

DELL INC.

Condensed Consolidated Statement of Operations and Related Financial Highlights

(in millions, except per share data)

(unaudited)

	Three Months Ended			% Growth Rates	
	January 28, 2005	October 29, 2004	January 30, 2004	Sequential	Yr. to Yr.
Net revenue	\$ 13,457	\$ 12,502	\$ 11,512	7.6%	16.9%
Cost of revenue	10,962	10,189	9,421	7.6%	16.4%
Gross margin	2,495	2,313	2,091	7.9%	19.3%
Selling, general and administrative	1,198	1,101	991	8.8%	20.9%
Research, development and engineering	110	117	119	(6.0%)	(7.9%)
Operating expenses	1,308	1,218	1,110	7.4%	17.8%
Operating income	1,187	1,095	981	8.4%	21.0%
Investment and other income, net	48	48	49	0.1%	(2.8%)
Income before income taxes	1,235	1,143	1,030	8.0%	19.9%
Income tax provision ¹	568	297	281	90.9%	102.3%
Net income ¹	\$ 667	\$ 846	\$ 749	(21.1%)	(11.0%)
Earnings per common share: ¹					
Basic	\$ 0.27	\$ 0.34	\$ 0.29		
Diluted	\$ 0.26	\$ 0.33	\$ 0.29		
Weighted average shares outstanding:					
Basic	2,485	2,493	2,557		
Diluted	2,553	2,546	2,616		

Percentage of Total Net Revenue:

Gross margin	18.5%	18.5%	18.2%
Selling, general and administrative	8.9%	8.8%	8.6%
Research, development and engineering	0.8%	0.9%	1.0%
Operating expenses	9.7%	9.7%	9.6%
Operating income	8.8%	8.8%	8.5%
Income before income taxes	9.2%	9.1%	8.9%
Net income ¹	5.0%	6.8%	6.5%
Income tax rate ¹	46.0%	26.0%	27.3%

Net Revenue by Geographic Region:

Percentage of Total Net Revenue

Americas	66%	68%	67%
Europe	23%	21%	22%
Asia Pacific - Japan	11%	11%	11%

Net Revenue by Product Line:

Percentage of Total Net Revenue

Desktops	51%	49%	52%
Notebooks	28%	30%	27%
Enterprise	21%	21%	21%

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

¹ Results for the period ended January 28, 2005 include the impact of a \$280M tax charge for the anticipated repatriation of earnings at a one-time favorable rate pursuant to the American Jobs Creation Act of 2004.

DELL INC.

Condensed Consolidated Statement of Operations and Related Financial Highlights

(in millions, except per share data)

(unaudited)

	Year Ended		% Growth Rates Yr. to Yr.
	January 28, 2005	January 30, 2004	
Net revenue	\$ 49,205	\$ 41,444	18.7%
Cost of revenue	40,190	33,892	18.6%
Gross margin	9,015	7,552	19.4%
Selling, general and administrative	4,298	3,544	21.3%
Research, development and engineering	463	464	(0.2%)
Operating expenses	4,761	4,008	18.8%
Operating income	4,254	3,544	20.0%
Investment and other income, net	191	180	6.0%
Income before income taxes	4,445	3,724	19.4%
Income tax provision ¹	1,402	1,079	30.0%
Net income ¹	\$ 3,043	\$ 2,645	15.0%
Earnings per common share: ¹			
Basic	\$ 1.21	\$ 1.03	
Diluted	\$ 1.18	\$ 1.01	
Weighted average shares outstanding:			
Basic	2,509	2,565	
Diluted	2,568	2,619	

Percentage of Total Net Revenue:

Gross margin	18.3%	18.2%
Selling, general and administrative	8.7%	8.6%
Research, development and engineering	0.9%	1.1%
Operating expenses	9.7%	9.7%
Operating income	8.6%	8.6%
Income before income taxes	9.0%	9.0%
Net income ¹	6.2%	6.4%
Income tax rate ¹	31.5%	29.0%

Net Revenue by Geographic Region:

Percentage of Total Net Revenue

Americas	67%	69%
Europe	22%	21%
Asia Pacific - Japan	11%	10%

Net Revenue by Product Line:

Percentage of Total Net Revenue

Desktops	50%	51%
Notebooks	29%	27%
Enterprise	21%	22%

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

¹ Results for the period ended January 28, 2005 include the impact of a \$280M tax charge for the anticipated repatriation of earnings at a one-time favorable rate pursuant to the American Jobs Creation Act of 2004.

DELL INC.

Condensed Consolidated Statement of Financial Position and Related Financial Highlights

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

(unaudited)

	January 28, 2005	October 29, 2004	January 30, 2004
<u>Assets:</u>			
Current assets:			
Cash and cash equivalents	\$ 4,747	\$ 4,525	\$ 4,317
Short-term investments	5,060	2,969	835
Accounts receivable, net	4,414	4,167	3,635
Inventories	459	415	327
Other	2,217	2,124	1,519
Total current assets	<u>16,897</u>	<u>14,200</u>	<u>10,633</u>
Property, plant and equipment, net	1,691	1,627	1,517
Investments	4,319	4,942	6,770
Other non-current assets	308	285	391
Total assets	<u>\$ 23,215</u>	<u>\$ 21,054</u>	<u>\$ 19,311</u>
<u>Liabilities and Stockholders' Equity:</u>			
Current liabilities:			
Accounts payable	\$ 8,895	\$ 8,067	\$ 7,316
Accrued and other	5,241	4,707	3,580
Total current liabilities	<u>14,136</u>	<u>12,774</u>	<u>10,896</u>
Long-term debt	505	505	505
Other non-current liabilities	2,089	1,895	1,630
Total liabilities	<u>16,730</u>	<u>15,174</u>	<u>13,031</u>
Stockholders' equity	6,485	5,880	6,280
Total liabilities and stockholders' equity	<u>\$ 23,215</u>	<u>\$ 21,054</u>	<u>\$ 19,311</u>
<u>Ratios:</u>			
Quick ratio	1.01	0.91	0.81
Days supply in inventory	4	4	3
Days of sales outstanding ¹	32	33	31
Days in accounts payable	73	71	70
Cash conversion cycle	<u>(37)</u>	<u>(34)</u>	<u>(36)</u>
<u>Other Information:</u>			
Headcount (approximate)	55,200	53,000	46,000
Average total revenue/unit (approximate)	\$ 1,510	\$ 1,570	\$ 1,540

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

¹ Days of sales outstanding include the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets. At January 28, 2005, October 29, 2004, and January 30, 2004, days of sales outstanding included days of sales in accounts receivable and days of in-transit customer shipments of 29 and 3 days; 30 and 3 days; and 28 and 3 days, respectively.

DELL INC.

Condensed Consolidated Statement of Cash Flows

(in millions)

(unaudited)

	Three Months Ended	Twelve Months Ended
	<u>January 28, 2005</u>	
Cash flows from operating activities:		
Net income	\$ 667	\$ 3,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91	334
Tax benefits from employee stock plans	139	249
Gain on sale of investments	-	(6)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(298)	(602)
Other	22	84
Changes in:		
Operating working capital	1,029	1,755
Non-current assets and liabilities	168	453
Net cash provided by operating activities	<u>1,818</u>	<u>5,310</u>
Cash flows from investing activities:		
Investments:		
Purchases	(2,777)	(12,261)
Maturities and sales	1,292	10,469
Capital expenditures	(170)	(525)
Net cash used in investing activities	<u>(1,655)</u>	<u>(2,317)</u>
Cash flows from financing activities:		
Purchase of common stock	(870)	(4,219)
Issuance of common stock under employee plans and other	644	1,091
Net cash used in financing activities	<u>(226)</u>	<u>(3,128)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>285</u>	<u>565</u>
Net increase in cash and cash equivalents	222	430
Cash and cash equivalents at beginning of period	4,525	4,317
Cash and cash equivalents at end of period	<u>\$ 4,747</u>	<u>\$ 4,747</u>