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POLITICS

Deal with relief effort, Jakarta tells Myanmar

Indonesia added its voice to growing global pressure on Myanmar to deal with the aftermath of a devastating cyclone that killed tens of thousands of people, Agence France-Presse reported.

The country's military rulers must focus on relief for victims of last week's cyclone rather than a constitutional referendum set for this weekend, an Indonesian foreign ministry spokesman said Friday.

"It will be wise for the government in Myanmar to take into consideration the current situation, especially when all the effort (and) all the attention is being focused on how to address this natural disaster," Kristiarto Legowo told AFP.

"We are very much of the view also that the (referendum) process should be credible. In this context it would be very wise if the government in Myanmar takes into account the current situation," he said.

Myanmar's ruling generals have vowed to press ahead with the vote, scheduled for Saturday, even as the country reels from a devastating cyclone which killed tens of thousands of people and affected over a million.

The government says about 65,000 people are dead or missing, mostly in the Irrawaddy delta, but the United States says the toll could pass 100,000.

Myanmar's opposition National League for Democracy has said that holding the referendum under such circumstances is unacceptable.

Leaders of the junta say the vote is the culmination of a slow-moving "roadmap" to democracy but critics argue it is merely a bid to legitimize the generals' grip on power.

Two House members questioned by KPK

Two members of the House of Representatives were questioned on Friday in two separate cases by the Corruption Eradication Commission (KPK), as the drive against corruption continued to heighten.

I Made Urip was questioned in connection with the change of land status involving the Tanjung Api-Api port project in South Sumatra and Daniel Tandjung was questioned in connection with alleged payments to House members by Bank Indonesia, *Kompas* reported. Both were questioned as witnesses in on-going cases.

The KPK was also questioning Syafruddin Temenggung, former head of the Indonesian Bank Restructuring Agency, in the transfer of Bank Indonesia funds to parliamentarians.

Meanwhile Marwan Effendy, junior attorney general for special cases at the Attorney General's Office said the KPK should go ahead with its investigation of alleged misuse of funds for the renovation of the Indonesian embassy in Singapore.

Former Ambassador M. Slamet Hidayat and embassy treasurer Erizal were detained by the KPK on Thursday night.

The Corruption Court on Friday began the graft trial of Pelalawan (Riau) Regent Tengku Azmun Jaafar, who is accused of stealing Rp1.2 trillion (\$130 million) in state funds, *The Jakarta Post* reported.

State prosecutors accuse the defendant of receiving money for issuing illegal authorization letters to 15 companies to utilize more than 120,000 hectares of forest resources in the regency.

Seven firms did not meet the criteria necessary for forestry enterprises in terms of financial or technical qualifications, they allege.

Central Java selected for Bali bombers execution site

The Attorney's General's Office said Friday Central Java has been selected for the venue to execute three convicted militants in death row for their key roles in the 2002 Bali bombings, Xinhua reported.

"We are now asking approval from the Ministry of Justice and Human Rights," said deputy attorney general Abdul Halim Ritonga.

Imam Samudera, Amrozi and his older brother Ali Ghufron are currently being detained at the Nusa Kambangan prison island off Central Java.

An execution may still be some way off, however. The Denpasar District Court said Tuesday it will consult with the Supreme Court over the bombers' request for a third case review trial.

District court head I Nyoman Geded Wiryana said he would suggest the judges of the Supreme Court grant the prisoners' request to have their trial in Cilacap District Court, Central Java, due to security and financial reasons.

"The prisoners are likely to represent themselves this time. So I am going to ask the Supreme Court to consider moving the trial to Cilacap because Denpasar court cannot guarantee their security," he told *The Jakarta Post*.

Graft fugitive surrenders: police

A former prominent businessman on the run overseas from fraud charges has surrendered to authorities after slipping back into the country undetected, a police spokesman said Friday.

Marimutu Sinivasan, head of the former Texmaco empire, turned himself in at Jakarta's National Police headquarters on Thursday after evading arrest for two years, spokesman Abubakar Nataprawira told reporters.

The spokesman later told Agence France-Presse that police still do not know when or how Sinivasan, who was on Interpol's wanted list, re-entered Indonesia.

Police also do not know what country Sinivasan was in before coming back, Nataprawira said. "He was reportedly sighted in Singapore and India," he said.

Sinivasan, who first contacted police by phone on Wednesday, was named a suspect in March 2006 in connection with a fraud case involving Rp50 billion (\$5.4 million) in loans from two banks to his textile company.

The failed tycoon also owes the government Rp 1.3 trillion (excluding interest and fines) for the use of Bank Indonesia liquidity support (BLBI) funds to bail out his Putera Multikarsa Bank.

Indonesia to keep working for Palestine state

Indonesia will continue to keep working for the creation of a Palestinian state and the end of hostilities but the process will not be easy, Foreign Minister Hassan Wirayuda told *The Jakarta Post* in an interview on Monday.

"We hope the series of dialogues and negotiations launched by the (US-hosted) Annapolis conference in November last year will lead to a peace agreement," said Wirayuda, adding that "it needs to be understood that this is not an easy process."

He said Indonesia had made it clear to other nations trying to broker a peace deal and to the Palestinian factions that it was important not to set conditions for dialogue.

"I always say that you must never set up conditions. That's where we're different from the European countries which set up conditions to negotiate with Hamas. That's not a dialogue.

"You may not be compatible with Hamas, but they're significant. They rose to the top of power through a democratic election, which was witnessed by the Carter Foundation and EU observers. They have a following and support, so they can't be dismissed."

Indonesia had also told the rival factions that they needed to present a united front if they wanted to achieve the creation of a fully independent state. "You cannot win independence by going alone. You must go as Palestine rather than as Hamas and Fatah," he said.

"There's light at the end of the tunnel. If what they've been doing for the past 60 years hasn't resolved anything, what's available? Dialogue and negotiation," said Wirayuda.

REGIONS

Aceh peace process encouraging: Ahtasaari

The peace process in Aceh is running well, former Finnish President Martti Ahtasaari, who helped broker the 2005 accord between Jakarta and the Free Aceh Movement (GAM) said in Banda Aceh on Monday, Antara reported.

"Although a few acts of violence have happened, they have not disturbed the peace process in Aceh as they were essentially the acts of criminals," Ahtasaari told reporters.

He said his three-day visit was intended to get first-hand information on developments in the peace process.

The former Finnish leader noted the "Atu Lintang" case in which five Aceh Transition Committee (KPA) members were killed in Central Aceh had not disturbed the peace process in the province.

United States Ambassador to Indonesia Cameron Hume, in a visit the week before, said conditions in the province had become more peaceful.

"Aceh is getting more peaceful and I am optimistic the situation in the province will get even better in the days ahead," Hume said.

El Nina due to fade out

After unusually high tides combined with rough weather wreaked havoc on shipping and flooded many parts of the country starting late last year, the freak weather cycle is predicted to end shortly.

A tidal flood Thursday morning saw the temporary closure of Jakarta's Soekarno-Hatta International Airport toll road, resulting in dozens of flight delays after toll operator PT Jasa Marga closed the main access road to the airport at 6 AM after an embankment collapsed, flooding the road with tidewater.

The toll road was inundated with sea water as deep as 1.5 meters after a six-meter-long embankment on the north side of the road collapsed at 3 AM.

Airport Police chief Sr. Comr. Guntur Setyanto said 386 officers were deployed to help evacuate passengers from the flooded toll road.

Tidal waves also caused trouble in Lombok, West Nusa Tenggara on Tuesday and Wednesday, when at least 150 families were forced to evacuate after extremely high tides hit Cemara village in West Lombok regency.

Residents were evacuated by members of the West Lombok Police, the military and a search and rescue team. All residents returned by Saturday as the flood waters receded.

The La Nina weather pattern which is being blamed for the unusual high tides and a wetter than normal rainy season in Indonesia has weakened sharply and may last only until June or July, the US government's Climate Prediction Center said Thursday, according to Reuters.

La Nina, which literally means "little girl" in Spanish, usually results in cooler than normal water in the equatorial Pacific Ocean and is said to aid hurricane formation in the Atlantic basin.

The center said atmospheric conditions related to La Nina often persist for a couple of months after sea surface temperatures return to normal.

Its opposite, El Nino, which usually hits several years after La Nina, last struck with devastating fury in 1997-1998, sparking drought in Australia and Indonesia while spawning floods in Peru and Ecuador.

ECONOMY

Q1 returns continue upbeat

A range of first quarter returns for listed companies continued to show no sign of a slowdown in the economy, although Bank Indonesia (BI) said it believed growth in the quarter had reached around 6.1%.

BI raised its benchmark rate to 8.25% on Tuesday, but despite fears of a bigger spike when fuel prices are raised, Bambang Trisulo, chairman of automotive industry association Gaikindo, said that unless rates went over 8.5%, sales of vehicles could be expected to exceed 500,000 units this year.

He added that sales would not be affected by the expected raise in the price of fuel by up to 30%, Reuters reported.

Also buoyant was the retail sector, with three major companies reporting improved sales figures during the first quarter, suggesting that only the poorest groups were being affected by high food prices and other inflationary effects.

Sales at PT Matahari Putra Prima rose by 21.5%, at PT Ramayana Lestari Sentosa by 24% and at PT Mitra Adiperkasa by 22%.

Revenue at Global Mediacom, operator of two major television stations, grew 31%, mainly composed of advertising, usually the first item to be written off expenditure at companies when belt-tightening is needed.

Most attention remained on the coming fuel price rise as the global price hit a new record at \$125 a barrel, with most comments suggesting the hike would be close to 30%.

Transport operators urged that diesel fuel be raised only 15% to avoid forcing them to pass on the higher costs to passengers.

The Indonesia Stock Exchange composite index ended the week flat, with gains in mining stocks offset by fears that the fuel hikes would drive up inflation in the months ahead, Agence France-Presse reported.

The index closed at 2,375.03, up 1.3% on the week. The rupiah was trading at 9,242/9,253 to the US dollar,

BUSINESS BRIEFS

MACROECONOMY

Economy grows slower in Q1, BI says

The economy grew at a slower rate in the first quarter of 2008 compared to in last year's fourth quarter on slower growth in investment and consumption amid rising inflation and a global economic slowdown, Bank Indonesia (BI) said Monday, *The Jakarta Post* reported.

In its quarterly assessment, BI estimated the economy had grown 6.1% in the first three months of 2008, lower than the government's estimate of between 6.2 and 6.3%.

"Slow investment and private consumption growth contributed to a slower economic growth in the first quarter of 2008," BI senior deputy governor Miranda Goeltom said in the statement issued Monday.

The official figure of the country's economic growth in the first quarter of 2008 will be announced by the Central Statistics Agency on May 15.

Last year, the country's economy grew by 6.3%, mainly driven by private consumption, which government data shows contributed about 60% to the economy, while investment and exports each accounted for about 20%.

This year, investment and consumption grew by 8.3% and 4.6% from January to March, respectively, lower than 12.1 and 5.1% recorded in the fourth quarter of 2007, BI predicts.

Finance Minister expects 2009 GDP to grow 6.4%-6.6%

The economy could grow between 6.4% and 6.6% next year, Finance Minister Sri Mulyani Indrawati said Tuesday (6/5/08), Dow Jones reported.

The government is targeting economic growth of 6.4% this year after the economy expanded 6.3% last year.

Foreign exchange reserves at \$58.77B

Foreign exchange reserves stood at \$58.77 billion at end-April, little changed from \$58.99 billion at end-March, data posted on the central bank's website showed Thursday (8/5/08), Thomson Financial reported.

Bank Indonesia also said base money declined slightly to Rp324.19 trillion in April from Rp325.04 trillion in March due to a drop in banks' deposits with the central bank.

Net domestic assets, or base money minus net international reserves, stood at a negative Rp27.25 trillion at end-April against a negative Rp26.83 trillion a month earlier.

INVESTMENT

ArcelorMittal presses investment plans

The world's largest steelmaker, ArcelorMittal, said Thursday it is looking to invest up to \$10 billion in Indonesia.

As part of its investment plans in Indonesia, ArcelorMittal has proposed an iron ore and coal mining joint venture with mining firm PT Aneka Tambang and a joint venture with KS to develop a new steel plant in Java, Reuters reported.

ArcelorMittal, which accounts for about a tenth of world steel output, also said it is interested in buying a stake in KS, even if it is below 50%.

ArcelorMittal's executive vice-president for finance, Sudhir Maheshwari said that Mittal has submitted three proposals to the government. "We expect the investment amount to be between \$5-10 billion," he said.

ArcelorMittal is one of many firms interested in KS, which is on a list of government firms to be privatized. Any stake sale has to be approved by parliament.

The government wants to retain a majority stake in the firm which produced 1.8 million tons of steel products in 2007, or 30% of the country's total steel demand.

Separately, BlueScope Steel Ltd, Australia's largest steel maker, said it was interested in Krakatau Steel, but did not give details. Two other major steelmakers, India's Essar and Tata Steel, are also interested in a stake in the Indonesian steelmaker.

Dubai's Emaar opens office in Jakarta

Emaar Properties, the Dubai-based property developer with a significant presence in 36 markets globally, has accelerated its development plans for Indonesia with the opening of its country office in Jakarta, Misr Information Services & Trading News reported Thursday.

The office will steer the development of Emaar's first project in the country, a mega-tourism and mixed use project in Lombok, and also explore new opportunities for growth.

Emaar is one of the first developers from the Middle East and North Africa region to expand into Indonesia.

The Lombok site, to spread over 1,175 hectares, will be an environmentally friendly project that will energize the country's tourism sector, the report said.

The opening of the office follows a joint venture agreement signed by the Bali Tourism Development Corporation (BTDC) and Emaar in Dubai recently, to undertake the Lombok project

Planning for the \$600 million development was scheduled to begin in April.

The master-planned community is set on the Kuta and Tanjung beaches and will integrate natural elements into a residential, leisure and hospitality zone.

Excelcomindo raises investment plan to \$1B

The country's third largest mobile phone operator PT Excelcomindo Pratama said it will increase capital spending this year to \$1 billion from \$650 million previously planned, Asia Pulse reported Monday.

The company will raise funds from the sale of shares and units of base transceiver station (BTS) and bank loans, company president Hasnul Suhaimi said.

Suhaimi said the company, which is 67% owned by Telekom Malaysia Berhad and 16.81% by Khazanah Nasional Berhad also from Malaysia, needs larger investment to expand its network capacity and coverage.

Meanwhile, the country's largest telecommunications company PT Telkom including its mobile phone subsidiary PT Telkomsel has set aside almost \$3 billion in capital spending and the second largest PT Indosat \$1.2 billion.

Holcim to build new plant in Tuban by 2009

Publicly listed PT Holcim Indonesia, the nation's third largest cement producer, plans to build a new plant

worth \$400 million with an annual production capacity of 3.5 million tons in Tuban, East Java, by the end of 2009, *The Jakarta Post* reported Tuesday.

Corporate communication manager Jeffry Sani said the construction would take around three years to complete. "So we expect the site to start operations in 2011," he said.

The firm currently has two plants. Last year it produced a combined output of 7.9 million tons of cement, around 80% of the two plant's combined production capacity.

President director Tim Mackay is upbeat the new plant will increase company performance.

In the first quarter of 2008, the firm booked a 14.9% sales increase to Rp885.77 billion, resulting in Rp138.17 billion in net profit. In the same period last year, the company suffered Rp14.48 billion in losses.

Of the total 6.96 million tons in sales, 4.9 million tons were sold to the domestic market.

In addition to the Tuban project, Holcim also plans to acquire more small cement plants in East Java, having completed the acquisition of PT Pendawa Lestari Perkasa recently.

"In April 30, we acquired a 100% stake in PT Pendawa, which is based in Surabaya."

Kalbe Farma to invest \$50M to expand capacity

Publicly traded pharmaceutical company PT Kalbe Farma said it will invest Rp450 billion (\$50 million) this year to build new production lines, *Asia Pulse* reported Tuesday.

The company will increase the capacity of its factory in Cikarang, Bekasi and expand distribution systems to areas including Aceh, Bali and Papua, director Vidjongtius said.

The company will buy up to 150 new trucks to facilitate distribution and upgrade its information technology system, Vidjongtius said.

He said the company's sales rose 12% to Rp1.74 trillion in the first quarter of this year from Rp1.53 trillion in the same period last year.

This year the company is set to chalk up a 15% increase in sales from Rp7 trillion last year.

Temasline outlays \$42M to buy more ships

Publicly listed cargo shipping company PT Pelayaran Tempuran Emas (Temasline) said it plans to buy 6-7 new ships valued at \$42 million this year, *Asia Pulse* reported Monday.

The company will seek loans to cover 70% of the price and the company will put up the remaining 30%, its director John Wisnu Ali said.

John said the company has been pledged a loan of \$30 million by Bank Mandiri and Rp68 billion (\$7.48 million) from the shariah bank unit of Bank Mandiri.

Meanwhile, the company plans to sell three of its old ships worth to strengthen its working capital.

This year the company hopes to chalk up Rp1.1 trillion in income, up 29% from last year.

Astra International raises stake in Otoparts

Conglomerate PT Astra International said on Tuesday (6/5/08) it has raised its stake in its subsidiary, car parts maker PT Astra Otoparts, to 91.8% from 86.7% for Rp132.74 billion (\$14.37 million), a company

official said, Thomson Financial reported.

Astra International's corporate secretary Aminuddin told the stock exchange that his company bought 39.04 million shares of Astra Otoparts on April 28 at Rp3,400 per share.

The remaining stake in Astra Otoparts is held by the public.

STATE CONCERNS

Poor may get Rp14T on fuel price rise

The government may spend an extra of Rp14 trillion (\$1.5 billion) this year to compensate 19.1 million poor families for lost income after it raises fuel prices by as much as 30%, Bloomberg reported Wednesday.

The government may pay Rp100,000 (\$10.80) a month to help people on low incomes, Finance Minister Sri Mulyani Indrawati said. Indonesia defines poor as people surviving on less than Rp166,697 a month.

A 36% rise in local crude oil prices in the past three months has forced Dr. Yudhoyono to reconsider his pledge to not raise pump costs. "Our focus is on how we protect the purchasing power of people on low incomes and how we re-distribute subsidies from those on middle and upper incomes to the poor," Indrawati told editors of local newspapers.

"We will choose the way that is politically correct, legally correct but still allows us to respond quickly."

Cutting fuel subsidies will help the government save as much as Rp25 trillion, said Helmi Arman, an economist with PT Bank Danamon Indonesia in Jakarta.

A 30% rise in fuel prices may propel month-on-month inflation to 2.7%, Indrawati admitted.

The government paid cash to more than 15.5 million families in 2005 after raising fuel prices.

Stringent 'green' palm oil standard adopted

Indonesia plans to take firm measures aimed at ensuring palm oil firms meet stringent standards before labeling their products as eco-friendly, an industry watchdog said on Wednesday, Reuters reported.

An industry-led initiative, the Round Table on Sustainable Palm Oil (RSPO), has launched a green labeling certification process that includes commitments to preserve rainforests and wildlife and avoiding conflicts with indigenous people.

RSPO groups producers, consumers and green groups and palm oil companies that meet the criteria set by the RSPO will be able to market their certified "green products" in global markets.

Desi Kusumadewi, spokeswoman of Roundtable on Sustainable Palm Oil (RSPO) for Indonesia, said independent surveyors will be assigned to audit palm oil plantations and certify them as 'eco-friendly'.

"Hopefully, the criteria will be officially approved by the end of May," Kusumadewi said. "Basically, Indonesia will use the international standards but it will personalize the criteria based on its own considerations."

Kusumadewi said three firms -- PT Mutuagung Lestari, PT Tuv Nord and state surveyor firm PT Sucofindo -- were waiting for approval to be RSPO audit programmers in Indonesia.

Airlines told to merge

The government has urged airlines to either merge or form an alliance as it plans to issue a new regulation that requires each carrier to operate at least five airplanes, local press said Monday, Xinhua reported.

Of the five planes, the airline must fully own at least three, while it may lease the two others, reported leading economic daily *Bisnis Indonesia*.

Previously, local airlines could obtain a government license with just three airplanes.

Transportation Minister Jusman Syafii Djamal urged carriers which operate less than 10 planes in their fleets to merge in order to strengthen capital base and make the business more feasible amid the surging global oil prices.

"Alliance or merger will increase the number of aircraft to a level that is economical," he was quoted as saying.

SOEs

Gresik says Q1 net profit up 56%

Cement maker PT Semen Gresik reported a 56% increase in first-quarter net profit on Monday, amid strong demand from infrastructure projects and property development, Reuters reported.

Indonesia has seen a push by authorities to increase investment on ageing infrastructure and the firm expects the country's domestic cement demand to grow 6-7% this year.

Gresik, 51% owned by the government, said its revenue rose to Rp514.9 billion (\$55.8 million) in the first quarter from Rp329.9 billion in the same period a year ago.

Gresik's revenue climbed in the first quarter to Rp2.56 trillion from Rp2.1 trillion in the same period in 2007.

Garuda offered \$3.25B for aircraft financing

A number of leasing companies have offered to finance Garuda Indonesia's plan to purchase 10 Boeing 777-300ER and 50 Boeing 737NG ordered by the nation's flag carrier, Asia Pulse reported Wednesday.

President of the airline Emirsyah Satar said there are eight companies from the United States, Britain, Switzerland and Kuwait offering to finance the aircraft, valued at around \$3.5 billion.

Satar said interest is still strong in financing the procurement of the aircraft by Garuda, adding that the airline has reached an agreement with its creditors, including the European Credit Agency, to restructure its debt.

He said a restructuring agreement is expected to be signed in June or July including for \$463 million to ECA for the purchases of a number of units of Airbus A330 aircraft.

PRIVATE SECTOR

Auto sales to top 500,000, even with fuel price hike

The country's vehicle sales should increase at least 15% to more than 500,000 units this year, even if the government raises subsidized fuel prices by up to 30%, the country's automotive industry association said on Tuesday, Reuters reported.

Bambang Trisulo, the chairman of Gaikindo, said the fuel price hike would not hit the automotive industry as long as the central bank kept the key interest rate BIPG at no higher than 8.5% and inflation was below 10%.

"If those parameters are met I think we can still top 500,000 units this year. We totally support the plan. What is important for the government is to keep steady (fuel) supply and prevent any shortages," Trisulo said.

Vehicle sales rose by more than a third last year to 434,449 units, and some industry analysts and executives predict 2008 sales will grow to 500,000-550,000 units.

Strong sales growth at retailers

PT Matahari Putra Prima, the largest retailer in the country, said Monday its net profit in the first quarter to March grew 19%, supported by stronger sales, Thomson Financial reported.

Matahari booked a net profit of Rp18.05 billion (\$1.64 million) in the quarter, against Rp15.18 billion a year earlier.

Sales rose 21.5% to Rp2.45 trillion and operating profit grew 94% to Rp80.29 billion.

The stronger sales were mainly attributable to Matahari Department Store (MDS) and the Matahari Food Business (MFB). MDS sales rose 10.8% to Rp1.1 trillion, while MFB sales rose 32.2% to Rp1.3 trillion.

Matahari opened two new Hypermart stores in the quarter and says it intends to open seven new department stores, 10 to 12 hypermarkets and several additional supporting formats including Timezone entertainment centers this year.

The country's second biggest retailer, PT Ramayana Lestari Sentosa, said Monday its first-quarter net profit was flat from a year earlier as foreign exchange losses offset strong growth in sales and operating profit, Thomson Financial reported.

Ramayana booked net profit of Rp41.48 billion (\$4.4 million) in the first quarter against Rp40.90 billion a year ago.

Sales rose 24% to Rp1.04 trillion while operating profit jumped 32% to Rp33.88 billion.

The bottom line, however, was pressured by a 45% fall in net other income to Rp11.92 billion due to foreign exchange losses, the retailer said.

Ramayana posted forex losses of Rp4.97 billion in the first quarter against forex gains of Rp2.88 billion a year ago.

A third retail operator, publicly listed PT Mitra Adiperkasa, reported a 22% increase in net sales to Rp1.03 trillion (\$113.3 million) in the first quarter from Rp844 billion in the same period last year, Asia Pulse reported.

The company, however, posted a sharp decline in net profit from Rp13.22 billion to Rp2.5 billion because of losses on foreign exchange.

Head of investor relations Ratih D. Gianda said gross profit rose 22% to Rp372 billion and its operating profit increase 11% to Rp37 billion.

Bhakti Investama posts 34% rise in operating income

Publicly-listed investment firm PT Bhakti Investama reported a 34% increase year-on-year to Rp1.22

trillion (\$135 million) in consolidated operating income in the first quarter of this year, Asia Pulse reported Thursday.

Company president Hary Djaja attributed the increase mainly to the good performance of its media and telecommunications business units.

Global Mediacom, which operates in advertising and content-based media business, contributed 17% or Rp626 billion to the income, up from Rp536 billion a year earlier, he said.

Business units in information technology contributed Rp252 billion, he added.

Net profit at Global Mediacom grew 7% in the first quarter from a year earlier, with stronger sales covering a rise in operating expenses, Thomson Financial reported.

Net profit rose to Rp78.84 billion (\$8.5 million) from Rp73.39 billion, the company said.

Sales surged 31% to Rp1.05 trillion from Rp800 billion.

Operating profit dropped to Rp163.65 billion from Rp185.15 billion due to a 43% increase in operating expenses to Rp882 billion, it said.

Global Mediacom generates most of its revenue from the media business via its unit PT Media Nusantara Citra (MNC). It also has interests in telecommunications and other businesses.

BANKS

BCA uses \$333M in SBI to buy state bonds

Bank Central Asia (BCA) said it has used Rp3 trillion (\$333 million) of funds invested in Bank Indonesia promissory notes (SBI) to buy state bonds carrying floating rate, Asia Pulse reported Thursday.

"The price of state bonds is now profitable," vice president of the country's largest private bank Jahja Setiamadja said.

Setiamadja said rising inflation that has forced the central bank to raise its benchmark interest rate and the planned increase in oil fuel prices would open an opportunity for the bond price to increase.

He acknowledged BCA suffered a loss of Rp28 billion when the price of traded Rp500 billion state bonds plunged recently.

But the loss was very small compared to out net profit of Rp4.5 trillion recorded in 2007, he said.

Bank Mega reports 27.6% increase in net profit

PT Bank Mega reported a 27.6% increase year-on-year in net profit to Rp151.9 billion (\$16.7 million) in the first quarter of this year, Asia Pulse reported Thursday.

"We are one of four major banks in the country reporting net profit (in the first quarter of the year), its president Yungki Setiawan said.

The bank reported strong growth in credit expansion when most other banks slowed down credit disbursements.

The bank's outstanding credit grew by 28.3% to Rp14.87 trillion, from Rp11.59 trillion, he added.

Three banks to open shariah units

Three banks plan to open sharia-compliant units this year to tap the potential of Islamic finance in Indonesia, a central bank deputy governor said on Wednesday, Reuters reported.

Analysts say Indonesia has the potential to become a major player in global Islamic finance because around 85% of its around 226 million people are Muslim.

Bank Indonesia Deputy Governor Siti Fadrijah said that state-owned PT Bank Rakyat Indonesia, the country's third largest lender, and PT Bank Bukopin, will convert conventional units to shariah-compliant banks.

She said another state bank, PT Bank Negara Indonesia, will also set up a new Islamic bank together with Islamic Corporation for the Development of the Private Sector (ICD), a unit of Islamic Development Bank.

Shariah, or Islamic law, bans payment of interest, allowing money to be earned only from physical assets. It also bars investment in alcohol, tobacco or gambling.

HSBC is the only foreign bank which has shariah operations in Indonesia, but there are several domestic banks with shariah-compliant operations.

The central bank said in July it expects total assets of Islamic banks to rise to Rp91.57 trillion by the end of 2008.

Fadrijah said the country's Islamic banking industry is set to meet its target of a 10-15% share of national banking assets by 2015 from less than 5% currently.

Global Islamic assets are growing at an annual pace of 20% and are set to hit \$2 trillion in 2010 from the current \$900 billion, thanks to a flood of petrodollars, Ernst & Young said in February.

POWER

World Bank to finance hydropower plant project

The World Bank has agreed to provide a loan of \$500 million to state electricity company PT PLN to finance the construction of a hydroelectric plant at Upper Cisokan in West Java, Asia Pulse reported Thursday.

Leiping Wang, senior energy specialist of the World Bank for Indonesia said PLN will put up \$100 million for the \$600 million project.

Official agreement will be signed after the National Development Planning Board gives its approval, Wang said.

He said the loan will be repaid by installments in 30 years with an annual interest rate of 3% or the same as the London Interbank Offering Rate.

The power plant to be fed by the Cisokan river, will have a capacity of 1,000 MW to support the Java Bali power interconnection system.

The power plant, which will use a pumped storage power system, will replace diesel power plants in the Cisokan area.

PLN to save up to Rp474B from tariffs policy

State power company PT PLN said on Tuesday it would continue applying nonsubsidized tariffs to higher income consumers and businesses, claiming the move would save about Rp474 billion (\$43.4 million) this year in Java and Bali alone, *The Jakarta Post* reported.

PLN president director Fahmi Mochtar told a seminar the company had saved Rp1.3 billion per day for a month following the introduction of its policy of nonsubsidized tariffs.

He said during this period the peak electricity load had dropped by 200 MW in the Java-Bali power grid from the normal 15,800 MW to 15,600 MW.

"We hope the power consumption level can be controlled further with this policy," Fahmi said.

PLN began charging nonsubsidized tariffs to customers with an electricity capacity of more than 6,600 MW in April in the hope of reducing the company's soaring operating costs due to the rise in the price of oil.

Chevron to double geothermal capacity in SE Asia

Chevron Corp., the second-largest US oil company, plans to double its geothermal generation capacity in Southeast Asia by 2020 as record crude prices boost the attractiveness of the renewable energy, Bloomberg reported Tuesday.

Chevron may develop new areas and expand existing plants, David Newell, a business development manager at Chevron's Indonesian geothermal unit, said.

The company currently operates areas in Indonesia and the Philippines that produce 1,273 MW from geothermal plants, he said.

Indonesia, the world's third-largest producer of geothermal energy, wants to increase the amount of electricity produced from alternative sources.

Chevron is studying 10 areas on the islands of Sumatra and Java, Newell said.

The San Ramon, California-based company may expand its 377-MW Salak geothermal plant in West Java by as much as 75 MW, he said. It will decide on the investment, which may cost \$80 million, by year-end.

OIL & GAS

Govt. to raise oil output to 1.2M bpd by 2010

The government intends to increase the country's crude oil production by 200,000 barrels to 1.2 million barrels per day (bpd) in 2010, Vice President Jusuf Kalla said, *Asia Pulse* reported Thursday.

"I think we will be able to raise our crude oil production to 1.2 million barrel per day by 2010 as we have adequate oil resource potential," he said.

Indonesia had large potential to raise its oil production to meet its rising consumption, he said.

"We have so far been able to export oil. The market for our oil is already clear. In this country of 220 million population, we will not lose the market," he said.

The country's crude oil production currently stood at 1 million bpd while its oil consumption reached 1.2 million bpd, he said.

Medco posts 49% rise in Q1 net profit on stronger sales

The country's biggest publicly-listed oil and gas company PT Medco Energi Internasional said on Monday its first-quarter net profit rose 49% from a year ago aided by stronger sales, Thomson Financial reported.

The company said it booked a net profit of \$22.96 million in the first quarter against \$15.43 million a year earlier.

Medco said its sales jumped 86% to \$334.55 million from \$179.87 million in the first quarter of last year, mainly driven by oil and gas sales which rose 68% to \$210.5 million.

The remaining sales came from drilling and related services, chemicals and other petroleum products, and power sales.

Medco said its operating profit rose to \$87.75 million from \$49.44 million a year ago.

Meanwhile, *The Jakarta Post* reported Tuesday that PT Medco E&P Indonesia plans to spend \$260 million this year on the development of its oil and gas blocks, its president director Lukman Mahfoedz said

He said the company would drill 80 wells in existing fields and about 20 wells in exploration areas this year with a total budget of \$150 million.

Inpex to build floating LNG plant in Masela Block

Inpex Masela Ltd has proposed building a floating liquefied natural gas (LNG) plant in the Masela Block in the Timor Sea with an investment of around \$4 billion, a report said Tuesday, Asia Pulse reported.

The Japanese company submitted a plan of development (POD) for the project to the government in mid-April, government sources told the newspaper *Investor Daily*.

The Upstream Oil and Gas Regulatory Agency (BP Migas) suggested Inpex cooperate with Australia's Woodside Petroleum Ltd to speed up implementation of the project, the sources said.

Chief of studies and development at BP Migas Handoyo Eko Wahono said Inpex wanted to build a pipeline to transport gas from the Masela Block to Australia but BP Migas is against the option.

Building a floating LNG plan is more effective and efficient, Wahono said.

Genting submits West Natuna development plan

Genting Oil & Gas Pte Ltd is preparing plan of development (POD) for oil and gas explorations in the West Natuna block, Riau, Asia Pulse reported Tuesday.

The oil and gas concession was formerly awarded to Premier Oil before it was returned to the government and was taken over by the Malaysian company on December 12.

A manager of Genting Oil Livia Sadikin said Monday Genting had discovered oil after drilling two exploration wells in the block.

Work is now in the process of drilling and the block is expected to come on stream in 2011, she said. Genting is the sole operator of the block.

Mitra gets \$500M loan to finance oil rig acquisition

Transport company PT Mitra Rajasa said it has secured a loan of \$500 million to finance the acquisition of 80.6% of oil rig operator PT Apexindo Pratama, Asia Pulse reported Thursday.

Mitra Rajasa, which has transport contracts with large cement producers, started expanding its business to oil and gas mining services last year.

A consortium of investment banks agreed to provide financial support for the acquisition of Apexindo, Mitra chief commissioner Tito Sulistio told the newspaper *Bisnis Indonesia*.

The consortium is composed of both foreign and domestic investment banks, Sulistio said without giving names.

The 80.6% stake will include the 48.9% stake owned by PT Medco Energi Internasional and the 31.7% stake owned by Encore International Ltd owned by the Panigoro family.

Earlier Abacus Capital and Bormindo Nusantara failed to agree on a price for a deal on Medco's stake.

MINING

Sinosteel to build 500,000-ton nickel ore mine

PT Sinosteel Indonesia Mining, a subsidiary of China's state-owned Sinosteel Corp., is in the initial stages of developing a 500,000-metric-ton nickel mine in central Sulawesi, with plans to mine nickel ore by the end of the year, a senior company official said Wednesday, Dow Jones reported.

The mine would be Sinosteel's first foray into nickel mining, as part of the company's aggressive push to secure raw materials for steelmaking.

PT Sinosteel has applied for an exploitation permit covering 300 hectares in Morowali, which it expects may be approved in two to three months by the local government, general manager Qian Jin said.

The company obtained an exploration permit last year and found some promising results from drilling, Qian said.

The final exported laterite nickel product would likely contain 1%-2% nickel and would be sold to Sinosteel Corp.'s 80,000-ton ferronickel plant now under construction near Tianjin, China, Qian said. "We have a schedule to start mining this year," he added.

PT Sinosteel is still conducting a feasibility study, and is now negotiating with subcontractors for the mine's construction.

It will soon begin negotiations with local villagers that may be impacted by the mine to buy or lease property owned by them, Qian said.

Govt. to start verifying all mining products

Exporters of all mining products will have to undergo a new verification process by government-appointed surveyors effective July 5, an official said Tuesday, *The Jakarta Post* reported.

Diah Maulida, the Trade Ministry's Director General for International Trade, said the process was part of a regulation put in place by the ministry to avoid the illegal export of mining commodities.

The verification process will be conducted to check data on shipments of coal, ores and concentrates of minerals classified as strategic and vital such as copper, nickel, bauxite, lead, zinc and gold.

Also included in the verification process is a check on the commodities' mining sources as well as quality and quantity.

"The regulation aims to stop the export of illegally mined products by increasing supervision on the

process and to export higher quality mining products," Maulida said

She said it would also improve the accuracy of the country's export data.

At present, exporters are only required to submit export documents to the customs office.

Jan-April tin exports double

Exports of refined tin are estimated to have doubled in the first four months from a year ago as more smelters were allowed to export the metal, the trade ministry said on Thursday, Reuters reported.

Indonesia exported 33,809.85 tons of refined tin in January to April period this year, compared to 16,554.5 tons in the same period last year when the government introduced stricter tin export rules.

Tin exports had slowed a year ago following a clampdown on illegal mining in the Bangka-Belitung islands, the main source of tin in Indonesia. Since then, the government has approved many export permits.

Currently, there are 18 tin smelters allowed to export the metal, which is used as electronic solders and for corrosion resistance for other metals.

Freeport Indonesia pays \$300M in taxes, royalties

PT Freeport Indonesia said it has paid \$301 million in taxes and royalties to the government in the first quarter of this year, Asia Pulse reported Tuesday.

The US company operating copper and gold mines in Papua said it paid \$245 million in corporate income tax, \$27 million in workers' income and regional taxes and \$29 million in royalty.

Last year the company paid \$1.8 billion including \$1.4 billion in taxes, \$164 million in royalty and \$216 million in dividend to the government, it said in a statement.

It said the amounts of the payments fluctuated to follow the prices of the commodities and volume of sales.

Indian firm to buy coal rights

India's Monnet Global, the overseas subsidiary of steel maker Monnet Ispat & Energy Ltd (MIEL), is set to acquire mining rights for a 250-million ton coal reserve from PT Anzawara, India's *The Economic Times* reported Tuesday.

The deal would enable the company to start coal trading and look for lucrative markets in China, Southeast Asia and India. Monnet has interests in steel and power sectors.

"We have reached an understanding with PT Anzawara to sign a 25-year agreement to exploit coal resources of the Indonesian company for sales both in local and overseas markets," MIEL executive vice-chairman & managing director Sandeep Jajodia said.

"The agreement would be initially for only one fourth of the total reserve (about 80 million ton), before reserves of remaining mining areas is assessed and exploited," he said.

He said that the deal would involve a royalty payment to the original mining lease holders.

It is expected that the mine would yield a production of 1 million tons by July this year. This would progressively increase to 3 million tons in the next couple of years.

Leighton wins coal contract at Samboja

Australia's leading construction and contract mining group Leighton Holdings Ltd said on Monday its Thiess unit has been awarded a \$250 million five-year coal mining contract in Indonesia, Thomson Financial reported.

The contract with PT Inkor Prima Coal includes overburden removal and mine support services at its Samboja coal mine in East Kalimantan, and is due to commence in June, the company said.

CommSec equities analyst Savanth Sebastian said the contract adds to a spate of new construction and mining contracts won by Leighton in recent weeks, which means its work-in-hand has reached the A\$12 billion mark for the year to June 2009, needed to maintain earnings growth.

New orders include the group's first contract with Rio Tinto Iron Ore, won last month.

The contract, worth A\$344 million, was the first to be awarded to Leighton by Rio Tinto.

The group, which is 54% owned by Germany's Hochtief AG, is also expanding in the Middle East through joint venture deals.

PTBA to acquire two coal miners this year

State-owned coal mining company PT Tambang Batubara Bukit Asam (PTBA) said it will wrap up the acquisition of two coal mining companies in Kalimantan, Asia Pulse reported Wednesday.

The acquisition is expected to be completed in the second half of this year, its president Sukrisno said.

The acquisition of the companies, located in East Kalimantan and South Kalimantan, is a current priority for PTBA, he said.

This year the company hopes to increase its production by 20% to 13 million tons from 10.85 million tons last year.

The company is also planning construction of a rail track in South Sumatra and acquisition of shipping company PT Bahtera Adiguna to facilitate its coal transport, he said.

Indika Energy launches \$300M IPO

Coal producer PT Indika Energy on Thursday began marketing an initial public offering to raise up to \$300 million ahead of a June 18 listing in Jakarta, according to a term sheet obtained by Reuters.

The company is selling about 937.3 million shares, or 18% of its enlarged share capital, at Rp2,300-2,950 each in a deal handled by Citigroup, Deutsche Bank, Mandiri Sekuritas, Denareksa Sekuritas and Indo Premier Securities.

An over-allotment option would expand the deal by 104.1 million shares.

PT Adaro Energy is also planning to raise up to \$800 million through an initial public offering, a leading financial daily reported.

PT Adaro Energy is the parent company of PT Adaro Indonesia, the country's second-largest coal producer. The proceeds will be used to buy PT Adaro Indonesia's shares from foreign shareholders, to repay debt and finance expansion, Adaro energy director Andre Mamuaya told *Bisnis Indonesia*.

"The minimum target for Adaro Energy's IPO is \$500 million, but it might reach \$800 million," Mamuaya said.

The paper said Adaro Energy submitted the listing application to the stock exchange on May 6 and the IPO will be held early in July.

PT Danatama Makmur will be the lead managing underwriter. Adaro Energy has also appointed UBS AG, Morgan Stanley and DBS Vickers Securities to help underwrite the offering.

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