100 million offset by receive floating/pay fixed interest rate swaps with an aggregate notional amount of $100 million. The weighted average interest rate, adjusted by the swaps, was 13.8%, 12.1% and 9.5% for fiscal years 1996, 1995 and 1994, respectively. At January 28, 1996, the Company was paying a net interest cost of 13.8% on the Senior Notes.

In December 1994, the Company obtained a $14 million loan secured by a 224,000-square-foot office building in Round Rock, Texas (with a net book value of $23 million at January 28, 1996). The loan is for 15 years at an interest rate of 10.28%; monthly payments of principal and interest, payable in arrears, began in February 1995. The amount of principal payments due under the loan over the next five fiscal years is as follows: 1997, $.5 million; 1998, $.5 million; 1999, $.6 million; 2000, $.6 million; and 2001, $.7 million.

During fiscal 1996, the Company entered into a series of line of credit facilities, each of which bears interest at a defined Base Rate or Eurocurrency Rate and has a covenant based on quarterly maintenance of net worth. Maximum aggregate amounts available under these credit facilities are limited to $200 million less the aggregate of outstanding letters of credit under these facilities. During the commitment period, the Company is obligated to pay a fee on the unused portion of the credit facilities. No borrowings or letters of credit were outstanding under these credit facilities as of January 28, 1996, and the maximum available totaled $200 million.

On November 30, 1995, several of the Company's subsidiaries entered into a transaction pursuant to which Dell Receivables L.P. ("Dell Receivables"), a newly formed wholly owned subsidiary of the Company, purchases certain accounts receivable and related assets from other Company subsidiaries and in turn transfers such accounts receivable and related assets to the Dell Trade Receivable Master Trust (the "Master Trust"). The Master Trust will issue certificates evidencing fractional undivided interests therein, which certificates may be sold to investors. This arrangement gives Dell Receivables the ability to raise up to $150 million through the sale of certificates of interest in the Master Trust and replaced the Company's receivables securitization arrangement that was scheduled to expire on June 22, 1996. Dell Receivables is obligated to pay a commitment fee on the unused portion of the facility. At January 28, 1996, this facility was unused. During fiscal 1994, the Company sold $85 million of receivables pursuant to the terms of its previous receivables securitization arrangement. The discount on sale of receivables was included in financing and other income (expense), net. All such receivables sold were collected during fiscal 1994. The previous facility was unused in fiscal 1995 and 1996.

In fiscal 1994, the Company repaid its borrowings under Section 84 of Ireland's Corporation Tax Act of 1976 and retired its commercial paper program.

Note 7 - Preferred Stock

The Company has the authority to issue 5,000,000 shares of preferred stock, par value $.01 per share. The rights and preferences of shares of authorized but unissued preferred stock will be established by the Company's Board of Directors at the time of issuance.

Series A Convertible Preferred Stock - On August 26, 1993, the Company sold 1,250,000 shares of Series A Convertible Preferred Stock (the "Convertible Preferred Stock"), generating net proceeds of $120 million after deducting related issuance costs. Each outstanding share of Convertible Preferred Stock entitles its holder to receive annual cumulative cash dividends of $7 and may be converted into 8.421 shares of Common Stock (equivalent to a conversion price of $11.875 per share of Common Stock), subject to adjustment to prevent dilution in certain circumstances. In the event of voluntary or involuntary liquidation, each outstanding share of Convertible Preferred Stock entitles its holder to receive up to $100 per share plus any accrued but unpaid dividends (a total of $6 million at January 28, 1996). The Convertible Preferred Stock is not redeemable before August 25, 1996. Beginning August 25, 1996, the Convertible Preferred Stock may be redeemed by the Company, at its option, in whole or in part at any time at a redemption price per share decreasing from $104.67 to $100, depending on the redemption date, together with any accrued but unpaid dividends. Dividends on the Convertible Preferred Stock are cumulative, have priority over dividends on Common Stock and must be paid in the event of liquidation and before any distribution to holders of Common Stock.

So long as any Convertible Preferred Stock is outstanding, the Company may not, without the affirmative vote or consent of the holders of at least 66 2/3% (unless a higher percentage is required by applicable law) of all outstanding shares of Convertible Preferred Stock, enter into certain transactions that may adversely affect the relative rights, preferences, qualifications, limitations or restrictions of the Convertible Preferred Stock. The holders of the Convertible Preferred Stock have no voting rights unless dividends on the Convertible Preferred Stock have not been paid for six consecutive quarters. Under those circumstances, the number of members of the Company's Board of Directors will be increased by two, and the holders of the Convertible Preferred Stock will be entitled to elect such two additional directors at any meeting of stockholders at which directors are to be elected held during the period such dividends remain in arrears.

On February 21, 1995, the Company offered to pay a cash premium of $8.25 for each outstanding share of Convertible Preferred Stock that was converted to Common Stock. The offer of premium upon conversion was available to holders of the Convertible Preferred Stock through the closing of the special conversion period on March 22, 1995. Holders of 1,190,000 shares of Convertible Preferred Stock elected to convert and, as a result, received an aggregate of approximately 10 million shares of Common Stock and $10 million in cash during the first quarter of fiscal 1996. The $10 million conversion premium and $1 million of expenses of the conversion offer were treated as an additional dividend on the Convertible Preferred Stock for financial reporting purposes. Accordingly, $12 million, comprised of the conversion premium, conversion offer expenses and dividends, were deducted from net income for fiscal 1996 to determine the net income available to common stockholders. In addition, the weighted average shares outstanding used to compute primary earnings per common share for fiscal 1996 includes the shares of Common Stock issued upon conversion from the closing of the conversion period until the end of fiscal 1996.

Series A Junior Participating Preferred Stock - In conjunction with the distribution of Preferred Share Purchase Rights (see Note 10 - Preferred Share Purchase Rights), the Company's Board of Directors designated 200,000 shares of preferred stock as Series A Junior Participating Preferred Stock ("Junior Preferred Stock") and reserved such shares for issuance upon exercise of the Preferred Share Purchase Rights. Each share of Junior Preferred Stock will be entitled to an aggregate dividend equal to the greater of $1.00 per share or 1,000 times the dividend declared on the Common Stock. Upon liquidation, each share of Junior Preferred Stock will be entitled to an aggregate liquidation payment equal to the greater of $1,000 or 1,000 times the payment made per share of Common Stock. Each share of Junior Preferred Stock will have 1,000 votes, voting together with the Common Stock. In the event of any merger, consolidation or other transaction in which Common Stock is exchanged, each share of Junior Preferred Stock will be entitled to receive 1,000 times the amount received per share of Common Stock. Shares of Junior Preferred Stock will be nonredeemable. At January 28, 1996, no shares of Junior Preferred Stock were issued or outstanding.

Note 8 - Common Stock

On July 21, 1995, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from 100 million to 300 million. The amendment became effective on August 3, 1995.

On October 9, 1995, the Company's Board of Directors declared a two-for-one Common Stock split, payable in the form of a 100% stock dividend to stockholders of record as of October 20, 1995. The distribution of such dividend occurred on October 27, 1995. All share and per share information has been retroactively restated in the Consolidated Financial Statements to reflect the stock split.

Stock Repurchase Program - Subsequent Event (unaudited) - On February 22, 1996, the Company announced a stock repurchase program under which the Company may purchase up to 12 million shares of Common Stock in open market or private transactions. The repurchase program is intended to provide shares for issuance to employees under the Company's stock-based employee benefit plans. The total number of shares to be purchased will be based on several factors, including the level of stock issuances pursuant to employee awards, the price of the Common Stock and other general market conditions. Purchases may be made in the open market or in privately negotiated transactions from time to time at management's discretion. The Company may also utilize equity options as part of the repurchase program.

As of March 22, 1996, the Company had repurchased a total of 3.3 million shares of Common Stock under the repurchase program, for an aggregate purchase price of $100 million (average cost of $30.50 per share). All such shares were purchased in open market transactions. In addition, as of March 22, 1996, the Company had entered into equity "collar" arrangements with respect to an aggregate of 2.8 million additional shares of Common Stock by selling put options (which entitle the holder of the option to sell shares of Common Stock to the Company at a specified price) and purchasing call options (which entitle the Company to purchase shares of Common Stock from the holder of the option at a specified price). The put prices range from $29.36 to $34.62 per share, while the call prices range from $32.30 to $38.09 per share. In some of the arrangements, the call price may be increased if the per-share market price of the Common Stock at the time of exercise exceeds a specified price. Each option is exercisable only at expiration, and the expiration dates range from September 3, 1996, to September 20, 1996. The potential cost of repurchasing the shares subject to these option arrangements ranges from $90.7 million (average cost of $32.35 per share) to $99.9 million (average cost of $35.63 per share), not taking into account any increase in the call prices described above. For a description of the accounting treatment of these options, see "Option Contracts Indexed to the Company's Common Stock" in Note 1- Description of Business and Summary of Significant Accounting Policies.

Note 9 - Employee Benefit Plans

Employee Stock Purchase Plan - The Company has an employee stock purchase plan that qualifies under Section 423 of the Internal Revenue Code and permits substantially all employees to purchase shares of Common Stock. Participating employees may purchase Common Stock at the end of each participation period at a purchase price equal to 85% of the lower of the fair market value of the Common Stock at the beginning or the end of the participation period. Participation periods are semi-annual and begin on January 1 and July 1 of each year. Employees may designate up to 10% of their base compensation for the purchase of Common Stock under the plan. Common Stock reserved for future employee purchases under the plan aggregated 2,331,251 shares at January 28, 1996, and 2,741,184 shares at January 29, 1995. Shares issued under this plan were 409,933 shares in fiscal 1996, 568,888 shares in fiscal 1995 and 477,078 shares in fiscal 1994. There have been no charges to income in connection with the issuance of these shares.

401(k) Plan - The Company has a defined contribution retirement plan that complies with Section 401(k) of the Internal Revenue Code. Substantially all employees in the U.S. are eligible to participate in the plan. Currently, eligibility for participation commences upon hire. Under the terms of the plan, the Company currently matches 100% of each employee participant's voluntary contributions, subject to a maximum Company contribution of 3% of the employee's compensation. Prior to January 1, 1995, the Company matched 50% of the participant's voluntary contributions, again subject to a maximum Company contribution of 3% of the employee's compensation. The Company's matching contributions are made in the form of Common Stock. During fiscal 1996, the Company made a one-time contribution for every eligible employee, regardless of whether the employee was a plan participant, equal to 2% of the employee's actual earnings during calendar year 1995. The Company accrues for its estimated matching contributions each period. Shares are issued to the plan based on the fair market value of the Common Stock at the time of issuance. The amounts expensed for the Company's matching and other contributions during fiscal years 1996, 1995 and 1994 were $8 million, $4 million and $3 million, respectively.

Stock Option and Incentive Plans - On June 22, 1994, the Company's stockholders approved the Dell Computer Corporation Incentive Plan (the "Incentive Plan"), which effectively replaced the 1993 Stock Option Plan (the "1993 Plan") and the 1989 Stock Option Plan (the "1989 Plan"). At the time the Incentive Plan was approved, 9,001,846 shares of Common Stock were authorized for issuance under the Incentive Plan; that amount equaled the remaining shares authorized for issuance under the 1993 Plan and the 1989 Plan. On July 21, 1995, the Company's stockholders approved an amendment to the Incentive Plan to increase the number of shares of Common Stock authorized for issuance under the Incentive Plan by 8 million shares. The Incentive Plan, which is administered by the Compensation Committee of the Board of Directors, provides for the granting of incentive awards in the form of stock options, stock appreciation rights ("SARs"), stock and cash to directors, executive officers and key employees of the Company and its subsidiaries, and certain other persons who provide consulting or advisory services to the Company. Awards under the Incentive Plan must be granted within ten years of the plan adoption date. Options granted may be either incentive stock options within the meaning of Section 422 of the Internal Revenue

Code or nonqualified options. The right to purchase shares under the existing stock option agreements typically vest over a five-year period beginning on the option's date of grant. Stock options must be exercised within ten years from date of grant. Stock options are generally issued at fair market value. For stock options that have been issued at discounted prices, the Company accrues compensation expense over the vesting period for the difference between the exercise price and the fair market value on the measurement date. In accordance with the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, no compensation expense has been recognized for options granted with an exercise price equal to market value at the date of grant. Options vesting over a ten-year period with an exercise price of $.005 per share were granted to certain key employees in fiscal 1995 and fiscal 1994 at fair market values ranging from $12.44 to $13.97 and $9.25 to $18.25 in fiscal 1995 and fiscal 1994, respectively.

During fiscal 1996, the Company implemented a discounted stock option program under the Incentive Plan. Under this program, certain members of management may elect, on an annual basis, to receive discounted stock options in lieu of all or a portion of the annual bonus that they would otherwise receive. The exercise price of the options is 80% of the fair market value of the Common Stock on the date of issuance. The number of shares subject to any such option is dependent on the amount of bonus a participant designates for the program and is calculated by dividing the designated bonus amount by 20% of the fair market value of the Common Stock on the date of issuance. The options are fully vested at the time of issuance but are not exercisable for a period of one year. All decisions regarding participation in the program and the amount of bonus to designate must be made several months in advance of the anticipated bonus payment date. The program will first be effective for bonuses paid in March 1996 with respect to fiscal 1996.

During fiscal 1996 and fiscal 1995, the Company granted 688,884 shares and 280,000 shares, respectively, of restricted stock. For substantially all restricted stock grants, at the date of grant, the recipient has all rights of a stockholder, subject to certain restrictions on transferability and a risk of forfeiture. Restricted shares typically vest over a seven-year period beginning on the date of grant; restrictions may not extend more than ten years from date of grant. The Company records unearned compensation equal to the market value of the restricted shares on the date of grant and charges the unearned compensation to expense over the restricted share's vesting period. Prior to the second quarter of fiscal 1996, the unearned compensation was combined with additional paid-in capital. The unearned compensation associated with restricted stock at January 28, 1996, has been included in stockholders' equity in the Consolidated Statement of Financial Position; the prior period amount has been reclassified to conform with the current year presentation.

Under the Incentive Plan, each nonemployee director of the Company automatically receives nonqualified stock options on the day after the first Board of Directors meeting he or she attends as a nonemployee director. In addition, each nonemployee director who is a member of the Board of Directors as of both the day before and the day after the Company's annual meeting of stockholders each year automatically receives nonqualified stock options on the date of the first Board of Directors meeting following the annual meeting of stockholders.

Notes to Consolidated Financial Statements
Dell Computer Corporation

The following table summarizes stock option activity under the plans for each of the three fiscal years ended January 28, 1996:

Stock Option Plan

	Price Range	Number of Shares
Outstanding at January 31, 1993	$ .005-$18.155	10,087,976
Granted	$ .005-$18.155	5,011,180
Canceled	$ .005-$15.345	(2,409,628)
Excercised	$ .005-$11.830	(1,452,824)
Outstanding at January 30, 1994	$ .005-$18.155	11,236,704
Granted	$ .005-$23.315	4,322,498
Canceled	$ .005-$15.345	(1,641,102)
Exercised	$ .005-$18.155	(2,735,054)
Outstanding at January 29, 1995	$ .005-$23.315	11,183,046
Granted	$20.125-$48.500	3,987,082
Canceled	$ .005-$44.750	(988,967)
Exercised	$ .005-$22.095	(2,480,912)
Outstanding at January 28, 1996	$ .005-$48.500	11,700,249

Options on 2,324,451 shares were exercisable under the plans at January 28, 1996. There were 8,480,235, 4,819,228 and 8,558,900 shares of Common Stock available for future grants under the plans at January 28, 1996, January 29, 1995, and January 30, 1994, respectively. On August 24, 1993, the Company granted 781,246 nonqualified options to purchase its Common Stock at $9.345 per share under the 1993 Plan in exchange for cancellation of outstanding options to purchase its Common Stock for $15.345 that had been previously granted under the 1989 Plan. Pursuant to the exchange agreement, vesting of those options was to occur on the earlier of August 24, 2002, or the date that the Common Stock had traded for 30 consecutive days at or above $16.345 per share; such vesting occurred in fiscal 1995.

Note 10 - Preferred Share Purchase Rights

On November 29, 1995, the Company's Board of Directors declared a dividend of one Preferred Share Purchase Right (a "Right") for each outstanding share of Common Stock. The distribution of the Rights was made on December 13, 1995, to the stockholders of record on that date. Each Right entitles the holder to purchase one one-thousandth of a share of Junior Preferred Stock at an exercise price of $225. See Note 7 - Preferred Stock. The Rights will be exercisable only if a person or group acquires 15% or more of the Common Stock or announces a tender offer, the consummation of which would result in such person or group owning 15% or more of the Common Stock.

If a person or group acquires 15% or more of the outstanding Common Stock, each Right will entitle the holder (other than such person or any member of such group) to purchase, at the Right's then current exercise price, the number of shares of Common Stock having a market value of twice the exercise price of the Right. In addition, if the Company is involved in a merger or other business combination transaction at any time after the Rights have become exercisable, each Right will entitle its holder to purchase, at the Right's then current exercise price, the number of the acquiring company's common shares having a market value at that time of twice the exercise price of the Right. Furthermore, at any time after a person or group acquires 15% or more of the outstanding Common Stock but prior to the acquisition of 50% of such stock, the Board of Directors may, at its option, exchange part or all of the Rights (other than Rights held by the acquiring person or group) for shares of Common Stock at an exchange rate of one share of Common Stock for each Right.

The Company will be entitled to redeem the Rights at $.001 per Right at any time before a 15% or greater position has been acquired by any person or group. Additionally, the Company may lower the 15% threshold to not less than the greater of (a) any percentage greater than the largest percentage of Common Stock known by the Company to be owned by any person (other than Michael S. Dell) or (b) 10%. The

Rights expire on November 29, 2005. Neither the ownership nor the further acquisition of Common Stock by Michael S. Dell will cause the Rights to become exercisable or nonredeemable or will trigger the other features of the Rights.

Note 11 - Commitments, Contingencies and Certain Concentrations
Lease Commitments - The Company leases property and equipment, manufacturing facilities and office space under non-cancelable leases. Certain leases obligate the Company to pay taxes, maintenance and repair costs. Future minimum payments under these leases at January 28, 1996, are as follows:

Fiscal Year	Operating Leases
	(in millions)
1997	$21
1998	16
1999	13
2000	9
2001	6
Thereafter	19
Total minimum lease payments required	$84

Rental expense recorded under all operating leases was $22 million, $20 million and $19 million for the fiscal years ended 1996, 1995 and 1994, respectively.
Royalty Commitments - The Company is subject to certain patent royalty agreements that require fixed cash payments with scheduled increases over approximately the next three years. The Company is also subject to ongoing software royalty agreements for periods exceeding twelve months which require cash payments.
Legal Matters - Set forth below is a discussion of certain legal proceedings involving the Company, some of which could have a material adverse effect on the Company if resolved in a manner unfavorable to the Company. The Company is also party to other legal proceedings incidental to its business, none of which the Company believes to be material.
The Company has been named as a defendant in approximately 30 repetitive stress injury lawsuits, most of which are in New York state courts or United States District Courts for the New York City area. Several are in state courts in New Jersey. One is in the Federal District Court for the Eastern District of Pennsylvania, and one is in Federal District Court in Kansas. Two cases have been dismissed; the remainder are at various stages of the process leading to trial. The allegations in all of these lawsuits are similar. Each plaintiff alleges that he or she suffers from symptoms generally known as "repetitive stress injury," which allegedly were caused by the design or manufacture of the keyboard supplied with the computer the plaintiff used.

The Company has denied or is in the process of denying the claims and intends to vigorously defend the suits. The suits naming the Company are just a few of many lawsuits of this type that have been filed, often naming Apple, Atex, Compaq, IBM, Keytronic and other major suppliers of keyboard products. The Company currently is not able to predict the outcome of these suits. It is possible that the Company may be named in additional suits. Ultimate resolution of the litigation against the Company may depend on progress in resolving this type of litigation overall. However, the Company does not believe that the outcome of these matters will have a material adverse effect on the Company’s financial condition or results of operations.

On August 11, 1993, the Company received a subpoena from the United States Department of Commerce, Office of Export Enforcement of the Bureau of Export Administration, requiring the Company to provide all documents relative to any and all exports of 486/66 personal computers or related components to Russia, Ireland, Iran or Iraq during the period from January 1992 through August 1993 in connection with an investigation to enforce regulations under the Export Administration Act of 1979, as amended. The investigation has been closed, with no findings of wrongdoing by the Company, with respect to the Company’s shipments to Russia, Ireland and Iraq. The Company is awaiting a response from the Department of Commerce regarding its voluntary self disclosure of certain shipments to Iran in June 1992. If the Office of Export Enforcement’s investigators determine that the Company has violated applicable regulations, the government could potentially file civil or criminal charges. The Company has fully responded to the subpoena and, in accordance with its policy to comply fully with export laws and regulations, intends to cooperate with the Office of Export Enforcement. The Company does not believe that this investigation or its outcome will have a material adverse effect on the Company's financial condition or results of operations.

In May 1995, the Company was named, along with two other personal computer manufacturers and one computer monitor vendor, in a class action complaint filed in the California Superior Court for Marin County. Subsequently, several other similar actions were filed in California Superior Courts for other counties, naming a total of 48 defendants, including the Company. The complaints in all of these cases allege that each of the defendants has engaged in false or misleading advertising with regard to the size of computer monitor screens. The plaintiffs seek restitution in the form of refunds or product exchange, damages, punitive damages and attorneys' fees. The California Judicial Council, in December 1995, ordered all of these similar cases consolidated for proceedings up to and including trial and, in January 1996, appointed a single trial judge for the consolidated proceeding. The judge has ordered all proceedings stayed until March 29, 1996, when a status conference is scheduled. The Company plans to vigorously contest the allegations of the complaints. This litigation is currently at a preliminary stage and no discovery has occurred. Thus, it is too early for the Company to adequately evaluate the likelihood of the plaintiffs' prevailing on their claims. There can be no assurance that an adverse determination in this litigation would not have a material adverse effect on the Company's financial condition or results of operations.

In June 1995, the Company was served with a class action complaint filed in State District Court in Travis County, Texas. The complaint alleges that the Company has included "used parts" in its "new" computer systems and has failed to adequately inform its customers and prospective customers of that practice. According to the complaint, these facts constitute fraud, negligent misrepresentation, breach of contract and breach of warranty. The plaintiffs seek refund of the purchase price for computer systems purchased from the Company, damages in an unspecified amount, injunctive relief, interest and attorneys' fees. The Company plans to vigorously contest the allegations of the complaint. This litigation is currently at a preliminary stage, and no discovery has occurred. Thus, it is too early for the Company to adequately evaluate the likelihood of the plaintiffs' prevailing on their claims. There can be no assurance that an adverse determination in this litigation would not have a material adverse effect on the Company's financial condition or results of operations.

Certain Concentrations - All of the Company's foreign exchange and interest rate derivative instruments involve elements of market and credit risk in excess of the amounts recognized in the financial statements. The counterparties to financial instruments consist of a number of major financial institutions. In addition to limiting the amount of agreements and contracts it enters into with any one party, the Company monitors its positions with and the credit quality of the counterparties to these financial instruments. The Company does not anticipate nonperformance by any of the counterparties.

The Company has business activities with large corporate, government, medical and education customers, small-to-medium businesses and individuals and value-added resellers. Its receivables from such parties are well diversified. The Company places its marketable securities with high quality financial institutions and other companies and currently invests primarily in equity securities and debt instruments that have maturities of less than three years. The Company's receivables, marketable securities and financial instruments holdings are subject to potential credit risk. However, in management's opinion, no significant concentration of credit risk exists for the Company. There can be no assurance that the credit quality of the financial institutions with which the Company invests or transacts business will be stable or that efforts to diversify receivables, investments or financial instrument holdings will prevent the Company from incurring material losses.

The Company purchases a significant number of components from single sources. In some cases, alternative sources of supply are not available. In other cases, the Company may establish a working relationship with a single source, even when multiple suppliers are available, if the Company believes it is advantageous to do so due to performance, quality, support, delivery, capacity or price considerations. Key components currently obtained from single sources include certain of the Company's displays, application specific integrated circuits and other custom chips, microprocessors, unconfigured base notebook computers and lithium ion batteries used in certain of the Company's notebook computers. Additionally, the Company often initially uses custom components obtained from a single source in its new products until it has determined whether there is a need for additional suppliers. If the supply of a critical single-sourced material or component were delayed or curtailed, the Company's ability to ship the related product in desired quantities and in a timely manner could be adversely affected. Even where alternative sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which could affect operating results adversely.

Note 12 - Other Charges

During the first half of fiscal 1994, the Company re-evaluated and subsequently canceled its existing notebook product line, recording more than $39 million of charges due to the notebook inventory write-downs, and delayed and canceled notebook projects. The Company re-entered the notebook computer market with a phased approach beginning with the introduction, on February 21, 1994, of the 486-based Dell Latitude family of notebook computers.

During the first half of fiscal 1994, the Company also recorded $29 million of other costs, consisting of $14 million of inventory write-downs due to excess components, $12 million of costs incurred for the cancellation of certain contracts and a $3 million reserve established for litigation in connection with a stockholder suit. The inventory write-downs and the cancellation charges arose from the Company's determination that certain products and inventory were excess or obsolete because the products were scheduled to be replaced with newer products or because the Company otherwise had lowered its estimates of expected demand for materials in inventory or under outstanding purchase commitments.

During the first half of fiscal 1994, the Company recorded $23 million for the costs of restructuring certain of its operations. The charge included $10 million for asset write-downs, $8 million related to the consolidation of operations and $5 million for employee severance payments. Most of these restructuring charges were associated with consolidating certain common functions in the European subsidiaries and creating regional business units. Approximately 60% of these charges were cash provisions, approximately half of which were incurred in fiscal 1994. During fiscal 1995, the Company completed certain of the consolidations and closure of a subsidiary. There were no reserves for restructuring remaining at January 29, 1995.

Note 13 - Geographic Area Information
The Company operates in one principal business segment across geographically diverse markets. The Americas region includes the United States, Canada and Latin America. Substantially all of Americas operating results and identifiable assets are in the United States. Transfers between geographic areas are recorded using internal transfer prices set by the Company. Certain prior year amounts have been reclassified to separately reflect general corporate expenses and assets and to allocate the operating results and assets of the Company's product development group to the geographic regions. In prior years, the operating results and assets of both the general corporate operations and the product development group were included in the Americas region.

	Fiscal Year 1996				
	Americas	Europe	Asia Pacific and Japan	Elimination	Consolidated
			(in millions)		
Sales to unaffiliated customers	$3,474	$1,478	$344	$ -	$5,296
Transfers between geographic areas	66	192	-	(258)	-
Total Sales	$3,540	$1,670	$344	$(258)	$5,296
Operating income (loss)	$ 285	$ 171	$ (21)	$ -	$ 435
Corporate expenses, net					(58)
Total operating income					$ 377
Identifiable assets	$ 867	$ 409	$ 123	$ -	$ 1,399
General corporate assets					749
Total assets					$ 2,148

	Fiscal Year 1995				
	Americas	Europe	Asia Pacific and Japan	Elimination	Consolidated
			(in millions)		
Sales to unaffiliated customers	$ 2,400	$ 953	$ 122	$ -	$ 3,475
Transfers between geographic areas	35	129	-	(164)	-
Total sales	$ 2,435	$ 1,082	$ 122	$ (164)	$ 3,475
Operating income (loss)	$ 174	$ 123	$ (2)	$ -	$ 295
Corporate expenses, net					(46)
Total operating income					$ 249
Identifiable assets	$ 638	$ 286	$ 43	$ -	$ 967
General corporate assets					627
Total assets					$ 1,594

Fiscal Year 1994					
	Americas	Europe	Asia Pacific and Japan	Elimination	Consolidated
			(in millions)		
Sales to unaffiliated customers	$2,037	$782	$54	$ -	$2,873
Transfers between geographic areas	35	109	-	(144)	-
Total Sales	$2,072	$891	$54	$(144)	$2,873
Operating income (loss)	$ 18	$ (15)	$ (5)	$ -	$ (2)
Corporate expenses, net					(37)
Total operating income					$ (39)
Identifiable assets	$ 512	$ 198	$ 14	$ -	$ 724
General corporate assets					416
Total assets					$ 1,140

Note 14 - Supplemental Consolidated Financial Information

	Jan. 28, 1996	Jan. 29, 1995
	(in millions)	
Supplemental Consolidated Statement of Financial Position Information		
Accounts receivable:		
Gross accounts receivable	$755	$564
Allowance for doubtful accounts	(29)	(26)
	$726	$538
Inventories:		
Production materials	$390	$262
Work-in-process and finished goods	39	31
	$429	$293
Other current assets:		
Deferred premiums and other foreign exchange contracts	$ 71	$ 20
Deferred income taxes	67	78
Other	18	14
Property, plant and equipment		
Land and buildings	$ 92	$ 42
Computer equipment	92	73
Office furniture and fixtures	26	23
Machinery and other equipment	45	36
Leasehold improvements	37	34
Total property, plant and equipment	292	208
Accumulated depreciation and amortization	(113)	(91)
	$179	$117
Accrued and other liabilities:		
Royalites and licensing	$51	$35
Accrued compensation	52	35
Accrued warranty costs	78	66
Taxes other than income taxes	76	40
Deferred profit on warranty contracts	67	22
Book overdrafts	59	44
Other	90	107
	$473	$349

	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
		(in millions)	
Supplemental Consolidated Statement of Operations Information			
Research, development and engineering expenses:			
Research and development expenses	$ 51	$ 39	$ 36
Engineering expenses	44	26	13
	$ 95	$ 65	$ 49
Financing and other income (expense), net:			
Investment income (loss), net:			
Marketable securities	$ 25	$ (7)	$ 9
Investment derivatives	-	(24)	5
Investment expense	(15)	(12)	(9)
Foreign currency transactions	(1)	3	1
International year-end transition	-	6	-
Other	(3)	(2)	(6)
	$ 6	$ (36)	$ -
Weighted average shares used to compute earnings (loss) per common share:			
Primary	97.1	83.1	74.7
Fully diluted	98.7	94.6	-

	Fiscal Year Ended		
	Jan. 28, 1996	Jan. 29, 1995	Jan. 30, 1994
		(in millions)	
Supplemental consolidated Statement of Cash Flows Information			
Changes in operating working capital accounts:			
Accounts receivable, net	$ (184)	$ (117)	$ (45)
Inventories	(138)	(72)	82
Accounts payable	59	129	(4)
Accrued and other liabilities	126	80	66
Other, net	(46)	(23)	(2)
	$ (183)	$ (3)	$ 97
Changes in non-current assets and liabilities:			
Other assets	$ (5)	$ (2)	$ 1
Other liabilities	43	41	16
	$ 38	$ 39	$ 17
Supplemental cash flow information:			
Income taxes paid	$ 117	$ 57	$ 7
Interest paid	$ 17	$ 10	$ 5

Non-cash investing and financing activities:

During fiscal 1996, 1.19 million shares of Convertible Preferred Stock were converted into 10 million shares of Common Stock. See Note 7 - Preferred Stock. Additionally, the Company issued Common Stock in conjunction with restricted stock grants and for its matching contributions to the 401(k) plan. See Note 9 - Employee Benefit Plans.

Note 15 - Quarterly Results (unaudited)
The Company believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The following tables contain selected unaudited Consolidated Statement of Operations and stock price data for each quarter of fiscal 1996 and 1995. All share and per share information has been retroactively restated to reflect the two-for-one split of the Common Stock in October 1995. See Note 8 - Common Stock. See "Principles of Consolidation" in Note 1 for a discussion regarding the Company's transition to a common reporting date in fiscal 1995 and the impact of such transition on the Company's fourth quarter results for fiscal 1995. The operating results for any quarter are not necessarily indicative of results for any future period.

	Fiscal Year 1996			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	(in millions, except per share data)			
Net sales	$ 1,539	$ 1,415	$ 1,206	$ 1,136
Gross margin	278	290	263	236
Operating income	94	104	91	88
Net income	70	75	65	62
Earnings per common share:				
Primary	.70	.75	.66	.55
Fully diluted	.70	.75	.66	.53
Weighted average shares used to compute earnings per common share				
Primary	99.4	100.1	98.2	90.5
Fully diluted	99.8	101.0	99.2	97.5
Stock sales prices per share:				
High	49 3/8	47 13/16	35 1/16	27 7/16
Low	23	31	24 1/4	19 3/4

	Fiscal Year 1995			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	(in millions, except per share data)			
Net sales	$ 1,033	$ 884	$ 791	$ 767
Gross margin	217	181	170	170
Operating income	79	59	51	60
Net income	60	41	29	19
Earnings per common share:				
Primary	.68	.47	.32	.21
Fully diluted	.63	.43	.31	-
Weighted average shares used to compute earnings per common share				
Primary	85.7	84.2	81.2	80.6
Fully diluted	96.2	95.7	92.1	-
Stock sales prices per share:				
High	23 7/8	22	15 3/8	15 1/16
Low	18 3/8	13 3/4	10 3/4	9 9/16

Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per common share may not equal the annual earnings per common share.

Report of Independent Accountants

To the Board of Directors and Stockholders of Dell Computer Corporation

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Dell Computer Corporation and its subsidiaries at January 28, 1996 and January 29, 1995, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Austin, Texas
February 19, 1996

Corporate Information

Dell Computer Corporation Board of Directors

Michael S. Dell
Chairman and Chief Executive Officer
Dell Computer Corporation

Donald J. Carty
President
American Airlines, Inc.
Executive Vice President
AMR Corporation (2,3)

Paul O. Hirschbiel, Jr.
Vice President
Prudential Equity Investors, Inc. (2)

Michael H. Jordan
Chairman and Chief Executive Officer
Westinghouse Electric Corporation (4)

Dr. George Kozmetsky
Executive Associate for Economic Affairs
The University of Texas System (1,3)

Thomas W. Luce III
Senior Partner
Hughes & Luce, L.L.P. (3)

Klaus S. Luft
Owner and President
MATCH - Market Access for Technology
Services GmbH (2)

Claudine B. Malone
President
Financial & Management Consulting, Inc. (2,4)

Michael A. Miles
Former Chairman and Chief Executive Officer
Philip Morris Companies, Inc. (1,4)

Committees of the Board
(1) Nominating Committee
(2) Finance Committee
(3) Audit Committee
(4) Compensation Committee

Dell Computer Corporation Executive Officers

Michael S. Dell
Chairman of the Board and Chief
Executive Officer

Morton L. Topfer
Vice Chairman

Hiroshi Fukino
Vice President, General Manager - Japan

Thomas B. Green
General Counsel and Secretary

Eric F. Harslem
Senior Vice President, Product Group

Phillip E. Kelly
Vice President, General Manager - Asia Pacific

John C. Medica
Vice President, Chief Operating Officer - Japan

Thomas J. Meredith
Senior Vice President, Finance and
Information Systems and Chief Financial Officer

Martyn R. Ratcliffe
Senior Vice President, General Manager - Europe

Kevin B. Rollins
Senior Vice President, Corporate Strategy

Julie A. Sackett
Vice President, Human Resources

Alex C. Smith
Vice President, Treasurer

Catherine P. Thompson
Vice President, Corporate Controller

Corporate Information

Independent Accountants
Price Waterhouse LLP
Austin, Texas

Common Stock
Dell's common stock is traded on The Nasdaq National Market under the symbol DELL. For information on market prices of Dell's common stock, see Note 15 of Notes to Consolidated Financial Statements. As of March 22, 1996, there were approximately 3,500 holders of record of the companyÕs common stock.

Company Information
If you have questions about Dell's operations, financial results or historical performance, or if you wish to receive previous annual reports or other company information, please contact:

Investor Relations
Dell Computer Corporation
2214 West Braker Lane, Suite D
Austin, Texas 78758-4053
(512) 728-8315

Dell World Wide Web server address:
http: //www.dell.com

Copies of the Dell annual report and Form 10-K (without exhibits) for the fiscal year ended January 28, 1996, are available without charge.

Stock Information
If you have questions about stock certificates, change of address, consolidation of accounts, transfer of ownership or other stock matters, please contact Dell's stock transfer agent:

American Stock Transfer and Trust Company
40 Wall Street
New York, New York 10005
(718) 921-8200

Dividend Information
The company has never paid cash dividends on its common stock. The company intends to retain earnings for use in its business and, therefore, does not anticipate paying any cash dividends on common stock for at least the next twelve months. In addition, the terms of the indenture governing the company's outstanding senior notes limit "restricted payments" by the company, which include cash dividends.

Annual Meeting
The annual meeting of stockholders of Dell Computer Corporation will be held at 9:00 a.m. on Friday, July 12, 1996, at the Four Seasons Hotel, 98 San Jacinto Blvd., Austin, Texas.

Dell Computer Corporation is proud to be an Equal Opportunity/Affirmative Action Employer.

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Fax: 852-2887-2040

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Dell Computer Corporation K.K.
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Fax: 81-3-5466-4585

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Austria Tel: 43-2243-34100-0 Fax: 43-2243-34100-11	FRANCE: Customer Service Center Dell Computer S.A. 1028 Rue de Vielle Post 3400 Montpellier France Tel: 33-6706-6000 Fax: 33-6706-6001	MALAYSIA: Computer Direct Sdn. 8805 HLA Building Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Tel: 60-3-201-8481 Fax: 60-3-201-8482	POLAND: Dell Computer Poland Sp.z.o.o 69 Fabiarska St. 02-800 Warsaw Poland Tel: 48-22-202-662 Fax: 48-22-204-584
BELGIUM & LUXEMBOURG: Dell Computer NV Doornveld 1, B 15 1731 Asse-Zellik Belgium Tel: 32-2-466-91-99 Fax: 32-2-466-47-89	GERMANY: Dell Computer G.m.b.H. Monzastr. 4 D-63225 Langen Germany Tel: 49-6103-971-0 Fax: 49-6103-971-701	MALAYSIA: Asia Pacific Customer Center Computer Direct Sdn. Lot 27 Bayan Lepas Industrial Zone Phase IV 11900 Penang Malaysia Tel: 60-4-810-4888 Fax: 60-4-642-5433	SINGAPORE: Dell Computer Asia Pte. Ltd. 913 Bukit Timah Road #02-00 Dell Building Singapore 589623 Tel: 65-463-6528 Fax: 65-468-0523
CANADA: Dell Computer Corporation 255 Consumers Road, Ste. 240 North York, Ontario Canada M2J IR4 Tel: 416-758-2100 Fax: 416-758-2305	HONG KONG: Dell Computer Asia Ltd. Suite 2204-7, Fortress Tower 250 KingÕs Road, North Point Hong Kong Tel: 852-2508-0500 Fax: 852-2887-2040	MEXICO: Dell Computer de Mexico, S.A. de C.V. Blvd. M. de Cervantes Saavedra 61 Colonia Granda 11520 Mexico, D.F. Tel: 525-228-7800 Fax: 525-228-7840	SOUTH AFRICA: Dell Computer (Pty) Ltd. 3 Sturdee Avenue Rosebank 2196 Johannesburg South Africa Tel: 2711-447-7567 Fax: 2711-447-7549
CHINA: Dell Computer Corporation Beijing Representative Office Apartment 1601-1602 Beijing Yanshan Hotel 138A Haidan Road Beijing 100086 PRC Tel: 86-10-2563388 Ext. 1602 Fax: 86-10-2564849	IRELAND: Dell Products (Europe) B.V. Raheen Industrial Estate Limerick Ireland Tel: 353-61-304091 Fax: 353-61-304090	MEXICO: Dell Computer de Mexico, S.A. de C.V. Calle 2, Manzana 6 Lote I I Parque Industrial Toluca 2000 Mexico 50200 Tel: 525-228-7888 Fax: 525-228-7840	SPAIN: Dell Computer S.A. San Severo s/n Barajas Park Madrid Spain 28042 Tel: 34-1-329-10-80 Fax: 34-1-329-26-10
CZECH REPUBLIC: Dell Computer SRO Osadni 12a Prague 7- Holesovice PCN 17004 Czech Republic Tel: 42-2-879250 Fax: 42-2-808237	IRELAND: Customer Service Center Dell Direct Boghall Road Bray Co. Wicklow Republic of Ireland Tel: 353-1-286-0500 Fax: 353-1-286-6915	NETHERLANDS: Dell Computer B.V. Zekeringstraat 45B 1014 BP Amsterdam The Netherlands 23 Tel: 31-20-5818818 Fax: 31-20-6812751	SWEDEN: Dell Computer AB Kanalvagen 8, Box 709 S - 194 27 Upplands Vasby Sweden Tel: 46-08-590 05 100 Fax: 46-08-590 737 89

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