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A roundup of business activity in the Northwest

Intel's profit in quarter rises, helped along by smaller tax bill

Intel Corp., the world's biggest computer chip maker, increased first-quarter profit by \$24 million after its tax bill was smaller than expected. Net income for the period was \$2.18 billion, or 35 cents a share, compared with \$2.15 billion, or 34 cents, reported April 19, Intel said in a filing with the U.S. Securities and Exchange Commission. Intel added back the \$24 million set aside to pay taxes after an adjustment reduced its tax rate to 30.9 percent from 32 percent a year ago. Intel, which has its largest base of operations in Oregon, reorganized in January into five business units from two as part of plan by Paul Otellini, who will take over as chief executive officer later this month, to find new markets. Intel reported a breakdown of the new divisions' earnings for the first time in Wednesday's statement.

Intel split up its money-losing Communications Group and added responsibility for the company's profitable laptop processor division. The addition of the Centrino laptop product gave the new Mobility Group operating income of \$1.1 billion in the first quarter, compared with \$405 million a year earlier, Intel said in the filing. Sales rose to \$3 billion from \$1.8 billion.

Microprocessor revenue for the division rose to \$1.9 billion from \$1.2 billion a year earlier. Sales of flash memory used in cell phones advanced to \$578 million from \$417 million.

The totals for a year ago were calculated as if the business units had existed then in the new form.

Intel's other main unit, Digital Enterprise, had a first-quarter fall in operating income to \$2.36 billion from \$2.45 billion, according to the filing. The shrinking profit came as the proportion of its sales from chipsets -- a group of semiconductors that support the main microprocessor -- rose at the expense of sales of microprocessors.

Sales of chipsets rose to \$1.4 billion from \$1.3 billion a year earlier. Sales of microprocessors at the unit declined to \$4.94 billion from \$4.97 billion, the statement said. Overall division sales were \$6.36 billion, up from \$6.23 billion a year earlier.

The three other new divisions didn't have enough business to make it worth reporting their operations separately, the release said. -- Bloomberg News

Open-source software better for small nations, Brazil says

Brazil encouraged other developing countries to follow its lead in replacing Microsoft Corp. software with free alternatives such as Linux.

State-owned Banco do Brasil SA plans to fund the creation of a group to promote President Luiz Inacio Lula da Silva's initiative for open-source software outside of Brazil. Banco do Brasil, the postal service, the state oil company and the national statistics agency all have switched to Linux at the government's recommendation.

In Brazil, Microsoft is facing on a national scale the type of challenge it has met from local governments in Vienna and Munich seeking to reduce costs. Redmond, Wash.-based Microsoft runs 95 percent of the world's computers. China, Japan and South Korea are working with computer-industry associations to

make a similar change.

"Microsoft will have to cut prices because of competition from free software," Jose Luiz de Cerqueira Cesar, head of technology at the bank, said Wednesday in Brasilia after a news conference to announce the proposal. "It either adapts, and it's a company that has shown great ability to adapt, or it will be out."

Open source software such as Linux is available for free on the Internet. Companies such as IBM and Novell Inc. modify it to suit clients' needs and sell the software and related services, generally at a lower price than Windows. -- Bloomberg News

Oregon Investment Fund puts \$34 million into four firms

The Oregon Investment Fund on Wednesday announced its first round of investments, with a \$34 million distribution to four private equity firms in Portland and Seattle. The money will go to: Burke Dale Victor and Evergreen Pacific Partners, with offices in Seattle and Portland; and to Cascadia Partners and Riverlake Partners of Portland. The Oregon Investment Fund was created by the 2003 Legislature to invest in small businesses in Oregon and the Northwest. It's a small piece of the \$48 billion Oregon Public Employees Retirement Fund and is managed by Credit Suisse Boston's Customized Fund Investment Group.

The investment fund totals \$105 million -- \$100 million from the retirement fund and \$5 million from Credit Suisse.

Credit Suisse expects to announce another round of investments later this year.

-- Gail Kinsey Hill

Boeing scores in key territory with Chinese deal for 45 jets

China Southern Airlines Co. and affiliate Xiamen Airlines Co. announced they have signed a deal to buy 45 Boeing 737s.

A contract signed April 29 calls for the two airlines to buy a dozen 737-700 jets and 33 737-800 jets, China Southern said in a statement Tuesday. The purchases are to be financed by bank loans, and the aircraft are to be delivered by 2008.

The deal requires shareholders' approval.

China is a key battleground in the trans-Atlantic aerospace rivalry. Xiamen Airlines announced earlier this year that it and five other Chinese carriers had ordered 60 midsized, long-range 7E7s from Boeing Co., a major boost to the Chicago-based aerospace company.

In January, China Southern, which is based in the southern city of Guangzhou, signed an order for five Airbus A380 "superjumbos" in a deal worth \$1.4 billion at catalog prices. That deal was a breakthrough for the European aircraft maker in one of the world's fastest-growing markets. -- The Associated Press

Amazon.com cites customer benefits in cutting merchants

Amazon.com Inc., the largest Internet retailer, is cutting the number of merchants that offer digital cameras, televisions and computers for sale on its site, saying it wants to give buyers a more trusted shopping environment. Only merchants preapproved for certain top-selling electronics, software and computers will be allowed to list the products on its site, Amazon.com said in a Web posting to sellers Tuesday. The company is notifying vendors whether they'll be allowed to list, said Patty Smith, a spokeswoman for the Seattle-based company.

"By having sellers with great reputations and track records, we can ensure the buyers have a great experience," Smith said. She declined to say whether Amazon.com had received complaints about its third-party sellers.

Amazon.com has fostered a reputation for above-average customer service since starting sales in July 1995. The company's satisfaction rating slipped to 84 from 88 in the American Customer Satisfaction Index report in February.

Larry Freed, chief executive of ForeSee Results, which helped produce the report, said at that time that Amazon.com's inclusion of other merchant offerings on its site might be diluting its brand and required a more demanding level of customer support.

The change in Amazon.com's policy was first reported Wednesday by AuctionBytes, an online newsletter. -- Bloomberg News