This report was manufactured entirely with non-polluting, 100 percent Green-e certified wind energy and printed on 10 percent post-consumer recycled paper.
Fiscal-year ended

<table>
<thead>
<tr>
<th></th>
<th>Feb. 3, 2006</th>
<th>Jan. 28, 2005</th>
<th>% growth rates</th>
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<tr>
<td>Net revenue</td>
<td>$55,990</td>
<td>$48,205</td>
<td>14%</td>
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<tr>
<td>Non-GAAP gross margin</td>
<td>$10,380</td>
<td>$9,015</td>
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<tr>
<td>GAAP gross margin</td>
<td>$9,950</td>
<td>$9,015</td>
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<tr>
<td>Non-GAAP operating income</td>
<td>$4,261</td>
<td>$4,204</td>
<td>1%</td>
</tr>
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<td>$1.56</td>
<td>$1.29</td>
<td>19%</td>
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<tr>
<td>GAAP earnings per common share</td>
<td>$1.40</td>
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<tr>
<td>Weighted average shares</td>
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<tr>
<td>Total cash and investments</td>
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<td>Total assets</td>
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<tr>
<td>Total liabilities</td>
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<td>$17,325</td>
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<tr>
<td>Total stockholders' equity</td>
<td>$4,129</td>
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Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

Statement of the company's business and prospects is contained in the company's periodic filings with the U.S. Securities and Exchange Commission. Additional discussion of these and other factors affecting the company's results in future periods may include non-GAAP to GAAP reconciliation for fiscal 2006 and 2005, see the "Itemized Reconciliation of GAAP to Non-GAAP Results" set forth in Exhibit 99.1 to Dell's current report on Form 8-K filed on Feb. 16, 2006. This current report on Form 8-K is accessible through Dell's Investor Relations Web site at www.dell.com/investor, or at the SEC's Web site at www.sec.gov.

©Dell Inc.
To our Customers, Partners, Shareholders and Colleagues:

In fiscal 2006, Dell continued to outpace the industry worldwide and in every region where we compete — achieving company records for shipments, revenue, operating income and earnings per share.

Each milestone resulted from the global execution of our direct business model. It continues to give us a one-of-a-kind ability to listen to millions of customers daily, deliver what each defines as value and provide a superior experience.

No other technology company can rival Dell’s know-how for gathering volumes of customer feedback, turning it over to accomplished, innovative teams of professionals across our business or in collaboration with strategic partners and delivering relevant technologies that meet or exceed customer expectations.

More than ever, customers of all sizes, vertical markets, product segments and geographic locations chose Dell as a trusted partner. Unit shipments grew 19 percent to 37 million for the year, including more than 10 million systems in our fourth quarter alone — a milestone achievement in our industry.

Overall revenue increased a healthy 14 percent, to $56 billion, with our non-U.S. operations fueling the fastest growth, increasing from 40 to 43 percent, an all-time high.

We are proud of the progress Dell has made in our first 22 years as a company. In fact, we view the company as just beginning to make its mark. We are confident that we are best positioned to grow and gain an even larger share of our $1.4-trillion industry in the years ahead.

The priorities resulting from our customer-focused approach are defined by Dell’s four, multi-year strategic corporate initiatives: driving Global Growth, achieving Product Leadership, enhancing the Customer Experience and developing our Winning Culture.
GLOBAL GROWTH

Worldwide, Dell strengthened its position as the No. 1 provider of computer systems. We widened our lead by working with integrity and an intense sense of responsibility to all of our stakeholders, including customers, investors, partners and ourselves.

Due to the tremendous drive and dedication of the Dell team, we have gained share every year since 1995 in almost every customer segment and product category in each of our top 15 countries. It is clear that our model is being embraced throughout the world.

Annual revenue in the Europe, Middle East and Africa region was up 19 percent and 21 percent in Asia-Pacific and Japan. Sales in the Americas were up 11 percent, with the countries outside the U.S. increasing revenue 31 percent.

Due to the tremendous drive and dedication of the Dell team, we have gained share every year since 1995 in almost every customer segment and product category in each of our top 15 countries.

To demonstrate our confidence in our direct model as the blueprint for success wherever we do business — and our commitment to continued growth — Dell opened or announced new facilities in Germany, Scotland, Ireland, India, El Salvador, Canada, Japan, China, the Philippines and the U.S.

These facilities include: a more than $100-million, state-of-the-art manufacturing plant in Winston-Salem, N.C., our largest; 10 additional Dell Customer Contact Centers in North America, Europe and Asia; a Dell Design Center in Singapore and a Dell Enterprise Command Center in Malaysia to increase support for our corporate customers in South Asia.

In China, where our products are available in more than 2,000 cities, shipments increased 37 percent, and we doubled our manufacturing capacity in Xiamen. Dell is poised for break-out growth in China, a country that is rapidly embracing the direct model as Internet usage continues to boom.

We also continued to invest in www.dell.com, one of the world’s highest-revenue Web sites. Handling 428 million visits in our fourth quarter, Dell.com is a showcase of our enterprise-class technologies at work.

PRODUCT LEADERSHIP

From the data center to the digital home, Dell continued to demonstrate product leadership. We view this strategic initiative as bringing to market what customers want, when they want it and at a level of value they consider to be unparalleled.

Dell’s direct relationships with customers, suppliers and partners provided insight that resulted in products and services tailored to individual needs. By designing and innovating around standards and simplifying enterprise offerings such as network servers, storage systems and enhanced services, Dell made it easier to acquire, deploy and manage information technology. This approach resulted in Dell providing products to nearly 90 percent of the Fortune 500 and the creation of many new and mutually valued enterprise partnerships. It also enabled us to earn prestigious supplier-of-the-year awards from excellence-driven customers such as Boeing and DaimlerChrysler.
Shipments of Dell PowerEdge servers increased 24 percent, and we set an industry record for x86 servers shipped annually in the U.S. We enhanced this line and our workstations with dual-core technology, resulting in record performance gains of more than 50 percent. Dell was the industry’s fastest-growing storage vendor, based on a combination of Dell PowerVault and Dell/EMC products that posted revenue growth of 38 percent. Innovations resulting from our four-year collaborative relationship with EMC have driven networked-storage costs down by 91 percent.

Demand for server and storage products helped increase revenue growth for Dell’s enhanced services by 33 percent.

Our enhanced services, which help customers plan, implement and manage their information-technology infrastructures, grew to represent about 9 percent of overall revenue. When combined with our enterprise products, Dell services helped enable even more success and customer satisfaction in the data center.

Customers continued to shift from desktops to mobility products, a move driven by the increasing flexibility of wireless Internet access. Dell remained at the vanguard of this phenomenon, leading the industry in worldwide notebook shipments, which increased 43 percent.

Dell also extended its premium XPS brand of consumer desktops and notebooks that offer the ultimate in performance and service for home entertainment.

Revenue for imaging products was up 33 percent as we shifted our focus from single-function inkjets to color laser and all-in-one inkjet printers. Consumable revenue continued to grow, driving stronger profitability. Software and peripherals also enhanced our profitability.

CUSTOMER EXPERIENCE

Another strategic pillar is customer experience. At Dell, an exceptional customer experience begins with product leadership. And it continues long after the sale as we strive to instill satisfaction, trust and loyalty with each customer contact. Sustaining that continuum has been integral to our success.

Industry awards such as coming out atop PC Magazine’s annual desktop satisfaction survey 14 of the past 15 years are meaningful, and we congratulate our teams for earning more than 200 product and service awards in fiscal 2006. But nothing is more important to preserving and enhancing our reputation than continual self-measurement. We know first-hand how customers perceive our performance and, as their needs and expectations evolve, continue to make timely investments to ensure we nurture their trust and loyalty.

We improved Dell’s overall customer experience considerably in fiscal 2006, including a decline in the rate of service contacts measured against systems under warranty. We enhanced products and services, reduced organizational complexity and made substantial investments in capacity, technology and people — from new customer contact centers and an innovative remote software tool called TechConnect to 2,500 additional Dell on Call service professionals.
In Dell-like fashion, we also set even higher customer satisfaction goals for ourselves going forward. At Dell, we are committed to empower employees to do their job right the first time, and to take personal ownership for being the reason customers choose and come back to Dell.

We improved Dell’s overall customer experience considerably in fiscal 2006, including a decline in the rate of service contacts measured against systems under warranty.

WINNING CULTURE

The combination of a superior global team, a uniquely positive working experience and the best business model in our industry is an important differentiator for Dell. We call it our winning culture.

We continued to successfully recruit and develop a diverse workforce of individuals who thrive on our fast-paced meritocracy, customer commitment as well as higher standards for integrity and ethical behavior. In fiscal 2006, more than 10,000 new team members joined the company.

We are also pleased to report that Dell, thanks to a company of individual leaders who make a difference in their communities, strengthened its leadership in corporate responsibility. Last year, almost 30,000 team members — approaching half of our workforce — volunteered during Global Community Involvement Month to enrich the lives of those less fortunate.

The Dell TechKnow program, an initiative to help underserved students become more competitive in a global economy, marked its 10,000th graduate.
At Dell, being a great global company includes demonstrating environmental responsibility. We offered customers around the world services to responsibly reuse or recycle end-of-life computers. We also exceeded our worldwide goal by recovering more than 40,000 tons of materials for reuse or recycling from customers and other sources. And well in advance of an upcoming European Union directive, we introduced OptiPlex desktop systems with lead-free motherboards and power supplies.

There is much to recognize in the past year. But if we step back, it is clear that each achievement demonstrated our ability to adapt and meet challenges, and validated the advantaged way we do business.

Last year, almost 30,000 team members—approaching half of our workforce—volunteered during Global Community Involvement Month to enrich the lives of those less fortunate.

We continue to reaffirm the tenets of our direct model: direct customer relationships; information over inventory; world-class manufacturing; superior customer information and execution excellence. It brought us to where we are, and will continue to guide us as we drive performance and growth—and accomplish what truly matters for our customers.

Michael S. Dell
Chairman of the Board

Kevin B. Rollins
President and Chief Executive Officer
ASIA-PACIFIC AND JAPAN
Regional highlights

Region grew more than double the rate of the rest of the industry
Company shipments increased 30 percent and revenue rose 21 percent
Added second manufacturing facility in Xiamen, China, doubling capacity
Server and networking shipments increased 28 percent

CHINA
Unit Shipment Growth

37%

63%

JAPAN
Increase in Enhanced Services

Asia-Pacific and Japan Growth
In Product Shipments (cumulative change)
ASIA-PACIFIC AND JAPAN REVIEW

Dell’s direct model is a winning business approach in Asia-Pacific and Japan (APJ) and has earned the company top spots in leading customer satisfaction surveys, including Nikkei Computer magazine and the China Center for Information Industry Development.

Since our 1993 entry to the region, Dell has become the largest non-domestic computer provider in China and No. 3 overall in Japan.

China, now our fourth-largest business outside the U.S., ranks among the best of Dell’s many international success stories. This year, we added a second manufacturing facility in Xiamen, doubling capacity for China’s rapidly growing customer base and enabling the company to become the first in our industry to ship more than 10 million units worldwide in a single quarter.

Almost 20,000 APJ employees engage in direct contact with large corporate accounts, small businesses, public institutions and consumers within the region and around the world. Engineers in Dell Design Centers in China, India, Singapore and Taiwan innovate new products and features while further enhancing our leading quality; representatives in Enterprise Command Centers in China, Malaysia and Japan help mission-critical customer operations, especially server and storage networks, run without interruption and sales teams personally interact with customers every day to identify and meet their unique information-technology needs.

Dell continues to grow faster than the industry in APJ, a region that is becoming even more integral to Dell’s future success. This past year, company shipments increased 30 percent and revenue rose 21 percent.

View Video

Printer sales have helped Dell grow its software and peripheral business in the Asia-Pacific and Japan region by 57 percent.
Dell’s unique ability to provide direct relationships for customers remains a powerful differentiator for our business in APJ. Customers of all sizes and types are realizing the benefits of Dell’s strategy to provide best-performing, best-value standards-based technologies.

In China, ZTE Corporation, a leading global provider of fixed line and mobile telecommunications equipment and network solutions, is an example of how businesses benefit from standards-based technology purchased from Dell. ZTE works with our teams to build and maintain its data center with Dell products that ZTE can add as it grows its own business.

The High Energy Research Accelerator Organization (KEK), Japan’s national laboratory for particle and nuclear physics as well as materials science using high-energy accelerators, has built one of the country’s largest standards-based high-performance computer clusters using Dell PowerEdge blade servers.

Based on superior quality and ease of deployment, Australia and New Zealand Banking Group Ltd., one of Australasia’s leading financial institutions, has standardized significant parts of its computing infrastructure on Dell products ranging from servers and workstations to customized mobile and desktop systems.

These examples attest to the success of Dell’s customer-focused direct model in all countries and across all types of customers, products and services. Company shipments in APJ grew at more than twice the rate of the rest of the industry, and were led by those of notebook computers, which were up 48 percent.

“We’ve come to rely on Dell\|EMC storage-area network products and services — a decision that makes a big difference for system reliability, performance and flexibility. Excellent service, support and quality products are key reasons we continue to build upon our relationship with Dell.”

Siriporn Kullerprasert
Corporate GLOBE Manager,
Nestlé Indochina
EUROPE, MIDDLE EAST AND AFRICA
Regional highlights

Region represents 23 percent of Dell’s overall business with $12.9 billion in sales
Enhanced services is region’s fastest-growing business with 61 percent growth
Storage revenue rose 35 percent for the year
Unit shipments increased 28 percent in the region

GERMANY
Revenue Growth
24%

FRANCE
Notebook Shipment Growth
47%

UNITED KINGDOM
Notebook Shipment Growth
No.1

Europe, Middle East and Africa Growth
In Product Shipments (cumulative change)
EUROPE, MIDDLE EAST AND AFRICA REVIEW

Preference for Dell’s direct way of doing business is unmistakable across all regions and customer groups. Each day, more than 13,000 employees are serving Dell’s growing customer base of businesses and institutions of all sizes and consumers throughout Europe, Middle East and Africa (EMEA), now the world’s largest personal computer market.

Dell began its global expansion in 1987 with offices in Bracknell, Berkshire, U.K., and has grown this location into the regional headquarters for EMEA operations. Today, the company is the leading personal computer systems manufacturer in the U.K. and the region’s No. 2 provider.

And we continue to expand. New customer contact centers in Glasgow, Scotland, and Halle, Germany, add to Dell’s global network to support customers from all geographies around the clock, every day. Teams in Dell’s new Enterprise Command Center in Limerick, Ireland, ensure non-stop operation of customers’ mission-critical business systems, helping the company earn numerous service awards and rank among the top in Financial Times’ list of the world’s most respected IT companies.

EMEA represented 23 percent of Dell’s overall business, generating $12.9 billion in revenue in fiscal 2006 and helping drive Dell’s success outside the U.S.

▶ View Video
Dell’s success in EMEA is led by growth in countries such as Germany, where we’ve more than doubled share in the last five years, and France, our fifth-largest business outside the U.S., where Dell has become the leading provider of commercial notebook and desktop computers.

The U.K.’s Middlesex University exemplifies how Dell services can help higher education institutions manage thousands of desktops, notebooks and printers, freeing more time to focus on other operations. Enhanced services is Dell’s fastest-growing business in EMEA, experiencing 61 percent growth during fiscal 2006.

The multinational health care company, bioMérieux, based in France, specializes in diagnosis systems that measure, identify and quantify bacteria and viruses. The company operates in 130 countries and relies on Dell PowerVault and Dell|EMC storage systems to manage its data volumes, which increase about 120 percent annually.

Businesses and organizations of any size can experience the advantages of Dell’s direct contact. One mid-sized customer, Coppenrath & Wiese GmbH & Co. KG, Germany’s leading confectionery and provider of baked goods, uses Dell|EMC storage systems and PowerEdge servers to manage data and comply with national health regulations.

Mutually successful relationships such as these and many others have helped Dell’s EMEA operations flourish and rank among Handelsblatt’s list of most popular employers in Germany.

“Dell provides us with the enhanced services we need to ensure our staff and students have the best technology available to help support the learning environment.”

Paula Vickers
Head of Computing and Communications Systems Services,
Middlesex University
Region generated more than $36.4 billion in sales, equivalent to a Fortune 50-size company.

Dell climbed to No. 2 in laser printers in the U.S. after only three years in the category.

Countries outside the U.S. increased revenue by 31 percent.

Storage revenue grew 40 percent in the region.

**CANADA**
Revenue Growth: 24%

**UNITED STATES**
All customer segments, product categories

**BRAZIL**
Revenue Growth: 84%

**AMERICAS**
Regional highlights
What started in the U.S. more than 20 years ago as a better way of doing business — selling directly to customers with no middleman — continues to fuel Dell’s success in the Americas and beyond.

Corporations large and small, public institutions and individual consumers partner with Dell’s more than 31,000 employees working throughout Canada, the U.S. and Central and South America to configure, deploy and support the world’s best standards-based products.

Dell builds one out of every three systems sold in the U.S. Direct relationships, product leadership and a superior experience are among the top reasons customers continue to choose Dell, making us No. 1 in all U.S. product categories and customer segments in which we compete for the last two years.

And we continue to win customers in Canada, where we’ve increased our share of shipments of standards-based systems by more than 97 percent since 2001.

In fiscal 2006, Dell expanded its Americas operations with customer contact centers in Canada, El Salvador and the U.S., and opened its largest manufacturing facility in Winston-Salem, N.C.

Our continued investment in the region helped the Americas team generate more than $36.4 billion in sales this year, equivalent to the size of a *Fortune* 50 company.

› View Video
Companies choose Dell for the products and services to help them succeed and, in many cases, broaden their global reach.

The DuPont Company, located in more than 70 countries worldwide, selected Dell as its corporate technology standard for desktops and notebooks. Dell servers, DellEMC storage and supporting services are also used by DuPont. All of these products and services help provide 60,000 DuPont employees with the scalability needed to continue to develop new chemical, material and energy solutions that enhance people’s everyday lives.

And in the growing field of health care, Dell helps customers like Hospital Corporation of America (HCA), the leading provider of health care services in the U.S., provide better patient care in 190 hospitals and 200 outpatient centers nationwide. By standardizing on Dell desktops and notebooks and relying on Dell servers and printers, Dell helps HCA control its costs while working to improve the quality of health care.

As a company with unsurpassed global reach, FedEx Corporation deploys Dell technology to help manage the flow of information worldwide. Thousands of FedEx employees use Dell products every day — from notebook and desktop computers that aid sales and customer service representatives to the servers behind FedEx Kinko’s operations.

Worldwide service and delivery teams are important reasons these customers and other enterprises do business with Dell, and have made us the leading standards-based technology provider in the region for the past six years.

“Dell products play an important part in the FedEx information network. By connecting digital information with physical goods, FedEx is changing what’s possible for our customers around the world.”

Frederick W. Smith
Chairman, President and Chief Executive Officer,
FedEx Corporation
PRODUCTS AND SERVICES

Server and Storage Systems. Dell’s standards-based PowerEdge servers are designed to provide customers affordable performance, reliability and scalability. Options include high performance rack, tower and blade servers for enterprise customers and aggressively priced tower servers for small organizations and workgroups/remote locations. OpenManage systems management software makes it easy to deploy, manage and monitor servers from any location. PowerVault and Dell/EMC are comprehensive storage product portfolios that allow customers to cost-effectively store, serve and protect data. The lines include external storage, tape-backup products, network-attached storage, Fibre-Channel arrays, storage-area networks and rack solutions. PowerConnect switches, which connect computers and servers in small- to medium-sized networks, offer customers enterprise-class features and reliability at a low cost.

Why Choose Dell Servers

Enhanced Services. Dell’s focus on Information Technology Infrastructure Services — the planning, implementation and maintenance of systems and the environment in which they operate — makes services more repeatable, predictable and efficient. Reduced variability in service delivery means better quality and value for customers. Dell’s seven service suites help customers choose the services they need. Those suites include: Assessment Design and Implementation, Deployment Services, Asset Recovery and Recycling, Training, Enterprise Support, Client Support and Managed Lifecycle Services.

Dell Brings Pure Execution to Services

Printers. Dell printers range from photo all-in-one printers for consumers to multi-function and color lasers for corporate workgroups. The Dell printer product line is focused on lowering the total cost of printing for customers with features such as the Dell Ink Management System and Dell Toner Management System, which simplify ink and toner replacement. Dell printers ranked No. 1 among business users in the J.D. Power and Associates 2005 Printer Customer Satisfaction Study™.
Corporate Desktop, Notebook and Workstation Systems. OptiPlex desktop computers appeal to business and institutional customers who expect highly reliable, stable, manageable and easily serviced systems with networked environments. Latitude mobile computers are rugged, reliable notebooks that feature embedded mobile broadband wireless connectivity, enabling "work anywhere" professionals to stay connected and productive. Dell Precision workstations with wide-screen flat panel monitors run highly complex applications, such as three-dimensional computer-aided design, digital content creation, software development and financial/economic modeling.

Software and Peripheral Products. Dell delivers competitively priced consumer electronics that customers want most, including Dell plasma and LCD TVs, projectors, Dell music players and Axim handheld computers. Dell also offers a wide range of software and peripheral products from more than 900 manufacturers, including software, monitors, mobile computing accessories, networking and wireless products, memory, digital cameras and scanners.

Consumer Desktop and Notebook Systems. Inspiron mobile computers are designed for customers who want powerful systems at leading prices. Dell’s high-performance Dimension desktops with UltraSharp flat panel monitors meet the productivity and entertainment needs of small businesses and home users. XPS notebooks and desktops are tailor-made for high-end multimedia and gaming enthusiasts.

Details on Dell Precision M90
Visit the Dell TV Information Center
Learn More about the XPS Experience
**OPERATING RESULTS** *(in millions, except per-share data)*

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<td>$9,015</td>
<td>$7,552</td>
<td>$6,349</td>
<td>$5,507</td>
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<tr>
<td><strong>GAAP gross margin</strong></td>
<td>$9,950</td>
<td>$9,015</td>
<td>$7,552</td>
<td>$6,349</td>
<td>$5,507</td>
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<tr>
<td><strong>Non-GAAP operating income</strong></td>
<td>$4,789</td>
<td>$4,254</td>
<td>$3,544</td>
<td>$2,844</td>
<td>$2,271</td>
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<td><strong>GAAP operating income</strong></td>
<td>$4,347</td>
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<td>$3,544</td>
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<td>$1,789</td>
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<td><strong>Non-GAAP net income</strong></td>
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<td>$3,323</td>
<td>$2,645</td>
<td>$2,122</td>
<td>$1,780</td>
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<tr>
<td><strong>GAAP net income</strong></td>
<td>$3,572</td>
<td>$3,043</td>
<td>$2,645</td>
<td>$2,122</td>
<td>$1,246</td>
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<tr>
<td><strong>Non-GAAP earnings per common share</strong></td>
<td>$1.56</td>
<td>$1.29</td>
<td>$1.01</td>
<td>$0.80</td>
<td>$0.65</td>
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<tr>
<td><strong>GAAP earnings per common share</strong></td>
<td>$1.46</td>
<td>$1.18</td>
<td>$1.01</td>
<td>$0.80</td>
<td>$0.46</td>
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**PERCENT OF NET REVENUE**

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<tbody>
<tr>
<td><strong>Non-GAAP operating income</strong></td>
<td>8.6%</td>
<td>8.6%</td>
<td>8.6%</td>
<td>8.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td><strong>GAAP operating income</strong></td>
<td>7.8%</td>
<td>8.6%</td>
<td>8.6%</td>
<td>8.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Non-GAAP net income</strong></td>
<td>6.8%</td>
<td>6.8%</td>
<td>6.4%</td>
<td>6.0%</td>
<td>5.7%</td>
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<tr>
<td><strong>GAAP net income</strong></td>
<td>6.4%</td>
<td>6.2%</td>
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<td>6.0%</td>
<td>4.0%</td>
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<tr>
<td><strong>Non-GAAP income tax rate</strong></td>
<td>23.8%</td>
<td>25.2%</td>
<td>29.0%</td>
<td>29.9%</td>
<td>28.0%</td>
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<tr>
<td><strong>GAAP income tax rate</strong></td>
<td>21.9%</td>
<td>31.5%</td>
<td>29.0%</td>
<td>29.9%</td>
<td>28.0%</td>
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</table>

Net revenue, by region

- **Americas**: 65% 67% 69% 71% 70%
- **Europe**: 23% 22% 21% 19% 21%
- **Asia-Pacific and Japan**: 12% 11% 10% 10% 9%

System net revenue, by product line

- **Desktops PCs**: 38% 42% 45% — —
- **Mobility**: 25% 24% 23% — —
- **Servers and networking**: 10% 10% 10% — —
- **Storage**: 3% 3% 3% — —
- **Enhanced services**: 9% 7% 7% — —
- **Software and peripherals**: 15% 14% 12% — —

Note: For a Non-GAAP to GAAP reconciliation for fiscal years 2006 and 2005, see the "Itemized Reconciliation between Net Income on a GAAP and Non-GAAP Basis" set forth in Exhibit 99.1 to Dell's current report on Form 8-K filed on Feb. 16, 2006. This current report, along with Dell's other reports filed with the Securities and Exchange Commission, is accessible through Dell's Investor Relations Web site at www.dell.com/investor, or at the SEC's Web site at www.sec.gov.

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

(2) Non-GAAP excludes the impact of a $280 million tax charge for the anticipated repatriation of earnings at a one-time favorable tax rate pursuant to the American Jobs Creation Act of 2004.

(3) Reporting of system net revenue by product line changed in the first quarter of fiscal 2006 to include greater product-level detail. The new structure reflects the company's focus on strategic businesses for future growth. Historical data of new structure was not restated for fiscal 2002 and 2003.
## Financial Position (in millions)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total cash and investments</td>
<td>$11,749</td>
<td>$14,101</td>
<td>$11,922</td>
<td>$9,905</td>
<td>$8,287</td>
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<tr>
<td>Total current assets</td>
<td>$17,706</td>
<td>$16,897</td>
<td>$10,633</td>
<td>$8,924</td>
<td>$7,877</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>$2,005</td>
<td>$1,691</td>
<td>$1,517</td>
<td>$913</td>
<td>$826</td>
</tr>
<tr>
<td>Total assets</td>
<td>$23,109</td>
<td>$23,215</td>
<td>$19,311</td>
<td>$15,470</td>
<td>$13,535</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$15,927</td>
<td>$14,136</td>
<td>$10,896</td>
<td>$8,933</td>
<td>$7,519</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$504</td>
<td>$505</td>
<td>$505</td>
<td>$506</td>
<td>$520</td>
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<tr>
<td>Stockholders’ equity</td>
<td>$4,129</td>
<td>$6,485</td>
<td>$6,280</td>
<td>$4,873</td>
<td>$4,694</td>
</tr>
<tr>
<td>Total liabilities and stockholders’ equity</td>
<td>$23,109</td>
<td>$23,215</td>
<td>$19,311</td>
<td>$15,470</td>
<td>$13,535</td>
</tr>
</tbody>
</table>

### Key Ratios

<table>
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</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>1.11</td>
<td>1.20</td>
<td>0.98</td>
<td>1.00</td>
<td>1.05</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>1.08</td>
<td>1.16</td>
<td>0.81</td>
<td>0.81</td>
<td>0.82</td>
</tr>
<tr>
<td>Days of supply in inventory(7)</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Days of sales outstanding(5)(7)</td>
<td>29</td>
<td>27</td>
<td>27</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Days in accounts payable(7)</td>
<td>77</td>
<td>73</td>
<td>70</td>
<td>68</td>
<td>69</td>
</tr>
<tr>
<td>Cash conversion cycle(7)</td>
<td>(44)</td>
<td>(42)</td>
<td>(40)</td>
<td>(37)</td>
<td>(36)</td>
</tr>
</tbody>
</table>

### Other Data (*in millions)

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>65,200</td>
<td>55,200</td>
<td>46,000</td>
<td>39,100</td>
<td>34,600</td>
</tr>
<tr>
<td>Average total revenue per unit</td>
<td>$1,500</td>
<td>$1,570</td>
<td>$1,600</td>
<td>$1,720</td>
<td>$1,830</td>
</tr>
<tr>
<td>Shares issued and outstanding*</td>
<td>2,330</td>
<td>2,485</td>
<td>2,556</td>
<td>2,579</td>
<td>2,602</td>
</tr>
<tr>
<td>Weighted average shares outstanding*</td>
<td>2,449</td>
<td>2,568</td>
<td>2,619</td>
<td>2,644</td>
<td>2,726</td>
</tr>
<tr>
<td>Closing stock price (NASDAQ: DELL)</td>
<td>$29.26</td>
<td>$41.06</td>
<td>$33.44</td>
<td>$23.86</td>
<td>$26.80</td>
</tr>
<tr>
<td>Market capitalization*</td>
<td>$68,200</td>
<td>$102,000</td>
<td>$85,500</td>
<td>$61,500</td>
<td>$69,700</td>
</tr>
</tbody>
</table>

(4) Non-GAAP excludes a pretax charge of $742 million. Approximately $482 million related to employee termination benefits, facilities closure costs and other asset impairments and exit costs, while the balance of $260 million related to other-than-temporary declines in the fair value of equity securities. These charges reduced GAAP operating income by $482 million. The tax effect of these items was $208 million, resulting in a reduction of GAAP net income of $534 million. The impact on GAAP earnings per share was $0.19.

(5) Days of sales outstanding include the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets.

At Feb. 3, 2006; Jan. 28, 2005; Jan. 30, 2004; Jan. 31, 2003; and Feb. 1, 2002, days of sales outstanding included days of sales in accounts receivable and days of in-transit customer shipments of 26 and three days; 24 and three days; 24 and four days; 24 and three days; 24 and four days; and 25 and four days, respectively.

(6) Financing receivables have been separately classified on the balance sheet as of Feb. 3, 2006. Days of sales outstanding have been recalculated for all periods presented to reflect the reclassification of certain items previously included in accounts receivable to financing receivables.

(7) Results for fiscal-year end are based on the fourth quarter of the same year and not for the full fiscal year.
SENIOR OFFICERS

Michael S. Dell
Chairman of the Board

Kevin B. Rollins
President
and Chief Executive Officer

Brad R. Anderson
Senior Vice President,
Product Group

Paul D. Bell
Senior Vice President,
Europe, Middle East and Africa

Jeffrey W. Clarke
Senior Vice President,
Product Group

Stephen J. Felice
Vice President,
Asia-Pacific and Japan

Martin J. Garvin
Senior Vice President,
Worldwide Procurement

Alexander Gruzen
Senior Vice President,
Product Group

John S. Hamlin
Senior Vice President,
Global eBusiness,
Brand Marketing
and Dell International Services

Joan S. Hooper
Vice President,
Corporate Finance,
and Chief Accounting Officer

Joseph A. Marengi
Senior Vice President,
Americas

Paul D. McKinnon
Senior Vice President,
Human Resources

John K. Medica
Senior Vice President,
Product Group

Glenn E. Neland
Senior Vice President,
Worldwide Procurement
and Global Customer Experience

Rosendo G. Parra
Senior Vice President,
Americas

James M. Schneider
Senior Vice President
and Chief Financial Officer

Susan E. Sheskey
Vice President
and Chief Information Officer

Lawrence P. Tu
Senior Vice President,
General Counsel
and Secretary

Lynn A. Tyson
Vice President,
Investor Relations
and Global Corporate
Communications

Thurmond B. Woodard
Vice President,
Global Diversity
and Chief Ethics Officer

BOARD OF DIRECTORS

Michael S. Dell
Chairman of the Board

Donald J. Carty
Retired Chairman
and Chief Executive Officer,
AMR Corp.
and American Airlines Inc.
Committee: Audit (Chair)

Alex J. Mandl
President
and Chief Executive Officer,
Gemplus International S.A.
Finance (Chair)

Michael A. Miles
Special Limited Partner,
Forstmann Little & Co.,
and Former Chairman of the Board
and Chief Executive Officer,
Philip Morris Companies Inc.
Compensation (Chair), Governance
and Nominating

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Samuel A. Nunn, Jr.
Former U.S. Senator
and current Co-Chairman
and Chief Executive Officer,
Nuclear Threat Initiative
Audit, Governance and Nominating

Judy C. Lewent
Executive Vice President,
Chief Financial Officer
and President,
Human Health Asia,
Merck & Co. Inc.
Compensation, Finance

Klaus S. Luft
Owner and President
MATCH - Market Access
for Technology Services
GmbH, and Vice Chairman/
International Advisor,
Goldman Sachs Europe Ltd.
Compensation

Kevin B. Rollins
President
and Chief Executive Officer
INVESTOR DATA

Dell’s common stock is traded on The Nasdaq National Market under the symbol “DELL.”

The company’s stock was initially offered to the public on June 22, 1988, at $8.50 per share. Following is a roster of subsequent stock splits:

- April 1992: 3-for-2
- October 1995: 2-for-1
- December 1996: 2-for-1
- July 1997: 2-for-1
- March 1998: 2-for-1
- September 1998: 2-for-1
- March 1999: 2-for-1

Example: One hundred shares of Dell stock at the IPO was equal to 9,600 shares at the end of fiscal 2006.

Extensive investor information, including Dell’s Fiscal 2006 in Review and SEC filings, can be found on the World Wide Web at www.dell.com/investor.

For printed copies of the annual report on Form 10-K (without exhibits) for fiscal 2006, or other investor data, contact:

Investor Relations
Dell
One Dell Way, Round Rock, TX 78682-2222
512-728-7800
Investor_Relations_Fulfillment@dell.com
www.dell.com/investor

The company’s 2006 annual shareholders meeting will be held at 8 a.m. on Friday, July 21, at the Austin Convention Center, 500 E. Cesar Chavez St., Austin, Texas.

Information about stock certificates, changing an address, consolidating accounts, transferring ownership or other stock matters can be obtained from:

American Stock Transfer and Trust Company
40 Wall St., 46th Floor, New York, NY 10005
www.amstock.com
800-937-5449

Independent Accountants:
PricewaterhouseCoopers LLP, Austin, Texas

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www.amstock.com
800-937-5449

Independent Accountants:
PricewaterhouseCoopers LLP, Austin, Texas
DELL’S COMMITMENTS

Corporate Governance
The Board of Directors believes that adherence to sound corporate governance policies and practices is important in ensuring that Dell is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of its stockholders. The Board has adopted Corporate Governance Principles, which provide an effective corporate governance framework for Dell, intending to reflect a set of core values that provide the foundation for Dell’s governance and management systems and its interactions with others.

Environmental Stewardship
At Dell, being a great global company includes demonstrating social and environmental responsibility. Our commitment to environmental stewardship incorporates every stage of the product life cycle, from product concept and design, to manufacturing and operations, to customer ownership experience, and finally, to disposal of end-of-life equipment. Dell aims to make responsible product retirement as easy for our customers as purchasing the product. This fiscal year, we exceeded our worldwide goal by recovering nearly 40,000 tons of materials for reuse or recycling from customers and other sources. Dell also established a chemical use policy which strives to reduce and eliminate the use of environmentally sensitive materials, and includes a commitment to prohibit the use of all brominated flame retardants in our products by calendar year 2015. A full account of Dell’s objectives and performance is available in the Fiscal 2006 Sustainability Report, which can be found at www.dell.com/commitment.

Global Diversity
Diversity is essential to maximizing our customers’ experience and creating a winning culture that fosters excellence and continuous improvements throughout the company. Today, more than half of our U.S. employment is represented by women and people of color and more than one-third are managers. We provide online diversity, inclusion and multi-cultural training, networking groups, mentoring, career coaching and work/life effectiveness programs to ensure we are recruiting and retaining the best and brightest talent in the industry. Dell also recently conducted an unprecedented Global Diversity summit focused on women’s recruiting, advancement and retention.

Since 2001, Dell has steadily increased its spending with small, minority, women and disadvantaged business enterprises (S/M/W/DBEs) by more than 66 percent. This fiscal year, we spent approximately $1.7 billion with S/M/W/DBEs and ranked No. 4 on the Div50 listing, the highest ranking among technology companies.

We continue to partner with diverse organizations such as: Congressional Black Caucus Foundation and Congressional Hispanic Caucus Institute; National Urban League; United Negro College Fund; Catalyst; National Society of Hispanic MBAs; National Council of La Raza; Out and Equal; Asian American Legal Defense and Education Fund and various Chambers of Commerce. For more information on Dell’s diversity initiatives visit: www.dell.com/diversity.

Community Engagement
Globally, Dell employees dedicate thousands of hours and donate millions of dollars every year to organizations such as International Red Cross, Habitat for Humanity, United Way, Second Harvest and Earth Share. Through the company’s One Dell: One Community program, employees combine teambuilding and volunteerism to benefit local communities. This fiscal year, the program culminated with Global Community Involvement Month when nearly 30,000 employees volunteered time in their communities to assist more than 500 different charitable organizations across the globe. Additionally, during the spring food drive, U.S. employees donated more than $188,000 in cash and 131,000 pounds of food, which provided more than 1 million meals for hungry families. Employees’ food bank support helped earn the company the Group Volunteer of the Year Award for the second year in a row from America’s Second Harvest, the nation’s largest hunger relief organization.

The Dell Foundation, the company’s corporate giving division, offers several grant opportunities that provide funds for health and human services, education, literacy and technology access programs for youth around the world. More information about Dell’s community activities can be found at www.dell.com/dellfoundation.
### Operating Results

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year ended</th>
<th>Jan. 28, 2005</th>
<th>% growth rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feb. 3, 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>$55,550</td>
<td>$48,205</td>
<td>14%</td>
</tr>
<tr>
<td>Non-GAAP gross margin</td>
<td>$10,380</td>
<td>$8,915</td>
<td>14%</td>
</tr>
<tr>
<td>GAAP gross margin</td>
<td>$9,930</td>
<td>$8,915</td>
<td>13%</td>
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<tr>
<td>Non-GAAP operating income</td>
<td>$4,453</td>
<td>$4,304</td>
<td>3%</td>
</tr>
<tr>
<td>GAAP operating income</td>
<td>$4,241</td>
<td>$4,304</td>
<td>2%</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$3,825</td>
<td>$3,323</td>
<td>15%</td>
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<tr>
<td>GAAP net income</td>
<td>$3,572</td>
<td>$3,343</td>
<td>7%</td>
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<tr>
<td>GAAP earnings per common share</td>
<td>$1.46</td>
<td>$1.29</td>
<td>14%</td>
</tr>
<tr>
<td>Non-GAAP earnings per common share</td>
<td>$1.56</td>
<td>$1.29</td>
<td>23%</td>
</tr>
<tr>
<td>Weighted average shares</td>
<td>$2,445</td>
<td>$2,568</td>
<td>5%</td>
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<tr>
<td>Total cash and investments</td>
<td>$11,340</td>
<td>$14,101</td>
<td>25%</td>
</tr>
<tr>
<td>Total assets</td>
<td>$23,359</td>
<td>$22,215</td>
<td>5%</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>$4,129</td>
<td>$4,085</td>
<td>1%</td>
</tr>
</tbody>
</table>

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

#### Statement of Reconciliation Between Net Income on a GAAP and Non-GAAP Basis

For a reconciliation between Net Income on a GAAP and Non-GAAP basis, see Exhibit 99.1 to Dell's current report on Form 8-K filed on Feb. 16, 2006. This current report along with Dell's other reports filed with the Securities and Exchange Commission, is accessible through Dell's Investor Relations Web site at www.dell.com/investor, or at the SEC's Web site at www.sec.gov.

#### Footnotes

1. Jan. 28, 2005
2. % growth rates

Statements in this report 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 forecasted because of a number of factors including, without limitation:

- General economic and business conditions;
- The level of demand for the Company’s products;
- The Company’s ability to manage its supply and delivery logistics in such an environment;
- The ability of the Company to manage its operating costs;
- The effects of armed hostilities, terrorism, natural disasters or public-health issues on the Company's operations generally, on the level of demand for the Company’s products and services and on the Company’s ability to supply the supply and delivery logistics to back up its environment.
- Additional discussion of these and other factors affecting the Company's business and prospects is contained in the company's periodic filings with the U.S. Securities and Exchange Commission.

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Printer: SandyAlexander

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