

THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Main Building, Ministry of Finance, Jl. Lapangan Banteng Timur No.2-4 Jakarta 10710
Tel: (021) 351-1178 Fax: (021) 351-1186 Website: <http://www.ekon.go.id>

Trade and Investment News¹, 5 May 2008

Highlights

Politics

- The Corruption Eradication Commission detained a legislator
- The 2002 Bali bombers launch a new legal bid to delay their executions

Regions

- The US ambassador says conditions in Aceh are improving
- US researchers probe East Java 'mud volcano'

Economy

- Inflation moves up but companies report strong first quarter profits
- President says economic challenges are not light

Business briefs

Macroeconomy

- March trade surplus jumps to nearly \$4 billion
- First quarter tourist arrivals up 15.7% on year earlier

Investment

- Young businessmen's association to seek \$3 billion in Middle East investments
- Paper packaging producer PT Fajar Surya to invest \$85 million in expansion

State concerns

- Vice President says Indonesia does not need rice imports in 2008

SOEs

- Four foreign steel giants now vying for share of PT Krakatau Steel
- Construction company PT Wijaya Karya reports strong orders

Private sector

- PT Astra Indonesia reports 76% jump in first quarter profits
- PT Unilever Indonesia records 31% profit hike in first quarter

Banks

- Mixed fortunes for banks, with Bank Permata strongest performer in first quarter

Power

- Government considers coal royalty cut to encourage domestic sales
- India's Reliance Power to buy coal mine to fuel power plant

Oil & gas

- PT Pertamina to spend \$200 million to build polypropylene plant
- Chevron gets go-ahead for Galan deepwater gas block

Mining

- PT Timah first quarter net profit jumps by 55%

¹ *This Trade and Investment News is a publication of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. Readers are welcomed to forward it in its original form but no reproduction is allowed without permission*

POLITICS

House member detained

The Corruption Eradication Commission (KPK) detained a second member of the House of Representatives on Friday in connection with the alleged transfer of an area of mangrove forest in South Sumatra province, *Kompas* reported.

Sarjan Tahir, a member of the House's Commission V from the Democratic Party, of which President Susilo Bambang Yudhoyono is the head of the advisory board, was taken into custody by the KPK, which had named him as a suspect on February 27.

Earlier last month, United Development Party member Al Amin Nasution was arrested in connection with another suspect land transfer case on Bintan island in Riau Islands province.

Tahir is alleged to have bent the rules of a transfer of status of the mangrove forest for use in the development of the Api-Api Cape in South Sumatra.

The KPK on Monday conducted unprecedented raids at the offices of several House members.

At least seven offices belonging to DPR members were searched by KPK officials, said the Deputy Head of the Honorary Board, Gayus Lumbuun, adding the KPK checked official and personal documents.

A team of around 30 KPK investigators took documents, computers and laptops away with them in a number of suitcases and backpacks after the search. They made no comment to journalists.

The search of the DPR offices came after parliamentary officials, including House Speaker Agung Laksono, caved in to the demand from the KPK after initially trying to block the search.

On Tuesday, the KPK also conducted a raid on the office of Jambi vice governor Antony Zeidra Abidin.

Nine KPK officials searched the office and confiscated several documents in the two-hour raid.

Abidin had previously been detained by police over alleged involvement in the Bank Indonesia bribery scandal that occurred in 2004 when he was then a member of Commission IX at the House of Representatives.

Bali bombers to lodge third judicial review

Three terrorists who were sentenced to death for the 2002 Bali blasts plan to lodge another judicial review with an Indonesian court, their lawyer said on Friday, which could delay or prevent their execution, Reuters reported.

The three men -- Amrozi, Imam Samudra, and Mukhlas alias Ali Gufon -- face execution by firing squad for their role in the bomb attacks which killed 202 people at two night clubs.

The three Bali bombers, who are being held at a maximum security prison in Central Java, submitted separate review documents to the prison head on Wednesday and asked for these to be given to the nearby Cilacap District Court, their lawyer Achmad Michdan told Reuters.

The three militants had previously submitted a request for a judicial review to a court in Denpasar, Bali, but want the review to be considered by a local court in predominantly Muslim Central Java.

"We want the Cilacap court to hear the judicial review case and allow us to present the convicts," Michdan said.

In the militants' second judicial review earlier this year, the Denpasar District Court refused to bring the three men to Bali to testify because they had already given their testimony.

Indonesian prosecutors have said they will execute the men but will wait until every legal step for the bombers has been exhausted, saying there is no deadline for execution.

Amrozi meanwhile is planning to remarry his former wife inside the heavily guarded prison on May 12, in a ceremony possibly presided over by radical cleric Abu Bakar Ba'asyir.

Timor Leste, Indonesia agree to work together

The leaders of Timor Leste and Indonesia said Tuesday they would draw a line under the past and forge a relationship focused on co-operation, the *Financial Times* reported.

"We hope that the two states and two governments will soon come together to close a chapter of our common history and open a new chapter," said East Timor Prime Minister Xanana Gusmao at a joint press conference with President Susilo Bambang Yudhoyono.

The visit was delayed by the February attack on Gusmao and President Jose Ramos Horta, who was severely injured in the incident.

Indonesia is to deport four East Timorese rebels believed to have taken part in the attack.

The two countries signed a number of economic agreements during Gusmao's five-day visit. The prime minister, in an interview with *The Jakarta Post*, quoted him as saying that while East Timor could offer little as a trading partner, it was seeking Indonesian investment.

"If you invest money, we could together sell your products to some other countries. We are a member of ACP-EC (African, Caribbean and Pacific countries and the European Community) Partnership Agreement, which is also known as the Cotonou Agreement. We can sell your products to Europe without tariffs, we can also sell the products to China and even to Australia without any tariffs," he said.

US trade chief in talks in Bali

US Trade Representative Susan Schwab was to discuss ways to boost trade with Southeast Asia and wrap up long-running world trade talks in meetings beginning on Thursday in Bali, according to a statement reported by Reuters.

"Southeast Asia is one of the most economically dynamic regions in the world," Schwab said in a statement before leaving for Bali.

The chief US trade negotiator was to meet with trade ministers from the 10-member Association of Southeast Asian Nations (ASEAN) to discuss an initiative to increase regional trade and investment flows.

Trade ministers from New Zealand, Australia and India were then to join Schwab and the ASEAN ministers for talks on the Doha round, which is now in its seventh year.

Negotiators at World Trade Organization headquarters in Geneva are awaiting revised texts on agriculture and manufactured goods, which could set the stage for a meeting of WTO trade ministers in May to take another stab at achieving a breakthrough.

Schwab was also to meet in Bali with Indonesian Trade Minister Mari Pangestu for bilateral talks on reducing trade and investment barriers.

REGIONS

US envoy says Aceh more peaceful

Conditions in Aceh province have begun to become more peaceful almost three years after the government and the Free Aceh Movement (GAM) signed their peace agreement in Helsinki, Finland, US Ambassador to Indonesia Cameron R Hume said Friday.

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

The US envoy made the statements after a meeting with Commission on Sustaining Peace in Aceh (CoSPA) chairman Azwar Abubakar to discuss the peace process in the province.

Hume said Aceh was moving towards a better future because of its democratically elected governor, its improved political system, abundant resources and budget, adding the significant changes are making it easier for the local residents to make progress.

Asked to comment on the fact that since the signing of the Helsinki peace accord in 2005 armed crime has increased in Aceh, Hume simply said the perpetrators should be sent to prison.

Hume said people in Aceh should no longer resort to any kind of violence and everyone should be encouraged to uphold the existing laws and shun armed conflict.

Meanwhile, with one year of its term remaining, the Aceh and Nias Reconstruction and Rehabilitation Agency (BRR) has simplified its organizational structure in a move involving the dissolution of five deputy positions.

The reshuffle has removed the positions of deputy BRR chiefs for housing and settlement; religious, social and cultural affairs; education, health and women's empowerment affairs; institutional and human resources development; and economic and trade affairs, said a report from *The Jakarta Post*.

"After three years of service, we consider our work to be declining," BRR chief Kuntoro Mangkusubroto said.

The agency has asked President Yudhoyono to issue a new regulation on the new BRR structure. Mangkusubroto expects the president will sign the regulation soon.

E. Java: U.S. researchers seek mudflow, volcano link

Arizona State University (ASU) will establish a science research institute in Indonesia, with a forthcoming study on the mudflow disaster in Sidoarjo, East Java, as its initial project.

According to *The Jakarta Post*, a team of scientists, led by Dr. Amanda Clark from the ASU School of Earth and Space Exploration, will arrive Tuesday for the first project, expected to last one month, Susi Herawati, spokeswoman for the U.S. University, said Monday.

Clark's team will include Dannie Hidayat, an Indonesian geologist from Pennsylvania State University, and two experts from ASU, geochemist Hillary Hartnett and active tectonics and subsidence expert Ramon Arrowsmith.

The team first visited Sidoarjo in February to conduct a preliminary exploration of the mudflow site, which has spread into 11 surrounding villages since the disaster struck in May 2006.

The preliminary exploration focused on finding a link between the mud disaster and a number of active volcanoes in the province. The experts believe the mudflow is similar to regular lava volcanoes, except it erupted from beneath the earth rather than from mountains.

Herawati said the government's Sidoarjo Mudflow Mitigation Agency has helped facilitate the ASU research and the university sought to establish a long-term arrangement with the government to conduct similar research in Indonesia.

She said they had yet to determine a site to establish the research institute and would focus first on the mudflow research.

Experts are divided on the cause of the disaster. Some claim the two-year mudflow is a natural phenomenon and others believe it is the result of mining activities by Lapindo Brantas Inc.

Jakarta: Elevated road plan underway

Despite criticism from urban and transportation experts, the Jakarta administration is moving forward with a plan to construct elevated roads, including six turnpikes, in the inner part of the city.

The Jakarta Post reported on Saturday that the administration plans to build more elevated roads to reduce traffic woes in the city as ground-level road construction is no longer feasible due to limited land availability.

Deputy Governor Prijanto said the administration is setting up a special company, called PT Jakarta Toll Road Development, that would help garner 67% of the Rp40 trillion total investment needed for the project, adding the remaining 33% would be offered in a public bidding.

The administration has scheduled road construction to begin next year in North Jakarta, along with the construction of a Mass Rapid Transit (MRT) construction in the southern part of the city.

The Rp8.3 trillion MRT project will stretch 14.3 km from Lebak Bulus, South Jakarta, to Dukuh Atas, Central Jakarta and is expected to be finished in 2014.

Six planned Jakarta toll road projects:

Route and Distance (kilometers)

1. Rawa Buaya, West Jakarta - Sunter, North Jakarta 18.6
2. Kemayoran, Central Jakarta - Kampung Melayu, East Jakarta 9.7
3. Pasar Minggu, South Jakarta - Casablanca, South Jakarta 9
4. Kampung Melayu, East Jakarta - Tomang, West Jakarta 12
5. Sunter, North Jakarta - Pulo Gebang, East Jakarta 12.5
6. Ulujami, South Jakarta - Tanah Abang, Central Jakarta 8.6

ECONOMY

Inflation creeps up, companies improve profits

Inflation rose to a 19-month high in April, but the Indonesia Stock Exchange composite index put on gains on strong first quarter reports, with the market largely ignoring the inflation figures.

The Central Statistics Agency (BPS) announced Friday that year-on-year inflation rose in April to 8.96%, up from the March figure of 8.17%, with a monthly rise during April of 0.57%.

Raw food produced the strongest gain at 15.73%, with clothing next at 11.29% for the month, Reuters reported. Virtually all sectors saw rises, apart from transportation, which fell by 0.01%. Higher kerosene prices were also a major factor in fueling inflation, BPS said.

However, the agency said a reduction in cellular phone rates managed to slow down the inflation by 0.21%, *The Jakarta Post* reported.

"Inflation will remain high in the next three months, judging from the low inflation in the same period last year," BPS chairman Rusman Heriawan said.

Analysts doubt the spike will prompt the central bank to raise interest rates next week, although rises are expected later in the year.

Finance Minister Sri Mulyani Indrawati said that if present international oil price trends continued the government expected to raise fuel prices by about 30% and introduce a smart card system to limit fuel purchases to 60 liters per month per vehicle.

Indrawati told the *Financial Times* the cabinet would decide the size and timing of any fuel price rise "soon" but that the government was receptive to a recommendation from the Indonesian chamber of commerce that society could not handle more than a 30% rise.

The minister predicted that the government would save about Rp25 trillion with a 30% price rise and rationing, of which about 45% would be spent on direct cash transfers to 19.1 million of the poorest families.

President Susilo Bambang Yudhoyono, in a televised speech on Wednesday night, said rising global energy prices posed a serious challenge to the economy.

"I'd like to be honest and frank that the problem we are facing is not light," Dr. Yudhoyono said. "Problems relating to our economy are serious."

A range of first quarter reports from private sector companies made it clear, however, that those problems had yet to strike home in the wider economy.

PT Astra International reported net profit for the quarter 76% up on the same period of last year, buoyed by a 46% rise in April car sales, Unilever reported a rise of 31%, PT Indofood Sukses Makmur reported net profit more than double last year's figures, and plantation firm PT Bakrie Sumatera Plantation saw net profit shoot up by 793.4%.

The trade surplus rose more than expected to \$3.99 billion in March from \$2.71 billion a month earlier on rising global commodity prices.

The Indonesia Stock Exchange composite index closed 1.7% higher on Friday on strong first-quarter earnings, with investors ignoring the April inflation data released earlier in the day, Agence France-Presse reported dealers as stating.

The index closed at 2,342.76, a gain of 4.6% for the week. The rupiah was trading at 9,230/9,235 to the US dollar.

Indicators:

	February	March	March 08/ March 07	Cumulative 2008
Total exports	\$10.53 billion	\$11.9 billion	31.24%	\$33.62 billion
Non-oil & gas exports	\$8.15 billion	\$9.14 billion	21.99%	\$26.24 billion
	March (y-o-y)	March (m-o-m)	April (y-o-y)	April (m-o-m)
Inflation	8.17%	0.95%	8.96%	0.57%
	Full year 2005	Full year 2006	Full year 2007	First quarter 2008
GDP growth	5.60%	5.5%	6.3%	6.2%*
	February	March	Growth/loss (m-o-m)	Growth/loss (y-o-y)
Tourist arrivals	446,400	502,000	7.86%	13.3%

Source: Central Statistics Agency
* Bank Indonesia estimate

**BUSINESS BRIEFS
MACROECONOMY**

March trade surplus jumps to \$3.99B

Indonesia's trade surplus rose more than expected to \$3.99 billion in March from \$2.71 billion a month earlier on rising global commodity prices, the Central Statistics Bureau (BPS) said Friday, Dow Jones reported.

Including imports to industrial areas where imported commodities are reprocessed into export goods, the surplus was \$1.89 billion, compared with \$900 million a month earlier.

Export revenue from crude palm oil rose 75% to \$1.82 billion from a month earlier, agency chairman Rusman Heriawan told reporters.

Total exports rose 13% to \$11.90 billion, while imports going to destinations outside industrial areas rose 1.2% to \$7.91 billion.

The country had a deficit of \$794.9 million in its oil trade accounts. But the deficit narrowed from \$1.20 billion in February as crude oil exports rose to \$1.33 billion from \$1.08 billion.

Crude oil imports slid to \$794.6 million from \$807.4 million, with petroleum product imports declining slightly to \$1.61 billion from \$1.69 billion.

Exports of natural gas increased slightly to \$1.15 billion from \$1.10 billion a month earlier.

The trade surplus in the first quarter of the year rose to \$10.39 billion from \$9.99 billion a year earlier, the agency's data showed.

Q1 tourist arrivals up 15.7%

The number of foreign tourists visiting Indonesia rose 15.7% to 1.4 million in the first quarter of 2008 from a year ago, the statistics bureau said on Friday, led by higher arrivals at the key resort of Bali, Reuters reported.

"It's a good sign. It's the result of last year's promotion and the significant increase of arrivals to Bali is because perception about security has improved," said Carla Parengkuan, executive director of the Indonesian Hotel Association.

Tourist arrivals in Bali rose 28% to 159,886 in March from a year ago. The total number of foreign tourists visiting Indonesia was 502,041 in March, up 13.3% from 443,100 a year ago.

Foreign tourist arrivals climbed to 5.51 million in 2007 from 4.87 million in 2006, but fell short of the government's target of 6 million.

Indonesia hopes to attract 7 million foreign tourists this year, and has launched a "Visit Indonesia Year 2008" campaign.

Govt. raises Rp1T in bond auction

The finance ministry raised Rp1 trillion (\$108 million) from the auction of 1-year treasury bills on Tuesday, Reuters reported.

The treasury bills were sold with an average yield of 10.17%.

The finance ministry also offered 2-year zero coupon bonds at the auction, reopening an existing issue, but there were no winning bids.

INVESTMENT

Association seeks \$3B in Middle East investment

The Indonesian Young Businessmen's Association (HIPMI) has set itself the target of luring \$3 billion investment from Middle Eastern firms when it conducts a roadshow in the Middle East next June, Asia Pulse reported.

"We hope we can lure \$3 billion in investment (during our visit to the Middle East)," the chief of the association's executive board, Sandiaga S Uno, said.

He expressed hope the Middle Eastern investments would go to the food and energy sectors in Indonesia.

The roadshow was mainly designed to attract Middle Eastern firms to invest in a number of projects run by the association in the eastern parts of the country, he added.

Fajar Surya invests \$85M for capacity expansion

Publicly traded paper packaging producer PT Fajar Surya Wisesa said it will invest \$85 million for expansion increasing its production capacity by 300,000 tons to 1 million tons a year, Asia Pulse reported Tuesday (29/4/08).

The company will use internal and external fund to finance the plan, company director Hadi R. Ongkowidjojo said, adding a plan earlier this year to launch right issue was postponed as the market is not favorable.

Hadi said the company reported a 52% increase in income to Rp835 billion in the first quarter of this year from Rp550 billion (\$59.95 million) in the same period last year.

Spanish company to invest in Bali tourism

Jardines de Bali, a Spanish company, plans to develop villas in Bali with an initial investment of Rp362 billion (\$39.1 million), Asia Pulse reported.

The villas would be intended to attract up-scale tourists coming to Bali, chief executive of Jardines de Bali Group, Vernando Alonso Varea, said Wednesday.

A business study showed that Indonesia was among the best investment destinations because the country's economy was growing, he said.

"Our first project in the tourist accommodation sector in Bali will be construction of several luxurious villas," he said.

Data from the Bali provincial tourism service showed that there are currently 635 villas with a total of 3,958 rooms, mostly located in Badung District.

German firm to enter motorcycle market

German motorcycle maker Sachs Fahrzeug-und Motorentechnik Gmbh wants to grab a share in the Indonesia's fast growing but tightly competitive market, Asia Pulse reported.

Sachs Germany, as the company is known, has established a joint venture with a local partner PT Minerva Motor Indonesia to produce motorcycles with the brand name of Minerva Sachs.

Sachs will provide technical support especially in the manufacture of engines and production processes, Sachs director Hartmut Huhn said.

He said the expansion to the region has been prompted by high production cost in Germany dampening competitiveness of its products.

President of Minerva Motor Kristianto Goenadi said the cooperation will begin with his company assembling motorcycles with components imported in completely knocked down form from Germany.

Kristianto said he is optimistic Minerva Sachs will gain market share in Indonesia, adding Minerva Sachs model will be sold at Rp13.95 million, starting in Jakarta.

STATE CONCERNS

No dependence on rice imports: VP

Indonesia does not need to depend on overseas rice supplies in 2008, Vice President Jusuf Kalla said Monday, Detikcom reported .

"This is for the first time in 30 years we won't import rice, all because of the hard work by paddy farmers," he was quote as sayingd by news website.

According to a government report, national rice production is expected to increase by some 6% to 35 million tons from last year's 33 million tons.

Growing production has encouraged Trade Minister Mari Pangestu to issue a regulation allowing local rice producers and state logistics agency Bulog to sell rice to the export markets if national stocks exceed 3 million tons.

President Susilo Bambang Yudhoyono on April 18 said he would not allow exports this year despite sufficient stocks at home.

"Last year we managed to boost rice production by 2 million tons and stocks seem to be secure this year. But I still cannot allow the export," the president said.

On Saturday Vice President Jusuf Kalla said the government plans to spend Rp6 trillion this year to provide farmers with rice seeds, including high-yielding hybrid varieties, to boost output.

"The use of hybrid rice should continue, so we will be able to meet demand," Kalla was quoted as saying by Antara. The amount allocated this year is triple last year's budget.

The government also plans to allocate Rp11 trillion this year to subsidize fertilizer prices, said Kalla, who added that by lifting output Indonesia could go some way to becoming a rice exporter.

SOEs

Tata, Essar, Bluescope vie for Krakatau Steel stake

Indian steelmakers Tata Steel Ltd and Essar Steel and Australia's BlueScope Steel are seeking to buy a stake in state-owned producer of the metal, an official said, India's *Financial Express* reported.

The three companies, along with ArcelorMittal, the world's biggest steelmaker, have sent letters expressing their interest in buying a stake in PT Krakatau Steel, said Ansari Bukhari, Director General of Metal, Machinery, Textile and Miscellaneous Industries at Indonesia's industry ministry.

A larger partner will help Krakatau Steel gain expertise and double capacity to 5 million metric tons a year, Bukhari said. Overseas steelmakers and Krakatau may benefit from rising demand for the metal in Asia's third-most populous nation as the lowest interest rate in three years boosts demand for houses and cars.

The companies "are interested to get into Krakatau Steel as they see the huge market potential in Indonesia," Bukhari said. Southeast Asia's biggest economy needs as much as 7 million tons of steel a year, he said.

A spokeswoman for BlueScope in Australia said discussions were at a very early stage and it was too early to provide any details, Agence France-Presse reported.

"We are obviously interested in, and await the outcome of, the government's deliberations" on the possible privatization of PT Krakatau, she said.

Wijaya Karya sees 2008 net +56%

State-owned construction company PT Wijaya Karya expects its net profit to rise 56% this year to Rp201 billion from Rp129 billion last year due to robust orders, Dow Jones reported.

"During the first quarter of the year, we booked Rp9.5 trillion worth of orders, including Rp7 trillion carried over from last year," Wijaya Karya finance director Djokomulyono said.

"For the entire year, we are targeting to book Rp14 trillion in total orders, of which Rp6.5 trillion we expect to book as revenue."

Wijaya Karya, which is 65% owned by the government and 35% by public shareholders, posted a 41% increase in revenue last year to Rp4.3 trillion.

Djokomulyono said among the projects the company has secured are the construction of power plants in Banten Province and Jakarta, and a proposed one in South Kalimantan, with total investment of Rp1.4 trillion.

Wijaya Karya has also obtained a handful of contracts in toll road, port, fuel pipeline and building construction.

PRIVATE SECTOR

Astra Reports 76% rise in net profit

The net profit of widely diversified corporation PT Astra International shot up 76% to Rp2.25 trillion (\$243 million) in the first quarter of this year from Rp1.2 trillion in the same period last year, Asia Pulse reported.

A 47% surge in income to Rp21.78 trillion in the first three months of this year contributed mainly to the increase in the net profit of the country's largest automotive company.

Car sales, valued at Rp8.27 trillion were the largest contributor to the income, president director Michael Ruslim said.

Sales of motorcycles were valued at Rp2.18 trillion, sales of automotive components were worth Rp1.26 trillion and income from the financial service sector was recorded at Rp1.85 trillion.

Astra has a 49% share of the Indonesian car market with sales totaling 66,448 units, and its sales of Honda motorcycles totaled 641,964 units of the country's total sales of 1.43 million units in the first three months of the year.

April car sales up 46%

Indonesia's vehicle sales are likely to have risen by 46% in April to 51,500 units from a year ago as interest rates fell, an industry official said on Friday, Reuters reported.

Jodjana Jody, head of sales at Toyota Astra Motor, said that Toyota sold 17,890 units last month, up 47.6% from the same month in 2007.

Total sales of all makers could be the highest since March 2005.

Sales in the first quarter of 2008 rose 61%, helped by lower interest rates and despite the country's consumer confidence being dented by building inflation.

Unilever Indonesia says Q1 net profit up 31%

PT Unilever Indonesia, a unit of Anglo-Dutch conglomerate Unilever Plc, reported on Tuesday a 31% rise in its first-quarter net profit, helped by strong consumer spending, Reuters reported.

The company -- which produces various consumer products such as soap, detergents, dairy-based foods, tea-based beverages and cosmetics -- said its January-March net profit climbed to Rp703.2 billion from 535.8 billion a year ago.

Its sales revenue jumped by around a fifth to Rp3.79 trillion from 3.17 trillion a year earlier. The company did not elaborate the cause of the increase.

The company's operating margin improved to 25.8% as of the end of March compared to 23.7% a year earlier, while its net profit margin rose to 18.6% from 16.9%.

Citra Marga Q1 net profit up 57%

Indonesia's second-largest toll operator PT Citra Marga Nusaphala Persada said on Friday its net profit rose 57% in the first quarter to March from a year earlier, driven by a jump in sales, Thomson Financial reported.

Net profit grew to Rp41.16 billion from Rp26.21 billion, the company said. Sales expanded 20.6% to Rp137.62 billion.

Operating profit surged 52.5% to Rp71.04 billion as operating expenses eased 1.3% to Rp66.58 billion.

AKRA reports strong growth in Q1 net profit

Logistics company PT AKR Corporindo (AKRA) reported a 92% increase in net profit to Rp82.8 billion (\$9 million) in the first quarter of this year from Rp43.7 billion in the same period last year, Asia Pulse reported Tuesday.

Wider margin in its trade, distribution and manufacturing division contributed to the increase in the company's net profit, its president Haryanto Adikoesoema said.

Haryanto said sales in the first three months of this year grew 66% to Rp2.09 trillion from Rp1.26 trillion year-on-year.

This year the company, which produces chemicals and operates storage tanks for liquid chemicals and oil fuels targets to chalk up 30-35% increase in sales and net profit.

BANKS

Mixed fortunes for banks in Q1

While the country's top two banks reported strong first-quarter results during the week, others turned in more mediocre results, with Bank Negara Indonesia (BNI) slashing profit due to a sharp increase in provisions for bad debts.

PT Bank Mandiri, the country's largest lender, reported a 35% rise in net profit, while the second largest bank, PT Bank Central Asia, booked a 13% rise for the January-March period, Reuters reported.

State-run Mandiri's outstanding loans grew 18.6% to Rp135.5 trillion, while BCA's grew nearly 47% to Rp84.14 trillion.

Mandiri said its net profit in the January-March period rose to Rp1.4 trillion from Rp1.03 trillion in the same period last year, while its net interest income fell 10.9% to Rp3.39 trillion.

BCA, the country's largest privately owned bank, said its first-quarter net profit rose to Rp1.2 trillion from Rp1.06 trillion in the same period last year, with net interest income climbing 14% to Rp2.6 trillion.

BNI, the country's third-largest lender reported a 62% fall in first-quarter net profit, due to a sharp increase in its provision for bad debts.

Net profit at BNI for the January to March period of this year fell to Rp153 billion from Rp400 billion in the same period a year earlier, Dow Jones reported.

Net interest income during the first quarter of 2008 rose 46% to Rp2.23 trillion, from 1.53 trillion a year earlier, thanks to an increase in lending.

Lending during the first quarter of this year grew 20% to Rp89.17 trillion, up from 69.13 trillion, but BNI president director Gatot Suwondo said loan loss provisions rose 92% to Rp1.2 trillion from 623 billion a year earlier in efforts to cover bad debts.

"We prefer to increase the loan loss provision to mitigate possible damages stemming from bad debts amid global economic uncertainty," he said.

The country's third-largest lender, PT Bank Rakyat Indonesia, reported a 15% rise in its first-quarter net profit, thanks to strong loan growth at the beginning of the year, Reuters reported.

The state bank said its net profit in the January-March period rose to Rp1.4 trillion (\$151.8 million) from Rp1.22 trillion in the same period last year.

Its net interest income climbed 18% to Rp4.7 trillion, thanks to a 30% increase in its outstanding loans to Rp118.4 trillion.

PT Bank Niaga said its first-quarter net profit grew by a modest 2.8% from a year earlier, supported by higher net interest income and fee-based income.

Net profit rose to Rp207.21 billion (\$22 million) from Rp201.66 billion a year earlier, the bank said.

Interest income rose 5.4% to Rp1.4 trillion and net interest income increased 4.8% to Rp657.24 billion while fee-based income jumped 15% to Rp139 billion.

Seventh largest Bank Permata, recorded a net profit gain of 103% on the back of strong expansion.

Permata president director Stewart D. Hall said the bank's net profit had reached Rp176.03 billion by the end of March, up from Rp86.49 billion in the same period last year.

"During the first quarter, we significantly enhanced our distribution capability by opening new branches in secondary cities and by increasing the number of Electronic Data Capture terminals," he said.

The bank's total loans reached Rp27.06 trillion in the period, an 18.8% increase from Rp22.77 trillion in the first quarter of last year.

The bank's net interest income by the end of March reached Rp618 billion, a 3.9% increase from Rp595.65 billion in March 2007.

PT Bank UOB Buana said its net profit fell 37% to Rp79.65 billion during the first quarter from Rp125.80 billion a year ago.

Net interest income dropped to Rp293.80 billion from Rp298.58 billion.

POWER

Govt. considering cutting coal royalty

The government is considering cutting coal royalty to be paid by coal contractors to the government from 13.5% to 7.5% Asia Pulse reported Tuesday.

The policy is to encourage contractors to supply low grade coal for state electricity company PLN, which needs large supply to feed its coal-fired power plants, an official said.

Mineral, Coal and Geothermal Director General Simon Sembiring said Finance Minister Sri Mulyani Indrawati has asked for the cut in royalty after earlier receiving a proposal from contractors.

Reliance Power to buy coal mines

India's Reliance Power Ltd. plans to invest \$650 million to develop an Indonesian coal mine to ensure supplies as prices rise to a record, Bloomberg reported Tuesday.

The cost includes the mine, a railway and a jetty to ship coal from the South Sumatra province to a power station being built in southern India, CEO Jayarama Chalasani said.

The deposit may hold as much as 1.2 billion metric tons of coal, he said, equal to about 25% of Indonesia's known reserves.

The coal supplies from Indonesia will meet all of the 4,000-MW Krishnapatnam plant's needs when it starts in 2013, Chalasani said.

The company plans to use coal from the Indonesian mine to build an additional 4,000-megawatt project in Gujarat on the west coast or Tamil Nadu state in the south, he said.

OIL & GAS

Pertamina to Spend \$200 Million on Polypropylene Unit

PT Pertamina plans to spend \$200 million building a polypropylene unit at a refinery in Java, company President Ari Soemarno said Friday, Bloomberg reported.

Pertamina is seeking partners to build the petrochemical unit, which will have capacity of 250,000 metric tons a year, at its Balongan processing plant, Soemarno told reporters.

Pertamina wants to diversify its products to benefit from high petrochemical prices. The new unit will process propylene from a facility being constructed by a group led by Japan's Toyo Engineering Corp. at the Balongan refinery, Soemarno said.

"We're looking for partners that have experience in the polypropylene market as it's quite segmented," Soemarno said. "Polypropylene prices are high now and there aren't many refineries that can produce" the product, he said. Pertamina expects the new unit to start operating in 2010.

Indonesia currently has a production capacity of around 600,000 tons per year of polypropylene.

Chevron wins go-ahead to develop Galan gas block

The government has approved a proposal by US company Chevron to develop gas fields of the so-named Galan block located in deep water off East Kalimantan, a minister said, *The Jakarta Post* reported Friday.

"A few days ago, I signed the approval for Chevron to develop a gas block in East Kalimantan's deep waters," Energy and Mineral Resources Minister Purnomo Yusgiantoro said.

He said a persistent surge in oil prices had made the development of deep sea blocks, previously considered problematic and costly, more attractive as the price of gas is expected to soar in line with oil costs.

"The current price of oil has reduced the risks of developing deep sea gas blocks."

Figures from the ministry's Directorate General for Oil and Gas show Chevron has committed to spending up to \$311.64 million to develop the block, which is believed to have the potential to produce an average of 800 million cubic feet per day.

Chevron holds 80% of participating interests in the block, while the remainder is owned by Italian oil and gas company Eni.

Thai PTT may buy Tangguh LNG

Thailand's top energy firm PTT PCL is in talks to buy liquefied natural gas (LNG) from Indonesia's Tangguh project, a PTT official said on Friday, taking gas that was originally earmarked for the US market, Reuters reported.

If a deal comes through, the LNG will be sourced from volumes contracted to Sempra Energy's new LNG terminal in Mexico, a source close to the talks said, the latest sign of global producers shifting their focus to higher-paying Asian importers.

PTT, which does not now import LNG, would begin importing 1 million tons of the super-cooled gas each year from 2011 or 2012, PTT's Chitrapongse Kwangsukstith told Reuters. He declined to give a timeframe for the duration of the contract.

"We're still working on the details but we should be able to finalize whether to buy it soon," Chitrapongse, chief operating officer of PTT's upstream and gas operations, said.

Sempra has a 20-year contract to lift 3.6 million tons a year of LNG from the 7.6 million tons per year the Tangguh project will produce. It secured those supplies for its Mexican terminal, but also has the right to divert half of that to other customers.

It bought the LNG at a time when long-prices were below \$6 per million British thermal units and many companies thought the US market offered the best long-term opportunity. Long-term Asian prices have surged as buyers fear supplies won't be as ample as expected.

EMP net profit up 50% on oil prices

The country's second largest oil producer, PT Energy Mega Persada (EMP), posted a 50% first quarter net profit increase on the back of revenue boosts from high oil prices, *The Jakarta Post* reported Friday (2/5/08).

EMP investor relations head Herwin Wahyu Hidayat said the company's first quarter profit surged to Rp27 billion (\$2.9 million) from Rp18 billion in the same period last year.

The profit rise was also due to the company's increase in production by 60,000 barrels from last year, Herwin said.

EMP recorded a gas production increase of 22% from 6 billion cubic feet in the first quarter of 2007 to 7.3 billion cubic feet in the same period in 2008.

MINING

Timah Q1 net profit up 55%, aided by cost cuts

The biggest tin producer in the country, PT Timah, said Monday its first-quarter net profit rose 55% from a year ago, aided by cost efficiencies, Thompson Financial reported.

The state-run miner booked net profit of Rp487.3 billion in the first quarter against 314.3 billion a year ago.

Timah said it sold 10,176 metric tons of refined tin in the quarter, down 30% from last year's 14,554 metric tons.

Higher tin prices cushioned the drop in production and sales, with revenue declining just 3% to Rp1.81 trillion.

Timah said the average tin selling price it received in the quarter was \$17,133 per metric ton, or 36% higher than average price received in the same period of 2007 of \$12,635 per metric ton.

As a result of cost efficiencies, Timah said gross profit rose to Rp866.1 billion in the quarter from 599.5 billion a year ago.

Bukit Asam's profit rises 44% on coal price

State-owned coal mining company PT Tambang Batubara Bukit Asam said profit in the first quarter rose 44%, with net income climbing to Rp286 billion from Rp199 billion, or Rp86, a year earlier, the company said in a statement published in *Bisnis Indonesia* Monday.

Bukit Asam is benefiting from a surge in coal prices as China becomes a net importer of the fuel and demand from India climbs.

The company raised the price of coal to state power utility PT PLN, its biggest customer, by 29% in January.

Sales in the first quarter increased 29% to Rp1.2 trillion. Operational profit rose 58% to Rp394 billion.

Oxiana: Martabe gold project approved

Australia's Oxiana Ltd. said Monday it had received final government approvals for its \$310 million Martabe gold and silver project on Sumatra, Dow Jones reported.

The company said it has been issued with the construction permit by the Department of Energy and Mineral Resources and early construction work will start shortly.

Completion of the processing plant at Martabe is scheduled for the last quarter of 2009 with commissioning and production of first gold and silver late in that year.

Oxiana said final negotiations are underway for the award of the engineering, procurement and construction management contract with Ausenco Ltd. and the award of contracts for construction of plant components is expected to be completed by end of June 2008.

The Melbourne-based company plans annual production at Martabe of 200,000 ounces of gold and 2 million ounces of silver with cash costs over the life of the mine estimated to be about \$270 an ounce on average.

Apac Coal looking to raise \$15M for mine

Australia's explorer APAC Coal Ltd is looking to raise \$15 million through an initial public offering to fund the development of a thermal coal mine in Indonesia, Australian Associated Press reported.

APAC Coal's flagship project is located in East Kalimantan, and contains a resource of 5.1 million tons of thermal coal, which is used to fuel power stations.

Chairman Paul Piercy said the coal would be sold principally into the domestic energy market with the intent to enter the international export market "very quickly".

"The prices of thermal coal have also been very buoyant with prices reaching over \$120 per ton from an earlier base price of \$25 per ton," he added. APAC plans to sell 75 million shares to raise the \$15 million.

Atlas Copco acquires Fluidcon

Sweden's Atlas Copco said Wednesday it had acquired 100% ownership of PT Fluidcon Jaya and its parent company Fluidcon Service Pte Ltd, Singapore, Dow Jones reported Wednesday.

Atlas Copco is expanding its business in the Indonesian mining sector. In 2007 the companies had sales of approximately 68 million Swedish Kron and a total of 223 employees.

Fluidcon supplies and installs fuel and oil filtration equipment, hydrocarbon management systems, customized onboard fire suppression solutions and automatic lubrication systems to mining sites throughout Indonesia.

Both PT Fluidcon Jaya and Fluidcon Services Pte Ltd are privately-owned companies. The companies will be renamed Atlas Copco Fluidcon and belong to the Atlas Copco Drilling Solutions division, which is part of the Construction and Mining Technique business area.

Antam to hit nickel target despite repairs

PT Aneka Tambang (Antam) said on Thursday it expects to meet its 2008 nickel output target despite shutting one of its smelters for repairs, Reuters reported.

First-quarter nickel output of 4,362 tonnes was little changed against the same period a year ago, it said.

The company said it had so far reached 26% of its production target of 17,000 tons of nickel this year.

"Despite the overhaul of the FeNi I smelter, Antam expects to achieve its 2008 ferronickel production target of 17,000 tons," the company said in a statement.

The smelters are overhauled every eight to 10 years, the company said.

===***===