

BE DIRECT

DELL

www.dell.com

Inspiron 3500



Dell Computer Corporation

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Dell Computer Corporation is the world's leading direct computer systems company and the fastest-growing among all major computer companies. Dell sells customized desktop and notebook computers, workstations, network servers, storage products and related software and peripherals—increasingly via the Internet, at www.dell.com and www.gigabuys.com—to businesses of all sizes, government agencies, educational institutions and individuals.

The company also provides an extensive range of value-added services, such as leasing, system installation and management, 24-hour technical support, and planning and execution for technology transitions. Dell operates under a simple philosophy that guides everything it does: Be Direct.

Selected Financial Data

(DOLLARS IN MILLIONS, EXCEPT PER-SHARE DATA)	FISCAL YEAR ENDED		PERCENTAGE CHANGE
	JAN. 29, 1999	FEB. 1, 1998	
Net revenue	\$ 18,243	\$ 12,327	48%
Gross margin	\$ 4,106	\$ 2,722	51%
Operating income	\$ 2,046	\$ 1,316	56%
Net income	\$ 1,460	\$ 944	55%
Income per common share:			
Basic	\$ 0.58	\$ 0.36	61%
Diluted	\$ 0.53	\$ 0.32	66%
Weighted average shares:			
Basic	2,531	2,631	
Diluted	2,772	2,952	
Working capital	\$ 2,644	\$ 1,215	
Total assets	\$ 6,877	\$ 4,268	
Long-term debt	\$ 512	\$ 17	
Total stockholders' equity	\$ 2,321	\$ 1,293	
Closing stock price	\$ 50.00	\$ 12.43	302%
Return on invested capital	195%	186%	

Share and per-share information has been restated to reflect 2-for-1 splits of the common stock in September 1998 and March 1999.

TO OUR CUSTOMERS,
STOCKHOLDERS, SUPPLIERS AND EMPLOYEES

For Dell Computer Corporation, fiscal 1999 was another extraordinary year. We continued to extend the capabilities of our customer-focused direct business model, strengthened our reputation for product and service leadership, and undertook the company's first global brand-advertising campaign.

Our use of the Internet to make it easier for customers and suppliers to do business with Dell, and to help reduce costs for us all, remains among the most advanced in any industry.



MORTON L. TOPFER
Vice Chairman

MICHAEL S. DELL
Chairman of the Board
Chief Executive Officer

KEVIN B. ROLLINS
Vice Chairman

WWW.DELL.COM

We launched new initiatives in China and Latin America, markets that offer exceptional opportunity for us. We grew at more than five times the global industry rate.

And a *Fortune* magazine survey listed Dell No. 4 among America's "most admired" companies.

Our operating performance again spoke for itself, with industry-leading results in the three priority areas: growth, profitability and liquidity. Net revenue for the fiscal year rose 48 percent to \$18.2 billion. Net income increased 55 percent to \$1.5 billion, and earnings per share were \$0.53, up 66 percent. During the year, we generated \$2.4 billion in cash from operations. The company's return on invested capital, a key indicator of value creation, was 195 percent, easily the best in our industry. The value of Dell common stock was up more than 300 percent during the fiscal year.

Not surprisingly, our major competitors again tried to replicate portions of Dell's business model, while we continued to set new standards across a range of industry measures. A good

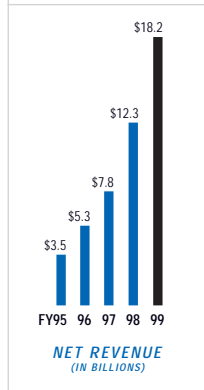
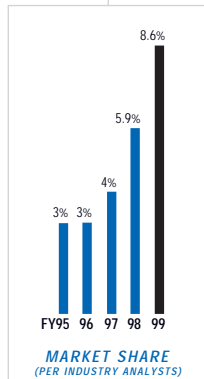
example: supply-chain management. At year end, we had only six days of supply in inventory, a fraction of what is held by indirect companies and their resellers. High inventory levels carry profound

implications for customers in terms of cost, quality and relevance of technology. By using the Internet, in part, to bring suppliers, Dell and our customers closer together, we are achieving increasingly higher levels of efficiency.

Our business grew significantly around the world last year. Net revenue increased 46 percent in the Americas, 58 percent in Europe and 37 percent in Asia-Pacific/Japan—the last a region where industry shipments actually were flat versus the previous year. We likewise saw rapid expansion in all customer business units, led by our Americas home and

small-business group, which achieved a 54-percent gain.

While the 24,400 people of Dell—8,200 of whom joined us during the past year—are rightly proud of the company's tremendous accomplishments in fiscal 1999, our future abounds with potential. Retaining and



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recruiting increasing numbers of highly skilled men and women with a diverse range of backgrounds remain strategic requirements for us. We believe that, with focused execution of our direct model, we can continue to set the standards for leadership in our industry.

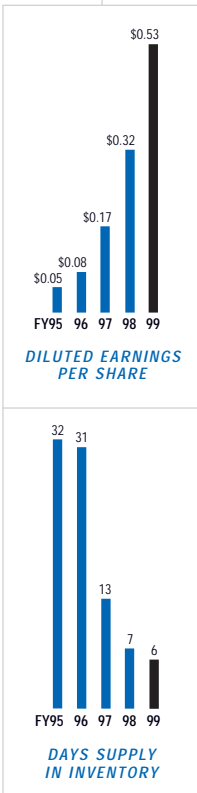
Our belief is based on a range of complementary "engines" that drive the company's robust growth.

During the past year, revenue from our expanding range of enterprise systems—Dell Precision workstations, PowerEdge servers and PowerVault storage products—and notebook computers increased by 113 and 75 percent, respectively. In those and other product areas, Dell is recognized by analysts and customers for its leadership in quality and performance. As examples, Gartner Group, a leading industry-analyst organization, cited our "ability to execute" and "completeness of vision" in its evaluation of top server vendors; we exited last year as the No. 1 seller of workstations using Microsoft Corp.'s Windows NT operating system; and *PC Magazine* called our Inspiron 7000

notebook the "best portable PC ever." Still, enterprise and notebook systems account for smaller portions of our overall business than the industry averages, which means tremendous opportunity remains.

Though sales via www.dell.com reached \$14 million per day by the end of the fiscal year and accounted for 25 percent of our revenue in the fourth quarter, we believe the growing range of services Dell delivers through the Internet is equally compelling. We now host more than 15,000 Premier Pages, unique sites within dell.com that are tailored to the specific needs of individual corporate and institutional customers. These pages offer services such as approved product configurations, global pricing, paperless purchase orders, real-time order tracking, invoicing and purchasing history, among other efficiency tools.

Our on-line "virtual account executive" provides high-level services to small businesses. And we furnish all customers—from the largest corporate client to the individual home-PC buyer—with a "virtual help desk" featuring natural-language search



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