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## POLITICS

### President Vows to Pursue Anti-corruption Fight

President Susilo Bambang Yudhoyono said Tuesday (27/11/07) that the fight against corruption will continue as long as he is president, Xinhua reported.

Yudhoyono made the remarks during a visit to the anti-money laundering agency at the Financial Transaction Analysis and Report Center (PPATK).

"Corruption eradication remains a priority," said Yudhoyono, who promised to personally lead the anti-graft campaign when he took office in 2004.

He called on law enforcement officials to target those who embezzled state money during the massive bailout of ailing Indonesian banks that cost the country a disastrous loss of about \$60 billion in the wake of the 1997-1998 financial crisis.

"The fugitives, who fled abroad taking Indonesian money and assets with them must be captured and forced to return their ill-gotten money," the president said.

He called on police, prosecutors and the PPATK to immediately take decisive action once there is suspected corruption or money laundering. "We must win the battle early on," said the president.

Yudhoyono also criticized his political opponents to stop disturbing him, because he said they had left the problems his government now had to deal with, Deutsche Presse Agentur reported.

"As far as I recall, after the party they forgot to clean up their dirty dishes, they only remembered to wash their hands," Yudhoyono was quoted as saying.

"And now, in the name of justice, I am asking those people to stop disturbing us, who are doing their dirty dishes days and nights," Yudhoyono said.

### Probe Deepens into BI Payments

The legal director of Bank Indonesia (BI), Oey Hoey Tiong, told the Corruption Eradication Commission (KPK) on Friday (30/11/07) that he had given a sum of money to the governors of the bank to assist with settlement of 'legal problems'.

Oey told journalists after he was quizzed for five hours by KPK investigators that he had been asked about Bank Indonesia's financial affairs, including processes and procedures. He declined to answer any further questions, *Kompas* reported.

The head of the State Audit Agency, Anwar Nasution, has given evidence to the KPK that an audit of the central bank's finances for 2004 has found that Rp100 billion was given to members of the House of Representatives to assist in the passage of a central bank law that was in line with the governors' wishes.

Nasution said the money had been passed to members and a number of lawyers via the Indonesian Banking Development Foundation (YPPF). He was a deputy governor of the bank at the time, but was not present at the meeting at which the funds were transferred to the foundation.

The House of Representatives is also probing the alleged payments. The House Ethics Committee is to review 206 recordings of House sessions in an attempt to establish what happened during debate on the central bank law.

## Political Bill to Demand 30% Participation by Women

The special committee of the House of Representatives (DPR) working on the draft of new legislation on political parties has agreed to fix a quota of a minimum of 30% woman members of parties, *Kompas* reported on Friday (30/11/07).

Agreement was also reached that a party must be formed by a minimum of 50 people, a backtrack from earlier discussions that had wanted the number to made as high as 100.

Chozin Chumaidy, deputy head of the committee, said existing parties would be required to conform with the law at their first national congress or face disbandment.

## Street Blocked over Dance Row

Authorities were forced to close Jakarta's normally busy Jalan Rasuna Said on Thursday (29/11/07) as some 1,000 people turned out to protest the use of a traditional regional dance in a Malaysian tourism advertisement, Reuters reported.

The protest, outside the Malaysian embassy, marks the latest in a series of complaints by Indonesians that Malaysia has stolen its traditional crafts and cultures to sell its tourism attractions.

This time, Malaysia's Culture and Arts and Heritage Ministry is using a traditional Malay dance called Barongan in its tourism advertisements. The dance is almost identical to the Javanese Reog Ponorogo, featuring men wearing enormous tiger heads and peacock feather masks, accompanied by acrobats.

The crowd outside the embassy stressed that they knew what they were talking about by wearing Reog Ponorogo costumes. In response, Malaysian ambassador Zainal Abidin Zain told the protestors that "Malaysia never claimed that Barongan originated from our country".

East Java's Ponorogo Regent Muhadi Suryono said earlier that the regency administration had registered the copyright of Reog Ponorogo on February 11, 2004.

The latest dispute over cultural attributes comes despite an agreement between the two countries' officials on a mechanism to deal with such problems.

Indonesian Foreign Ministry spokesman Kristiarto Soeryo Legowo said on November 24 that an understanding had been reached between the culture minister and his Malaysian counterpart on what to do when things undeniably belonging to Indonesia are claimed by parties in Malaysia.

The Malaysian side had promised that when such cases happened it will take the necessary steps to settle them.

"I think we can trust Malaysia to keep its promise so that the many kinds of trouble such cases will give rise to can be avoided," Legowo said.

## Ties with Israel Await Palestinian State: Minister

Indonesia will see its way free to open diplomatic ties with Israel only when a Palestinian state is established, Foreign Affairs Minister Hassan Wirayuda was reported as saying in Washington on Thursday (29/11/07) after attending the Annapolis meeting on the Middle East.

"Until Palestine, based on the negotiation process, can establish an independent Palestinian state, only then we will acknowledge Israel and open diplomatic ties with Israel," Wirayuda was quoted by the national Antara news agency as saying.

Wirayuda said Indonesia welcomed the decision of Palestinian President Mahmoud Abbas and Israeli Prime Minister Ehud Olmert to continue the negotiation process to find a solution to the conflict.

"We can not be sure that the negotiation process in the next year will really produce a final peace agreement," he said.

"Since the beginning I have said that we didn't expect peace from a one-time meeting in Annapolis, (that) the conflicting parties would be able to solve their problems. It's impossible," he said.

## REGIONS

### Fire Hits Medan's Airport

Fire destroyed the departure lounge of Medan's Polonia Airport on Saturday (1/12/07) night and authorities said that while flight schedules would not be disrupted there would be delays in ground handling at the North Sumatra capital's airport.

The fire, which began on the second floor of the building, is believed to have started from a short circuit, *Kompas* reported. One fire fighter was injured.

Airport authorities were forced to use other facilities, including the international terminal, to handle passengers on the estimated 160 flight movements through Medan every day.

North Sumatra Governor Rudolf Pardede said after visiting the scene that the central government should accelerate development of a new airport for Medan at Kuala Namu in Deli Serdang regency.

### Aid Reaches Earthquake-hit Region

Aid had reached villages in eight sub-districts of Dompu Regency in Sumbawa Island, West Nusa Tenggara after they were damaged early Monday when the area was struck by a 6.7-magnitude quake that killed one and injured 45.

Officials in Dompu regency said it was estimated that 6,320 houses had been badly damaged by the quake. They added that detailed statistics were being compiled to send to Jakarta to obtain relief funds.

Repairs to schools damaged by the quake were estimated to require Rp21.4 billion (\$2.28 million).

Survivors were in urgent need of tents, *The Jakarta Post* reported officials as stating on Thursday.

## ECONOMY

### Govt. Lowers Growth Forecast if oil price reaches \$100

The government has revised down its 2008 economic growth forecast to a range of 6.4%-6.7% from a previous projection of a 6.8% rise after reviewing the impact of record high oil prices, Finance Minister Sri Mulyani Indrawati said Tuesday (27/11/07).

If the average oil price reaches \$100 a barrel in 2008, compared to the previous estimate of \$60, there will be major changes in the state budget, Indrawati said, according to Thomson Financial.

The budget revenue next year will increase by Rp124.7 trillion from the original projection, while spending may increase by Rp54.7 trillion, she said.

As a result, the budget deficit may widen to 1.8% of GDP or Rp75.9 trillion, against 1.7% of GDP or Rp73.3 trillion under the previous forecast.

Indrawati noted however that a delay in approval of the revised income tax law will produce an additional Rp9 trillion from tax to cover the increase in the 2008 deficit, Antara reported.

"Since the income tax law has yet to be approved this year, and would not go into effect in 2008, we will apply the old 30% income tax, and get an additional income of Rp9 trillion," she said.

According to the minister, an oil price of \$100 per barrel will raise income to Rp930.1 trillion, and expenditures will increase to Rp1.006 trillion, bringing the deficit to Rp75.9 trillion, or 1.8% of GDP.

The calculation assumed depreciation of the rupiah from Rp9,100 per US dollar to Rp9,200, and inflation of 6%.

"We are also helping industries by implementing countercyclical programs and granting fiscal incentives," the minister said.

Programs to keep the deficit down would include a cut in expenditure of Rp11.7 trillion, mainly by more efficient procurement of goods and improved tenders.

Oil and gas producing regions would be offered state bonds in return for a proportion of windfall profits from increased oil and gas revenue.

Central bank spokesman Budi Mulya said Wednesday the economy is expected to grow between 6.2%-6.8% next year while inflation is seen at around 5%, Reuters reported.

"We expect the economy to grow by 6.2-6.8 percent next year, but the central bank will also prepare for the worst scenario," Mulya said without elaborating.

Mulya said the central bank will be ready to intervene to control rupiah volatility. "The central bank will always maintain rupiah volatility so that it doesn't move too fast. We will intervene when the pressure is too strong," he said.

Meanwhile Vice President Jusuf Kalla, in an interview with Reuters, said Indonesia could achieve a similar growth rate to Asia's economic powerhouses, China and India, as it fixes its ailing infrastructure and attracts more foreign investment.

Growth rates similar to those of China and India were possible, Kalla said. He said the government plans to improve infrastructure and provide "good regulation for investors".

He said the government was tackling impediments to growth such as corruption and investor-unfriendly labor laws.

On the Jakarta Stock Exchange, investors opted to lock in gains in late trade on Friday ahead of the release of November's consumer inflation data on Monday, Agence France-Presse reported.

The composite index closed at 2,688.33, while the rupiah was trading at 9,365/9,375 to the dollar.

The now-merged Jakarta and Surabaya stock exchanges will begin trading as the Indonesian Stock Exchange on Monday.

## **BUSINESS BRIEFS**

### **MACROECONOMY**

## **Bond Offer for Oil-rich Regions**

The government will offer a variety of bonds to oil-rich regions in exchange for up to Rp13.9 trillion (\$1.5 billion) in additional revenues that they earn as a result of higher international energy prices, *The Jakarta Post* reported.

The move is one of a package of measures to reduce pressure on the budget next year from high energy prices.

"We will offer the bonds according to each region's specific cash-flow needs," the Finance Ministry's Director General for Debt Management, Rahmat Waluyanto, said on Wednesday (28/11/07). "They could be short-term bills or long-term bonds, tradable or non-tradable ones."

On Tuesday, Finance Minister Sri Mulyani Indrawati said the government had prepared a package of measures aimed at saving up to Rp54.7 trillion to help it anticipate a worst-case scenario resulting from high oil prices.

Under the worst-case scenario, oil-and-gas related revenue payouts to the regions next year may come to Rp41.2 trillion, compared to the expected Rp23.6 trillion.

Overall, while the government's action plan is almost enough to cover the Rp54.7 trillion in estimated additional oil-related spending, the additional revenues only come to Rp52.8 trillion, pushing next year's deficit up slightly to Rp75.9 trillion, or 1.8% of GDP.

## **\$4.58B in Loans for 2008**

The government expects to take up a total of Rp43 trillion (\$4.58 billion) in loans from the World Bank and other international agencies to meet the 2008 budget deficit, Reuters reported, citing finance ministry data.

Planning Minister Paskah Suzetta said that Rp23.9 trillion of foreign project loans will come from multilateral institutions such as the World Bank, Asian Development Bank, and Islamic Development Bank, as well as some bilateral creditors.

In addition, Rp19.1 trillion in program loans will be provided by the World Bank, Asian Development Bank, and Japan Bank for International Cooperation, he said on Thursday (29/11/07).

Next year, about Rp59.7 trillion of foreign debt matures and must be repaid.

The government has forecast a budget deficit for 2008 of Rp73.3 trillion, or 1.7% of GDP, and has said it will raise Rp89.9 trillion from the domestic bond market and other sources such as privatization funds.

Meanwhile the Bogor regency administration will borrow Rp77.26 billion (\$8.18 million) from the World Bank for its 2008 budget, in what is believed to be the first independent loan transaction by an Indonesian region.

According to Bogor Mayor Diani Budiarto, the money will be used for the city's election, the expansion of the regency's water company, PDAM Tirta Pakuan, and transportation and waste management projects, Antara reported on Thursday (29/11/07).

Budiarto said the money would be released to the regency in stages, from 2008 to 2011, and Bogor would repay the money in installments between 2012 and 2031. The total Bogor regency budget for 2008 is estimated at Rp737 billion.

## INVESTMENT

### Indonesia Favored by Fund Managers

Indonesia has joined China, Hong Kong and India as a favorite investment destination among fund managers, Dow Jones Newswires reported on Thursday (29/11/07).

For the second month in a row, Indonesia has come out with a solid overweight weighting in a monthly poll of fund managers conducted by Dow Jones, up from a slight overweight earlier in the year.

Expectations for further interest rate cuts are piquing interest in the country. Indonesia's declining interest rate has helped fuel domestic demand, proving a boon to makers of durable goods, electronic and household appliances as well as financial services and property companies.

The country's natural resources and plantations are also drawing attention amid growing global demand for resources and alternative energy sources such as palm oil.

Citigroup said in a recent research note that further easing measures by the US Federal Reserve could increase the probability of cuts in Indonesia.

Fund managers see the cuts paving the way for more growth. Citigroup forecasts gross domestic product growth in Asia will exceed 8% in the next two years with China and India leading the way, but believes that Indonesia has one of the best chances for GDP growth acceleration.

### Medco Invests in Pulp Plant

Medco business group through PT Medco Papua is going to spend \$600 million to develop a pulp and wood chip plant with an annual installed capacity of two million tons in Merauke, Papua, *Bisnis Indonesia* reported.

Chairman of Medco Arifin Panigoro said Monday (26/11/07) that Medco would work with foreign partners in the project, which would start construction next year.

Pola Winson, director of PT Medco Papua, said the company would spend \$600 million to develop the plant, which for a start would produce 500,000 tons of pulp per annum.

"There are two foreign partners from Japan and Europe interested in the project, but I cannot reveal their names yet," he said.

Winson said raw material would come from existing timber estates and an industrial timber estate that Medco would build using indigenous eucalyptus species.

### Astra to Expand Oil Palm Plantations

PT Astra Agro Lestari will increase the size of its oil palm plantations by 13% to meet demand from India and China and provide for the use of palm oil as an alternate fuel, the *International Herald Tribune* reported on Monday (26/11/07).

The company will add 30,000 hectares of oil palm plantations in Aceh, East Kalimantan and in Sulawesi next year, it quoted company president director Widya Wiryawan as saying.

Astra Agro had 228,000 hectares of oil palm plantations at the end of October.

During the first nine months of this year, India and China imported the equivalent of 55% of output last year in Indonesia, the largest producer in the world of palm oil.

"We just can't fulfill demand," Wiryawan said. "Demand will increase in the future and that's why the company plans to acquire more land."

Palm oil purchases by India from Indonesia rose 32% to 2.62 million tons in the January-to-September period, while the amount bought by China increased 1% to 3.9 million tons.

Meanwhile Golden Agri Resources Ltd, a subsidiary of the Sinar Mas Group listed on the Singapore Stock Exchange, also said it would launch a big expansion plan in its oil palm plantation business in Indonesia.

Golden Agri plans to invest Rp23.7 trillion (\$2.535 billion) to expand its oil palm plantations by 948,000 hectares to bring its total oil palm plantation to 1.3 million hectares in the next several years.

The expansion will make it the world's largest integrated palm oil industry.

## STATE CONCERNS

### Minimum Wage to Rise Average 10.3%: Report

Indonesia will raise the mandated minimum wage for 2008 by an average of 10.3% through provincial-level governments, *Investor Daily* reported Tuesday (27/11/07).

Only 19 out of 33 provinces have so far decided to implement the increase, the report quoted Manpower Minister Erman Suparno as saying.

He said that on average, the new minimum wage is equal to 93.5% of the standard for fair living, up from 87.9% recorded in 2007.

### Cabotage Rule to be Delayed

The transportation ministry has put off the schedule for full implementation of the cabotage principle to 2012 from 2010, *Asia Pulse* reported.

Under the principle only Indonesian ships will be allowed to transport domestic cargoes and government-imported goods.

Currently foreign ships handle the transport of 40% of domestic cargoes and 85% of international cargoes.

Sea Transport Director General Effendi Batubara said Monday (26/11/07) that the government had decided on the delay recognized the capacity of the local shipping industry to fully take over the role now held by foreign ships.

The cabotage principle has been implemented for eight types of domestic cargoes such as rice, cement and fertilizer and general cargoes, but for certain commodities like coal and oil full implementation will be in 2010 and 2011.

### Sugar Imports Unlikely in 2008: Minister

Indonesia is unlikely to import white sugar next year due to higher domestic sugar stocks, the agriculture minister said on Friday (30/11/07), *Reuters* reported.

Indonesia normally needs to import white sugar for household consumption as domestic sugar output lags behind consumption but local sugar stocks are expected to receive a boost from rising production and additional supplies from white sugar imports this year, Anton Apriyantono told reporters.

"White sugar for household consumption is sufficient. We recommend imports aren't necessary unless the government needs it for buffer stock," he said.

SOEs

## **Kimia Farma, Bio Farma to Merge**

The government plans to merge two pharmaceutical companies next year in an effort to form a state-owned holding company for pharmaceutical firms, Minister of State Enterprises' Affairs Sofyan Djalil told Dow Jones Newswires.

"PT Kimia Farma will be merged with unlisted PT Bio Farma next year," he said Monday (26/11/07).

He didn't give any other details, but Deputy Minister of State Enterprises' Affairs Muchayar said that shareholders of Kimia Farma, which is 90% owned by the government, will meet in February to approve the plan. "We expect the merger will be completed in March," Muchayar said.

He said that the merged company will then acquire stakes in state-owned companies PT Phapros Indonesia and listed PT Indo Farma.

Bio Farma produces vaccines, Phapros produces health equipment, while Kimia Farma and Indo Farma make medicines.

## **Telkomsel to Spend \$1.7B in 2008**

Indonesia's largest mobile phone operator PT Telkomsel said it will set aside up to \$1.7 billion for capital expenditure in 2008, or the same as this year's target, Asia Pulse reported on Wednesday (28/11/08).

The company will build more base transceiver stations (BTS) and develop new business lines, said Kiskenda Suriahardja, president of the subsidiary of state-owned telecommunications company PT Telkom.

The company will seek loan or issue bonds for additional fund to finance the projects, he said.

Telkomsel, 65% owned by Telkom and 35% by Temasek Holdings subsidiary SingTel, had 45 million subscribers and the number is expected to rise to 46 million by the end of this year, Suriahardja said.

Next year, the number of subscribers is expected to rise further by nine million, he added.

## **Rp700B in Capex for Adhi Karya**

State-owned construction company PT Adhi Karya will set aside Rp700 billion (\$77.7 million) for capital spending next year, up 75% from Rp400 billion for this year, Antara reported on Friday (30/11/07).

Around Rp600 billion of the funds are expected to come from the sales of rights shares, president Syaiful Imam said, adding that the funds would be used to finance Jakarta's monorail project and construction of power plants.

He said the company is eyeing a number of construction projects at home and abroad, especially in the Middle East.

## Garuda to Start Cargo Flights to Singapore

Flag carrier Garuda Indonesia will start special air cargo flights to Singapore next year, Antara reported.

The daily service will start in February or March at the latest with the route Jakarta-Makassar, Balikpapan and Singapore, said Ahmad Syarifuddin, general manager of Garuda in Balikpapan.

He said Garuda also plans to serve cargo flights between Balikpapan and Beijing or Guangzhou via Malaysia's Kota Kinabalu.

### PRIVATE SECTOR

## MNC to Buy Stake in Linktone

Linktone Ltd., a Shanghai-based wireless communications company, and PT Media Nusantara Citra, an integrated media company, entered an agreement under which MNC will purchase at least 51% of Linktone's outstanding shares for 38 cents an ordinary share, or \$3.80 an American depositary share Dow Jones News.

The offer represents a 54% premium over Linktone's closing price of \$2.47 an American depositary share on November 27.

MNC, which will finance the deal with cash reserves, will use a combination of a tender offer for existing shares and subscription for newly issued shares. The deal is expected to close in the first quarter.

## Sales of Komatsu Heavy Equipment Surge

Sales of Komatsu heavy equipment surged 54% in the first ten months of this year from the same period last year, its agent PT United Tractors said, Asia Pulse reported on Monday (26/11/07).

United Tractors president Djoko Tanoto said sales of Komatsu heavy equipment totaled 2,848 units in the January-October period this year form 1,853 in the same period in 2006.

Komatsu contributed 59% to the total sales of heavy equipment of United Tractors, which also sells Scania and Nissan Diesel heavy trucks.

Demand for heavy equipment has come mainly from the booming mining industry notably coal mining industry, followed by the fast growing plantation sector, Tanoto said.

## Wilmar Issues Convertible Bonds

Singapore-listed Wilmar International Ltd, which owns palm plantations in Indonesia and Malaysia, said Thursday (29/11/07) it is issuing up to \$600 million in five-year convertible bonds partly to beef up its capital and repay debt, Thomson Financial reported.

The company said \$500 million in bonds, which can be converted into 134.3 million Wilmar shares based on the initial conversion price of S\$5.38 a share, were fully placed out to institutional investors. There is an option to issue additional convertible bonds worth \$100 million.

Wilmar said the initial conversion price represents a 28% premium to its stock's closing price on Wednesday before the company requested a trading halt.

'The issue of the convertible bonds will allow the company to raise significant longer-term capital to support the growth plans of its upstream and downstream businesses,' Wilmar said in a statement.

## Sido Muncul Prepares for IPO

PT Sido Muncul, Indonesia's largest herbal medicine maker, will soon sell its shares to the public to finance business expansion, president director Irwan Hidayat said Friday (30/11/07), Antara reported.

"We are in the middle of preparing everything to go public," said Hidayat, who said a float was likely within three months.

"It is now easy to sell shares to the public as the government is giving privileges to companies wishing to list their shares at the stock exchange. If all qualifications have been completed we can list our shares at the Jakarta Stock Exchange in three months time," he said.

## Daihatsu Exports to Mideast

Daihatsu Motor Co. has begun exporting its vehicles from Indonesia, starting with shipping the Terios sport utility vehicle to Middle Eastern countries, including the United Arab Emirates and Bahrain, Asia Pulse reported on Wednesday (28/11/07).

The Terios, sold as the Be-go in Japan, was released in Indonesia in January. About 50 units of it will be shipped each month, but monthly exports are expected to grow to 500 units.

The Terios is the second model to be exported from the firm's overseas factories, following the Myvi small car shipped from Malaysia to Europe.

## Mitra Rajasa Offers Stake to Foreign Investors

Publicly listed transport service company PT Mitra Rajasa said it is offering 41% of its shares to foreign investors to expand its business in the oil and gas sector, Asia Pulse reported.

Mitra Rajasa has so far operated in the transport of cement from the country's largest cement makers - PT Semen Gresik, PT Indocement and PT Holcim Indonesia.

Mitra Rajasa president Benny Prananto said the company plans road shows to Singapore and Hong Kong this week to invite investors to acquire the 41% take in new shares valued around Rp580 billion (\$62.1 million).

He said the management chose to offer the stake to foreign investors including Schrodgers Investment Management Limited as long-term strategic partner. Schrodgers already has a stake of less than 5% in the company.

## BANKS

### Jump in Bank Mandiri Net Profit

Bank Mandiri, the country's largest bank by assets, recorded net profit of Rp3.179 trillion (340 million) in the first nine months of the year, more than double the Rp1.187 trillion the same period last year, *The Jakarta Post* reported.

The bank attributed its hefty profit increase, in part, to increased lending and a larger proportion of low-cost funds under its management, it said in a release Friday (30/11/07).

As of the end of September, Mandiri had extended Rp121.738 trillion in loans, close to 12% higher than the Rp108.796 trillion recorded in the previous period.

The bank's performance was also supported by its larger proportion of low-cost funds, up from Rp91.809 trillion to Rp122.308 trillion, which reduced the interest it had to pay to depositors.

The bank is planning to sell \$300 million of bonds soon. The bond issue is expected to take place sometime around the turn of the year, or early next year, Mandiri has said.

The bank's performance also reflects a decline in non-performing loans (NPLs), from 13.6% in the same period last year to 3.8% this year, in part helped by settlements reached with some of the bank's large debtors.

## **Shariah Bank Assets Predicted to Triple in 2008**

Assets of shariah banks will shoot up to Rp91.6 trillion (\$10 billion) in 2008 from around Rp31.8 trillion by the end of the third quarter of this year, Bank Indonesia stated in a report published on Friday (30/11/07), Antara reported.

The issuance of a shariah state bond instrument early next year and the improvement of taxation law are expected to boost development of shariah banks, the report said.

The report, Shariah Banking Outlook, 2008, said a number of shariah banks including shariah units of conventional banks, are expected to come on line in 2008.

The report predicted that financing by shariah banks will rise to Rp73.3 trillion in 2008 from Rp25.58 trillion in the first nine months of this year. Income is forecast to rise to Rp68.9 trillion from Rp24.68 trillion.

## **BI Relaxes Single Presence Deadline**

Bank Indonesia (BI) said it will allow late submission of business plans this year but there will be no delay in putting its single presence policy (SPP) fully into effect in 2010, Asia Pulse reported on Monday (26/11/07).

The policy disallows owners from having controlling stakes in more than one bank.

A number of foreign investors such as Malaysia's Khazanah and Singapore's Temasek Holdings will have to comply with the central bank's new ruling.

Khazanah controls Bank Niaga and Bank Lippo, while Temasek owns the majority stake in Bank Danamon and Bank Internasional Indonesia, and the government has four banks.

Khazanah and Temasek are required to submit business plans in line with the regulation before the end of this year, but are not expected to be able to meet the deadline.

## **HSBC to Fund Indosat Satellite**

Second-largest mobile phone company PT Indosat has signed a \$228.5 million financing agreement with HSBC to acquire a new satellite, Reuters reported.

The Palapa-D satellite will replace Palapa-C2 which will come to the end of its service in the first quarter of 2011. Palapa-D will have a service life of 15 years.

Indosat said in a statement late Thursday that Palapa-D was currently under construction by Thales Alenia Space of France and will be launched into orbit by a Chinese rocket made by Beijing Talentway Technology Corporation in September 2009.

The financing by HSBC comprises a 12-year export credit scheme and a nine-year commercial loan. Both of the finance deals will have a two-year grace period.

## NISP to Boost Lending

Bank NISP expects to increase its lending by up to 30% next year, and to extend at least half its new loans to small and medium enterprises (SMEs) operating in the manufacturing and services sectors, *The Jakarta Post* reported.

"We estimate that our total lending will amount to Rp22 trillion (\$2.3 billion) by the end of this year, and will increase by Rp5 trillion (\$533 million) to Rp7 trillion by the end of 2008," president director Pramukti Surjaudaja said Friday (30/11/07).

At the end of the third quarter, the bank's outstanding lending rose 29% to Rp17.97 trillion from the same period in 2006.

Pramukti said NISP was optimistic about meeting next year's lending expansion target, even though the economy was vulnerable to high oil prices, which could stoke inflation and eventually interest rates.

The bank will open 20 more branches next year, focus further on training, operating systems and procedures, and further promote its bancassurance services. The bank now has 337 branches around the country, and expects to have around 500 by 2010.

## POWER

### PLN Appoints Banks for Power Project Loans

State electricity firm PT PLN has appointed three local banks and two international banks as lead arrangers for financing of three coal-fired power plants, the company said on Wednesday (28/11/07), Reuters reported.

The three projects -- the Labuan, Indramayu and Rembang power plants on Java -- will generate 2,250 MW of electricity which will improve power supplies for the main Java-Bali grid as well as reduce dependence on oil-fuelled power plants.

They are part of the government's plans to generate an additional 10,000 MW of power by 2010, most of it through coal-fired plants. The three projects will need Rp4.4 trillion and \$1.1 billion.

PLN has appointed Bank Central Asia, BNI and Bank Mandiri to lead arrange financing for the rupiah content for each of the three projects, said Parno Isworo, PLN's finance director.

Bank of China and Barclays have been appointed to lead arrange the financing for the US dollar component of the Indramayu and Rembang projects.

### Marubeni, Alstom to Build Gas-powered Plant

Marubeni Corp. and Alstom Ltd., a major Swiss manufacturer of heavy electrical machinery, have jointly won a 24 billion yen contract from Indonesian state-owned power company PT PLN to build a gas-fired power plant in Jakarta, the Japanese trading house said Thursday (29/11/07), Kyodo News reported.

The project will be financed mostly by yen loans from the Japan Bank for International Cooperation. It aims to create a new gas-fired power plant that will generate about 240 MW of power, Marubeni said.

Construction of the project, which will be executed by the Marubeni-Alstom consortium, is scheduled to be completed by June 2010, with Marubeni taking charge of the plant's overall construction and Alstom supplying major equipment such as turbines.

The plant will be located at the Muara Tawar Power plant complex in the suburbs of Jakarta. Marubeni and Alstom have worked together in the past in building power plants at Muara.

## **STX Energy to Build \$150M Bintan Plant**

South Korea's STX Energy said Tuesday (27/11/07) it will invest \$150 million to build three coal-fired power facilities in Indonesia by the end of 2009, Dow Jones Newswires reported.

Construction of the three 33-MW plants, to be built on the island of Bintan in Riau Islands province, will begin early next year.

Commercial operations are scheduled to start at the end of 2009, STX Energy said in a statement.

### **OIL & GAS**

## **Pertamina Plans to Boost Production in '08**

State oil firm PT Pertamina plans to increase its production by 16.4% next year from 146,000 barrels currently to 170,000 barrels a day, as it expects a block in East Java to commence production next year, Pertamina's president director Ari Soemarno said on Thursday, (29/11/07) Reuters reported.

Pertamina is targeting an annual increase of between 13% and 17% in its crude oil production until 2012. "We have several oil fields in Java and Sumatra which will enable us to boost production in 2008," Soemarno said.

Rising global oil prices have caused the fuel subsidy bill in Indonesia to balloon, with some officials warning it could hit Rp90 trillion (\$9.56 billion) this year if prices reach \$100 a barrel.

## **Total Gas Fields on Stream**

French oil major Total said on Thursday (29/11/07) that phase 1 of the Sisi-Nubi gas fields offshore East Kalimantan had come on stream, Reuters reported.

The gas fields lie roughly 25 km from the Mahakam Delta in 60 to 90 meters of water and are located in the Total-operated Mahakam and Tengah blocks.

Development drilling started in September 2007 and a production plateau of some 350 million cubic feet per day will be reached within the next 18 months. Further development phases are foreseen later to extend the plateau period.

Total said it operates nearly 2.6 billion cubic feet per day of gas production from the Mahakam block. Output will be maintained at this level at least through the early years of the next decade thanks to Sisi-Nubi's production.

The Mahakam block is also a top-tier oil and condensate producer, with output of nearly 90,000 barrels per day.

Total operates the Sisi-Nubi fields with a 47.9% interest, alongside Japan's INPEX which also has 47.9% while state-owned Pertamina has 4.2%.

## **Tangguh to Ship First LNG Cargo in March 2009**

BP-led Tangguh LNG project in Papua province is expected to ship its first cargo in March 2009, a senior Pertamina official said at the IBC's Middle East and Asia Energy Summit in Singapore Thursday (29/11/07), *Platts Commodity News* reported.

The Tangguh plant will come online with a capacity of 7.6 million metric tons a year over two liquefaction trains.

Tanggung is operated by BP Indonesia, which holds a 37.16% interest in the project. Its partners are China's CNOOC (16.96%), MI Berau (16.30%), Nippon Oil Exploration (12.23%), KG Berau/Wiriagar Petroleum (10%) and LNG Japan Corp. (7.35%).

## Deal Struck on Block A Gas Price

PT Medco Energi Internasional will sell 110 million cubic feet a day of natural gas to PT Pupuk Iskandar Muda starting in 2010 at \$5 per million British Thermal unit, a government official said Tuesday (27/11/07), Dow Jones Newswires reported.

"They have agreed on the price (Monday)," upstream oil and gas regulator chairman Kardaya Warnika said. He did not mention the tenure of the contract.

The gas will be produced from Medco's Block A field in Aceh province.

## Elnusa to Sell 20% of Shares in IPO

Oil and gas company PT Elnusa, a unit of state-run PT Pertamina, said Friday (30/11/07) it will sell 1.46 billion shares, equivalent to 20% of its enlarged capital, in an initial public offering in late January, Thomson Financial reported.

The company has yet to fix the IPO price. The offer is slated for January 25-29 and the shares will be listed on the Indonesian Stock Exchange on February 4.

Currently, Pertamina is the largest shareholder in Elnusa with a 51.4% stake, followed by PT Tridaya Esta with 46.4%.

After the IPO, Pertamina's stake will be reduced to 41.1% and Tridaya's to 37.2%.

Elnusa has appointed Mandiri Sekuritas as underwriter for the share sale. In the first seven months, Elnusa posted net profit of Rp50.05 billion on sales of Rp1.15 trillion.

For the whole of 2006, the company booked net profit of Rp83.03 billion compared to Rp58.62 billion in the previous year as sales increased to Rp1.88 trillion from Rp1.30 trillion.

## MINING

### 2007 Coal Output at 198 M Metric Tons

Indonesia is likely to produce 198 million metric tons of coal this year, and produced 143.5 million tons of the fuel between January and September, Mines and Energy Minister Yusgiantoro Purnomo said Wednesday (28/11/07), Dow Jones Newswires reported.

He didn't give a comparative figure for coal output in 2006.

Indonesia, the world's largest thermal coal exporter with 39.8 billion tons of coal deposits, is expected to produce 218 million metric tons of coal next year, an industry source has said.

Around 160 million tons is expected to be exported next year versus 156 million tons estimated for this year.

## Adaro to Repay Bonds Ahead of IPO

PT Adaro Indonesia, the country's second-biggest coal mining firm, will list in Jakarta as soon as it has refinanced its \$400 million bond issue, investor Edwin Soeryadjaya said Wednesday (28/11/07), Reuters reported.

Bankers had said previously that Adaro was seeking a \$600 million initial public offering on the Jakarta Stock Exchange early next year. UBS and Goldman Sachs have been shortlisted to handle the issue.

Soeryadjaya would not comment on the size of the IPO, but said the deal would involve the issue of new shares as existing shareholders do not want to sell down, while Adaro needs funds for capital expenditure.

"All of us want to keep our shares. There is still a lot of opportunity to expand," Soeryadjaya said. "If we can repay the bonds with bank loans, then we can do the IPO. The sooner the better."

Soeryadjaya said Monday he was unaware of any plan by China Shenhua Energy Co. to bid for a controlling stake in PT Adaro, Dow Jones Newswires reported.

The *South China Morning Post* reported Monday that China's largest integrated coal producer by output is planning a prospective \$4 billion bid for a controlling stake in Indonesia's second largest coal producer by output.

## Bumi to Issue \$1B in Bonds for Expansion

The country's largest coal producer PT Bumi Resources is expected to issue bonds valued at \$1 billion next year to raise funds for capital expenditure, Asia Pulse reported Friday (30/11/07).

Bumi has named Credit Suisse to handle the sales of the bonds to be issued by the end of the second quarter of 2008, a company source told the newspaper *Bisnis Indonesia*.

Senior vice president of Bumi Resources Dileep Srivastava refused to confirm the report saying Bumi is analyzing options to raise fund for financing but no date was set for the plan to issue bonds.

Srivastava said Bumi will need funds to jack up its production capacity to 100 million tons in 2011 from 50 million tons last year.

In addition it needs funds to build a processing facility for copper, gold and iron ore in Indonesia and abroad, he said.

## Clough Wins \$145M Coal Contract

Australian engineering group Clough Ltd. (CLO.AU) said Thursday (29/11/07) it had been awarded a long-term mining contract worth about \$145 million, Dow Jones Newswires reported.

Clough said its Indonesian subsidiary, PT Petrosea, was awarded the contract for all aspects of mining operations at the Pakar coal mine project operated by PT Ilthabi Bara Utama.

Clough Chief Executive John Smith said the new contract follows on from Petrosea's success in being awarded the initial mine development contract in July for the Pakar thermal coal mine in East Kalimantan.

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