

Dell lowers earnings expectations

October 31 2005

In an after-market announcement, Dell Inc. lowered its earnings estimate for its third fiscal quarter.

Dell said Tuesday it expects to achieve earnings of 39 cents a share on a non-GAAP basis, which is at the low end of the range of its previous guidance for fiscal 2006 third quarter, and expects revenue to be approximately \$13.9 billion vs. its original guidance of \$14.1 to \$14.5 billion.

The company said the shortfall in revenue compared to previous guidance was driven in part by the company's U.S. consumer and U.K. businesses, which fell short of expectations. The company said it continues to refocus on higher-value products and services while optimizing profitability.

Dell also said it will take a charge in its fiscal third quarter of approximately \$450 million, or roughly 14 cents per share, yielding expected GAAP earnings per share of 25 cents.

The company said that more than \$300 million is associated with the cost of servicing systems that included a vendor part that failed to perform to Dell's specifications. This issue is limited to a small percentage of previous generation OptiPlex desktop systems. The charge also includes the costs of workforce realignment, product rationalizations and excess facilities.

Dell will announce financial results for its fiscal third quarter on Nov.

10.

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