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"In retrospect, we did the best to maximize profit dollars and revenue. We'll never go into losing mode to increase share," said Kevin B. Rollins, Dell's president and chief operating officer.

Martin Reynolds, an analyst at market watcher Gartner Inc., said big corporate customers are reluctant to spend on new equipment but Dell continues to gain business because of its low prices. He said Dell is gaining share in these markets at the expense of International Business Machines Corp., Hewlett-Packard Co. and Sun Microsystems Inc.
Dell Inc., buoyed by continued market-share gains and improving international results, said fiscal third-quarter earnings rose 21% on a better-than-expected 16% jump in revenue.

The Austin, Texas, computer maker said net income for the quarter ended Oct. 31 was a record $677 million, or 26 cents a share, compared with $561 million, or 21 cents a share, a year earlier.

Revenue was $10.62 billion, compared with $9.14 billion. Unit sales rose 22%, below its August forecast of a 25% jump, which the company attributed to a focus on higher-profit business customers.

While Dell has expanded from its personal-computer roots into printers and consumer electronics, results for the quarter ended Oct. 31 show it continues to outrun bigger rivals in still-weak corporate markets by reducing expenses and focusing on markets for low-cost network servers and storage products.

The company said corporate spending on computers remains tight and competition fierce. In response, it has reduced operating costs and computer prices to gain market share at the expense of rivals. Those share gains slowed in the latest quarter, but Dell also reduced its operating cost as a percentage of sales to 9.7% from 9.9%.

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He said revenue from servers, workstations and storage systems rose 28%, lifted by strong gains in server-computers and storage. The increased proportion of business equipment allowed the company to hold its average selling price flat at about $1,770, he said.

Dell also said declines in component costs, which help profit by reducing manufacturing costs, had slowed recently. But it said the costs should resume their slide, raising earnings in the current quarter.

The company forecast earnings for the current quarter of 28 cents a share, up 22% from the 23 cents a share posted last year. Strong consumer personal-computer sales in the fourth quarter should boost revenue 18% to $11.5 billion, compared with $9.74 billion.

In the third quarter, gross margins, a measure of manufacturing profitability, were flat at 18.2% of sales, the company said.

Dell, which sells directly to corporations and consumers, has been known to shift sales emphasis to pursue higher-profit market segments during periods of intense price competition.

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European sales rose 19% and operating profit rose 50% from a year earlier, the company said. In Asia, revenue was up 20% and operating profit climbed 40%, the company said.

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