

THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Main Building, Ministry of Finance, Jl. Lapangan Banteng Timur No.2-4 Jakarta Pusat
Tel: (021) 380-8384 Fax: (021) 344-0394 Website: <http://www.ekon.go.id>

Trade and Investment News¹, 5 November 2007

Highlights

Politics

- An agenda has been agreed for the December climate change summit
- The Constitutional Court rejected appeals against the death penalty

Regions

- Major eruption of Mt. Kelud still threatens
- Indonesia and Japan discuss further bird flu cooperation

Economy

- Companies across the range of sectors reported strong third quarter earnings
- Vice President Jusuf Kalla said Indonesia would cope with higher oil prices

Business briefs

Macroeconomy

- Inflation eases after holiday season peak
- Exports rise 7.69% in September in slow trading month

Investment

- Indonesia invites Chinese firms to assist in seaport upgrades
- Bridgestone commits to \$133 million expansion program

State Concerns

- Government to hold tenders for 11 toll road projects
- Decision by year-end on steel dumping allegations

SOEs

- PT Jasa Marga IPO raises \$380 million for expansion
- PT Telkom posts 6.5% net profit increase in first nine months

Private sector

- PT Astra International net profit jumps 53% in first nine months
- PT Indofood Sukses Makmur post 35% net profit increase in first nine months

Banks

- PT Bank Mandiri leads bank net profit increases with near threefold gain

Power

- State utility PLN seals \$1.36 billion gas deal in one of 12 gas contract signings
- Chevron enthusiastic on geothermal expansion

Oil & gas

- Government to invite bids for 26 exploration areas
- President inaugurates oil and gas production at two fields

Mining

- PT Bumi Resources reports five-fold earnings jump boosted by Tata Power sale
- Coal output tipped to rise by 11% in 2008 on strong international demand

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

Agreement Reached on Climate Change Agenda

Environment ministers and delegates from 35 industrialized and developing countries agreed on the elements of issues to be negotiated at the climate change conference in Bali in December, conference head Rachmat Witoelar said on Monday (29/10/07).

The deal indicates the readiness of the countries to act on the threat of the global warming, which could impact the entire world in general and the developing nations in particular, Xinhua reported.

The informal ministerial meeting ended on October 25 at Bogor, West Java. The agreed draft comprises the issues of forestry, adaptation, finance and the Kyoto Protocol, said Witoelar.

Agreement on the agenda also indicated that the rich nations, including the United States and Australia, were committed to taking the talks seriously, he said.

Neither the US nor Australia have ratified the Kyoto Protocol. They remain opposed to mandatory emissions reductions and argue that a framework for tackling climate change should include emissions cuts by rapidly industrializing nations.

But, recently the countries have given a signal of commitment to a new regime on climate change after the Kyoto Protocol expires in 2012, executive secretary of the United Nations Framework Convention on Climate Change 13th Conference (UNFCCC) Yvo de Boer said.

Developing countries are seeking financial compensation from the rich nations for protecting their forests and insist on negotiating the incentive at the Bali talks.

Indonesia, which has mobilized nations with most of the world's tropical rainforests - Malaysia, Brazil, Congo, Cameroon, Costa Rica, Gabon, and Papua New Guinea - before the Bali conference, has called for payments by developed countries for not cutting forest.

Court Ruling on Death Sentence

The Constitutional Court on Tuesday (30/10/07) rejected an appeal by three Australian and two Indonesian drug smugglers currently on death row, Xinhua reported.

The five inmates, sentenced under the Criminal Code, had challenged the legality of capital punishment, claiming that according to the country's constitution, every human being has the right to life.

In a split decision, judges found that the right to life is not absolute and that drug-related crimes can be punished with death.

Three members of the panel dissented in favor of the Australians, two of whom also dissented in favor of the Indonesians. A fourth judge dissented in favor of the Indonesians but not the Australians, Agence France-Presse reported.

Chairman of the National Narcotics Agency, Comm. Gen. I Made Mangku Pastika, praised the ruling.

"Even the death penalty cannot deter drug dealers, so imagine if there is no death penalty," Pastika said in an interview with *The Jakarta Post*.

Syamsuddin Undecided on VP Chances

Din Syamsuddin, the chairman of Muslim organization Muhammadiyah, said he has not decided whether he will take part in the 2009 elections despite a survey that says he has the opportunity to run for the vice presidency, Antara reported.

"For me, everything is merely a discourse. I am not in a position to give an opinion," he said in response to questions on his readiness to stand for nomination. "Up until now, I haven't thought about my role in the government," Syamsuddin said.

Syamsuddin has been courted by the Indonesian Democratic Party of Struggle (PDI-P), who he assisted in setting up a Muslim branch, Baitul Muslimin.

He also served as a member of the People's Consultative Assembly in 1998 for Golkar Party before resigning after the government introduced a ruling stating that university professors should not be members of political parties.

REGIONS

Activity at Mt. Kelud Volcano

Despite a number of claims that Mt. Kelud in East Java had already erupted, some scientists continue to say that a real eruption has not yet occurred but is still likely too at one of Indonesia's volcanoes.

Mt. Kelud is only 95 km from the regional capital of Surabaya and sits in the crowded regencies of Blitar and Kediri.

The first claim that Mt. Kelud had erupted came at 4.30 PM on Saturday (3/11/07) but scientists later cast doubt on the claim, saying monitoring equipment near the crater was still working.

The mountain in East Java did not erupt on Saturday (3/11/07) afternoon but remained highly dangerous, volcanologists reported.

The Associated Press quoted Surono, a government volcanologist, as telling el-Shinta radio that the mountain remained on the highest alert level, meaning scientists fear an eruption is imminent. They fear any eruption may be large, given the signs so far. But they also note it could be small - or may not happen at all, The Associated Press reported.

Agus Budiarto said an eruption could have occurred, since seismic data indicated continuous, escalating tremors that were too strong to be measured on instruments. Visual monitoring was made impossible by clouds of fog.

An Agence France-Presse correspondent near the mountain said some locals reported hearing an explosion before panic broke out, but the explosion could not immediately be confirmed with scientists.

The spike in volcanic activity at Kelud triggered the evacuation of scores of people, including women hauling babies in slings, from the mountain in police trucks and on motorcycles, witnesses said.

There were no immediate reports of casualties, despite reports that many people were staying put on the mountain, evading military and police patrols trying to force them to evacuate.

On Saturday, some recalcitrant residents were dragged from their homes while others hid in scrub and at a church, the AFP correspondent said.

Another possible eruption occurred early on Sunday morning, but again scientists could not confirm that

an eruption had occurred, releasing some of what are believed to be millions of tons of magma into the world.

About 130,000 people live within a 10-km danger zone around the mountain, according to the health ministry, but local officials said they were focusing on evacuating about 60,000.

Since record-keeping began, Mt. Kelud's eruptions have claimed more than 15,000 lives, including an estimated 10,000 in a catastrophic 1586 eruption. A 1919 eruption spewed heat clouds that killed 5,160 people.

Indonesia, Japan in Talks on Bird Flu

Indonesia and Japan are holding intensive talks on Indonesia's desire to develop its own capacity in handling the spread of bird flu.

The talks with Japan also encompass possible cooperation in the production of bird flu medicines and vaccines.

"Japan understands Indonesia's strong desire to develop its own capacity in the production of bird flu vaccines and medicines to help overcome the spread of endemic bird flu," head of the National Commission for Bird Flu Control, Bayu Krisnamurthi said Wednesday (31/10/07).

Krisnamurthi said Japan and Indonesia had been holding talks on possible bilateral cooperation in the production of bird flu vaccines.

He said Indonesia must have enough stocks of cheap vaccines because the health conditions of people and animals in many provinces remain difficult.

Australia, Indonesia Conduct Joint Fishery Patrols

Australian Ambassador to Indonesia Bill Farmer said Australia and Indonesia had taken a "great leap forward" in efforts to prevent illegal fishing in the region following a groundbreaking coordinated fisheries patrol in the Arafura Sea.

A statement from the Australian Embassy in Jakarta said on Friday that the Australian Customs Vessel (ACV) *Arnhem Bay* and Indonesian Fisheries Ministry vessels *Hiu Macan 003* and *Hiu Macan 004* had patrolled their respective sides of the Australia-Indonesia maritime border over four days from October 29 to November 1. An aircraft supported the patrols with daily aerial surveillance.

Farmer said these coordinated patrols, a result of ongoing Australia-Indonesia maritime cooperation over recent months, would raise the capacity of both countries to combat illegal fishing and other transnational crimes.

"Illegal fishing costs the Australian and Indonesian economies millions of dollars each year and serves to substantially deplete our fish stocks, which are an important source of food and a key trade commodity," Farmer said.

The operational patrol follows an exercise in June to fine tune communication arrangements. This is the first time, however, that the two nations have rendezvoused at sea to undertake civil cooperative patrolling.

ECONOMY

Strong Third Quarter Results

Companies across the range of sectors turned in strong third quarter results by the end of the reporting period on Wednesday (31/10/07).

PT Telkom was one of the more disappointing performers, turning in only a 6.5% growth figure for the first nine months, below analysts' estimates. Its cellular subsidiary PT Telkomsel put on 16% over the same period. Elsewhere in the state sector, net profit at PT Semen Gresik rose 24% on a 9.4% increase in sales.

PT Astra International reported a 53% rise in nine-month net profit on increased vehicle sales and a doubling of profit over the period at agribusiness subsidiary PT Astra Agro Lestari.

The world's largest noodle maker, PT Indofood Sukses Makmur, put on 35% despite higher prices for flour and cooking oil. Higher international prices for palm oil pushed net profit at PT Sinar Mas Agro Resources & Technology (SMART) up 46% for the period.

Net profit at PT Gudang Garam, Indonesia's largest cigarette manufacturer, was also up 35%, on modest sales growth as the company kept a brake on operational costs.

PT Unilever Indonesia recorded a 15% rise in net profit on sales increase of 10%, while in another strong indicator of good economic conditions leading retailer PT Matahari Putra Prima recorded an advance of 20.3%.

Bank Mandiri led advances in the banking sector, posting an almost threefold gain in third-quarter profit as loan demand increased and as it set aside less money for bad debts.

Bank Rakyat Indonesia reported a 17% increase in profit for the first nine months of the year, while Bank Danamon improved its profit performance by 22% over the same period.

As concern continued over the effect of high international oil prices on Indonesia's economic growth prospects, Vice President Jusuf Kalla said the country remained on target to meet its target of 6.3%.

Kalla told reporters that Indonesia receives higher income from oil exports when prices rise, and the government hopes to be able expand into other exports to make up for any shortfall in the balance of payments, Dow Jones Newswires reported.

"We are still optimistic economic growth will be in line with (our) target. Yesterday I met with the economic minister regarding that issue. It is true that rising world oil prices will affect the global economy, however our economy does not rest only on oil prices," Kalla said.

"If oil prices rise, our income also rises from exports. So we must look for the positive aspects of the rise in world oil prices," he said.

He said that corn prices, for example, have risen with support from oil prices due to the use of corn in production of ethanol for use in biodiesel.

The Jakarta Stock Exchange seemed unconcerned by trends in oil prices. The composite index closed at a new record on Friday at 2,710.62, surpassing the previous all-time high of 2,704.66 set Thursday.

Earlier in the day it had lost 2.5% on fears over the US economy before investors bought back major stocks. Over the week, the index gained 86.19 points or 3.3%. The rupiah was trading at 9,130/9,135 to the dollar.

Indicators:

	August	September	Jan-Sept 07/ Jan-Sept 06	Trade surplus First semester
Total exports	\$9.61 billion	\$9.52 billion	12.88%	\$19.99 billion
Non-oil & gas exports	\$7.75 billion	\$7.54 billion	17.47%	\$19.61 billion
	September (y-o-y)	September (m-o-m)	October (y-o-y)	October (m-o-m)
Inflation	6.95%	0.8%	6.88%	0.79%
	Full year 2005	Full year 2006	1H 2007	3Q 2007
GDP growth	5.60%	5.5%	6.1%	6.2%*
Tourist arrivals	August	September	Growth/loss (m-o-m)	Growth/loss (y-o-y)
	405,600	382,500	-5.71%	13.87%

* Projection

Source: Central Statistics Agency

BUSINESS BRIEFS**MACROECONOMY****Inflation Falls After Holidays**

The annual inflation rate eased slightly in October as food price pressure fell after the Muslim fasting month of Ramadhan, Reuters reported.

The consumer price index rose 6.88% from a year earlier, down from September's 6.95%, the statistics bureau said.

Inflation reached its highest level in 2007 in September because of the increase in food prices ahead of and during the Ramadhan celebrations.

The central bank has forecast inflation at between 5-7 percent this year compared with the government's forecast of 6.0 percent for this year.

Core inflation, which excludes volatile items such as food, rose 6.13% from a year earlier, accelerating from 6.03% in September. Almost all items used to measure inflation fell except clothing, which rose from 5.39% in September to 6.49% in October; health costs, which rose to 5.14% from 4.97% and education, up to 8.69% in October from 8.57% in September.

Exports Rise 7.69%

Indonesia's September exports rose 7.69% from a year earlier to \$9.52 billion, after a 7.86% rise in August, Reuters reported.

Imports rose by around 19.65% from a year earlier to \$6.76 billion. That compared with annual growth of 20.18% in August.

The trade surplus was \$2.76 billion, down from \$3.19 billion a year earlier.

Tourist Arrivals up 13.5%

The number of tourists arriving in Indonesia rose 13.5% to 3.36 million in the first nine months, data from the Central Bureau of Statistics showed Thursday, Thomson Financial reported.

The increase was driven by a rise of 33.7% to 1.29 million arrivals in Bali.

Jakarta's Soekarno-Hatta airport, the second largest entry point, reported 854,492 arrivals, little changed from 854,323 a year ago. Batam near Singapore recorded a 5.1% increase to 791,571 arrivals.

In September, arrivals via the country's 15 entry points dropped to 382,461 from 405,604 in the preceding month.

Data from the Tourism Ministry showed 4.87 million foreign tourists visited Indonesia in 2006, with total spending of \$4.45 billion.

Govt. Sells Rp1 T in Bonds

The government on Tuesday (30/10/07) issued Rp1 trillion (\$110 million) in bonds in a monthly auction to raise funds for the state budget, Dow Jones Newswires reported.

Rahmat Waluyanto, Director General of State Debt Management at the Finance Ministry, told reporters that the government issued Rp900 billion in 21-year bonds at an average yield of 10.15%.

It also issued Rp100 billion in 11-year paper at an average yield of 9.45%.

Foreign Reserves Reach \$54.3B

Indonesia's official foreign exchange reserves rose to \$54.3 billion as of Monday from \$52.9 billion at the end of September, a Bank Indonesia official said Wednesday (31/10/07), Dow Jones Newswires reported.

"This is a comfortable (foreign exchange) level," Bank Indonesia Senior Deputy Governor Miranda Goeltom said in a discussion at the central bank.

Several Bank Indonesia officials said recently that an increase in oil global prices would boost the nation's foreign exchange reserves.

INVESTMENT

RI Invites China to Invest in Seaports

The government has invited Chinese investors to participate in modernizing seaports in Indonesia, Transportation Minister Jusman Syafii Djamal said on Monday (29/10/07) at a China-ASEAN Expo (CAEXPO) in Nanning, Guangxi, China.

The minister expressed hoped that China would invest in seaport construction in effort in Indonesia to help modernize a number of seaports, Antara reported.

The minister said several seaports such as Tanjung Priok in Jakarta, Tanjung Emas in Semarang, Central Java, Tanjung Perak in Surabaya, East Java, Cirebon in West Java and Makassar in South Sulawesi should be developed into international ports.

"We also invited Chinese businessmen to invest in several harbors which have yet to become operational such as the one in Bojonegara (Banten)," he said.

"But we need only 25 international-standard harbours, so that it would make it easier and more practical to maintain safety and security aspects," he said.

Bridgestone Commits to \$133 Mln Expansion

Tire maker PT Bridgestone Tire Indonesia said it will make new investment of Rp1.2 trillion (\$133 million) to expand its production capacity over the next three years, Asia Pulse reported on Friday (2/11/07).

The production capacity of the company's factories in Karawang, West Java, will be expanded to 32,000 from 22,000 units a year at present, its sales department manager John Arsyad said.

The subsidiary of Japan's Bridgestone Corp. will expand its capacity by phases to keep pace with growing market demands from car makers in the country and abroad, Arsyad said.

Landmarks Boosts Investment in Bintan

Malaysian developer and leisure firm Landmarks Holdings is planning to invest a total of 4 billion ringgit (\$1.20 billion) in a resort on Indonesia's Bintan island, *The Edge* financial daily said on Friday, citing a top company official, Reuters reported.

Landmarks' chief operating officer Lim Boon Soon said there were no plans for gambling facilities at the resort.

Landmarks said on Thursday its unit, Primary Gateway Sdn Bhd, is acquiring an additional 9.5% stake in Bintan Treasure Bay Pte Ltd, the Bintan project developer, increasing its stake in Bintan Treasure to 74%.

The Bintan project will include a lifestyle hotel and resort plus residential and commercial development.

Russia's Sistema Eyes Indonesia

Russian conglomerate Sistema plans to broaden its expansion into Southeast Asia and is considering investing in Indonesia and Vietnam, chief executive Alexander Goncharuk told German newspaper *Die Welt*, Reuters reported.

Sistema entered the Asian market with the acquisition of an Indian mobile phone company, and it now plans to win more business in the region as markets in northern and central Europe are already controlled by competitors, *Die Welt* on Tuesday (30/10/07) quoted Goncharuk as saying.

STATE CONCERNS

Tenders for \$2.5 bln in Toll Road Projects

The government plans to hold a tender for 11 toll road projects worth around Rp23 trillion (\$2.53 billion) next year in a bid to boost economic growth, a public works ministry official said on Wednesday, Reuters reported.

Hisnu Pawenang, head of the toll road regulatory body, said the government would offer 350 km of toll road projects in provinces including West Java, East Java, North Sumatra, South Sumatra, Riau, Bali and North Sulawesi.

Construction is expected to start late 2009 or early 2010 after announcing the winning bidders in late 2008, Pawenang said.

Indonesia to Decide on Steel Dumping Allegations

Indonesia will make its final decision on alleged hot rolled coil dumping by suppliers from five countries before December 27, an official said, according to Antara.

Suppliers from China, Russia, Taiwan, Thailand and South Korea have been accused of selling HRC at dumping prices in the country.

Halida Miljani, head of the Indonesian Anti Dumping Committee (KADI), said the agency is still verifying data provided by the five countries and comparing them with data from the petitioners.

Halida said anti-dumping import duties will be set based on data provided by those cooperative in the investigation, or data provided by Krakatau Steel.

SOEs

Jasa Marga IPO Raises \$380M

The government raised Rp3.47 trillion (\$380 million) from the sale of 30% of PT Jasa Marga, the country's leading toll road operator, Finance Asia reported.

The deal is the second sale of stocks in a state-owned company this year, after the government's secondary offering in PT Bank Negara Indonesia (BNI) at the end of July, which raised \$774 million. The sale cut the government's stake in BNI from 99.1% to about 73%.

When the Jasa Marga offer closed on October 26, it was more than four times over-subscribed, enabling the company to fix the price at the top of the range at Rp1,700. The shares were offered in a range between Rp1,400 and Rp1,800.

About 40% of the institutional tranche went to international investors, while the remaining 60% was allocated to domestic investors. Credit Suisse and UBS acted as lead managers for the international tranche and were also joint book-runners together with Bahana Securities, Danareksa Sekuritas and Mandiri Sekuritas.

The final price values the toll road operator at about 22.5 times its projected 2008 earnings, a premium to Malaysia's largest toll road operator, Plus Expressways, at about 15 times.

"Indonesia is picking up demand from people who want to put their money into something other than China and the amount of money pouring in from the US at the moment is just huge," said one banker.

Telkom 3Q Net Profit Up 6.5%

The country's largest telecommunication firm, PT Telkom, posted a 6.5% rise in its nine-month net profit on Tuesday (30/10/07), Reuters reported.

The biggest company on the Jakarta Stock Exchange with a market capitalization of \$26.2 billion, reported a net profit of Rp9.82 trillion (\$1.08 billion) for January-September, up from Rp9.22 trillion a year ago.

The company, which controls 65% of largest mobile phone operator PT Telkomsel, said its revenue climbed 22% to Rp45.3 trillion.

Total revenue rose 17.4% to Rp15.5 trillion in the third quarter. While revenue at its mobile phone unit fell 2.5% to Rp5.3 trillion, revenue from its data and internet services rose more than 70% to Rp3.88 trillion.

The company also recorded a foreign exchange loss of Rp168.6 billion in the quarter, compared to a gain of Rp91.2 billion last year.

Telkomsel 9-Month Net Profit Up 16%

The country's largest mobile phone operator, PT Telkomsel, said on Wednesday (31/10/07) its nine-month net profit rose by 16% despite tougher competition in the third quarter, Reuters reported.

Telkomsel, 65% owned by PT Telkom, said its 2007 revenue is expected to increase by more than 24% as the mobile phone market grows.

It reported a net profit of Rp9.71 trillion (\$1.07 billion) in the January-September period, up from Rp8.37 trillion a year ago.

Net operating revenue climbed 34% to Rp28.06 trillion as the number of mobile phone subscribers grew to 44.5 million from around 35 million at the end of 2006.

Gresik Net Profit Jumps 24%

The country's largest cement maker, PT Semen Gresik, on Tuesday reported a 24% rise in its nine-month net profit, helped by foreign exchange gains and lower interest charges, Reuters reported.

The company, which controls around 45% of the domestic cement market, said its net profit climbed to Rp1.27 trillion (\$140 million) for the January-September period, from Rp1.03 trillion last year.

Sales revenue rose 9.4% to 7.09 trillion (\$780 million) for January-September. Domestic demand for cement rose 6.8% in the first nine months of this year.

Gresik plans to start building a new plant and power plants next year at a cost of as much as \$1.3 billion in order to increase capacity over the next five years by about 40% to 22.9 million tons. Production was about 16 million tons in 2006.

The company estimated in May that domestic cement consumption would rise 6-7% in 2008, slightly above the 5% forecast by Indonesia's Cement Association.

SME Loans to be restructured

The government is to allow state-owned banks to restructure SME debts totaling Rp17 trillion (\$1.87 billion), Minister for State-Owned Enterprises Sofyan Djalil said on October 27, Asia Pulse reported.

He estimated problematic SME debts totaled Rp17 trillion in 1.4 million accounts.

The restructuring program would allow SMEs to get fresh working capital from banks, he said.

In addition, the government would also inject fresh funds totaling Rp1.4 trillion into state-owned credit insurance firms PT Asuransi Kredit Indonesia (Askrindo) and Perum Sarana Pengembangan Usaha to strengthen their loan-guarantee capacity, he said.

The capital injection would enable the credit insurance firms to increase the amount of loans they could guarantee to Rp28 trillion and consequently, around 500,000 SMEs could have easy access to working capital, he said.

Higher Sales Boost Profit at Garuda

PT Garuda Indonesia recorded net profit of Rp218 billion (\$24 million) in the first nine months, compared to a loss of Rp436 billion in the same period a year earlier, Bloomberg reported.

President director Emirsyah Satar told a press briefing on Monday that sales rose to Rp9 trillion from Rp8 trillion.

The carrier flew 9% more travelers in the period as economic growth made holidays and business trips affordable to more people.

Airlines in the country boosted passenger numbers by 2% to 19.70 million in the eight months ended August, according to Statistics Indonesia.

State-owned Garuda carried 6.1 million passengers in the first nine months compared with 5.6 million a year earlier. Domestic routes showed a "significant improvement," Satar said.

Garuda plans to impose a surcharge of about Rp100,000 per flight as of November 1 because of rising fuel costs, Satar said.

PRIVATE SECTOR

Astra 9-month Net Profit Jumps 53%

PT Astra International reported a 53% rise in nine-month net profit on Wednesday (31/10/07) thanks to a recovery in vehicle sales and strong commodity prices, Reuters reported.

The company, in which Jardine Cycle & Carriage Ltd. has a 50.1% stake, controls a wide range of businesses that include plantations, banking, financial services and heavy machinery.

"In the first three quarters of 2007, business conditions in each of the company's business units, which comprise six divisions, have shown an improvement in its performance, which translates to good profits," Michael D. Ruslim, Astra's president director, said in a statement.

Total domestic vehicle sales rose 36.14% in the first nine months to 318,220 units, while motorcycle sales rose 8.66% to 3.39 million units.

Astra's domestic vehicle sales rose at a slower rate of 28.53% to 163,699 units while its motorcycle sales dropped 7.68% as it faced tougher competition.

Net profit climbed to Rp4.58 trillion (\$503.3 million) in the January-September period from Rp2.99 trillion a year earlier.

Sales revenue rose 23.4% to Rp50.62 trillion in the January-September period from Rp41.01 trillion a year ago.

The country's largest listed plantation company, subsidiary PT Astra Agro Lestari, reported a doubling in net profit to Rp1.29 trillion due to strong crude palm oil prices.

Indofood 3Q Net Up 35%

PT Indofood Sukses Makmur reported on Wednesday (31/10/07) a 35% rise in nine-month net profit, helped by higher sales and lower interest expenses, Reuters reported.

Indofood, controlled by the Salim family through Hong Kong-listed First Pacific Ltd, said its net profit rose to Rp683.3 billion (\$75.01 million) in the period, up from Rp506.1 billion a year ago.

Sales revenue climbed 22.7% to Rp19.67 trillion while operating profit rose 18.3% to Rp1.74 trillion.

In a statement, Indofood president director Anthoni Salim said the food industry globally had been hit by steeply higher raw material and fuel costs.

Indofood had managed to achieve double-digit growth through sales increases and continuing cost-efficiency programs, he said.

Meanwhile Singapore-listed Indofood Agri, the Salim Group's plantation arm, reported that third-quarter net profit doubled to Rp310.22 billion from Rp148.14 billion a year before, supported by strong demand and selling prices for crude palm oil, Thomson Financial reported. Sales rose 39.2% to Rp1.6 trillion.

Indofood Agri said it has completed its acquisition of PT PP London Sumatra, another Indonesian palm plantation company, for Rp5.7 trillion.

Gudang Garam 3Q Net Profit Jumps 35%

Indonesia's largest tobacco company, PT Gudang Garam, reported a 35% jump in its nine-month net profit on Tuesday (30/10/07) as it kept a tighter control on costs, Reuters reported.

Gudang Garam, which has a market capitalization of \$2.11 billion, said net profit for January-September climbed to Rp1.22 trillion (\$134.2 million), from Rp900.3 billion a year ago.

The company, which had been hit by rising costs and tough competition, said operating costs rose just 1.9% from a year ago. Sales revenue rose to Rp21.8 trillion from Rp20.5 trillion a year ago.

Meanwhile tobacco firms bought 13% more excise stamps in the first nine months of 2007, industry data showed, suggesting full-year output in the world's fifth-largest tobacco market may beat forecasts.

Companies bought excise stamps worth Rp30.9 trillion (\$3.39 billion) in the first nine months of the year, up 13.1% from the year-ago period.

Sinar Mas Agro 3Q Profit Up 46%

PT Sinar Mas Agro Resources & Technology reported profit rose 46% for the first nine months of the year as sales increased, Bloomberg reported.

The company earned Rp808.3 billion (\$89 million), up from Rp554.1 billion a year earlier, according to a statement on Monday (29/10/07). Performance was boosted by strong palm oil prices.

Revenue climbed 50% to Rp5.26 trillion, while operating income soared to Rp1.28 trillion from Rp533.2 billion.

Lion Air Looks For Offshore Acquisitions: Report

PT Lion Mentari Airlines is seeking to expand beyond Indonesia and is looking at buying air carriers in Thailand, Vietnam, Bangladesh and Malaysia, *Bisnis Indonesia* reported, citing a company spokesman.

The airline is ready to operate local airlines under its own flag in Thailand, Malaysia, Vietnam, and Bangladesh, the report said.

The company is in serious talks "with airline operators in Thailand and several other countries," the newspaper quoted Lion Air spokesman Hasyim Arsal Alhabsi as saying.

The airline is preparing \$50 million-\$100 million to finance acquisitions in each country, the report said.

Alhabsi didn't identify the names of the targeted airline companies.

He said only that Lion Air expects to complete the purchase of a Thai airline - which has permits to fly to Europe and the Middle East - in the first quarter of 2008.

October Auto Sales Jump

Vehicle and motorcycles sales in Indonesia increased sharply in October, indicating the industry is extending a recovery from a slump last year, industry executives said on Friday (2/11/07), Reuters reported.

PT Toyota Astra Motor Corp reported a 37.8% year-on-year jump in its sales last month, while Astra Honda Motor, which manufactures and distributes motorcycles for Honda Motor Co, said sales jumped 22.9%.

Jodjana Jody, head of sales at Toyota Astra Motor, said the firm's vehicles sales rose to 11,310 units in October, up from 8,210 units in the same month last year.

He also estimated total vehicles sales would hit 32,000 units in October, up from 20,752 last year, and said a full year total domestic sales estimate of 430,000 units looked achievable.

Johannes Loman, marketing director at PT Astra Honda Motor, said motorcycle sales by Honda in Indonesia rose to 214,098 units last month compared to 174,249 units in the same month of 2006.

BANKS

Mandiri's 3Q Profit Soars

PT Bank Mandiri, Indonesia's biggest financial services company by assets, posted an almost threefold gain in third-quarter profit as loan demand increased and as it set aside less money for bad debt, Bloomberg reported.

Net income rose to Rp1.01 trillion (\$111 million) in the three months to September 30 from Rp371.5 billion a year ago, while net interest income climbed to Rp2.95 trillion rupiah from Rp2.51 trillion rupiah.

"Mandiri got aggressive in its lending, while it moved quite fast in slashing the cost of fund structure as rupiah lending rates declined," said Bagus Hananto, an analyst at PT Andalan Artha Advisindo Sekuritas in Jakarta.

Mandiri's net income in the first nine months of the year jumped to Rp3.15 trillion from Rp1.19 trillion a year ago, the bank said in a release on Monday (29/10/07). Net interest income rose to Rp9.68 trillion from Rp7.47 trillion.

Net non-performing loans, a measure that excludes the value of collateral pledged against credit, were 3.4% at the end of September, down from 13.6% a year ago.

In other third quarter reports from the sector, **PT Bank Rakyat Indonesia** (BRI) said Wednesday (31/10/07) its net profit for the first nine months rose 17%, thanks to an increase in net interest income, Dow Jones Newswires reported.

The nation's fourth-largest lender by assets said net profit for the period was Rp3.62 trillion, up from Rp3.10 trillion a year ago.

Net interest income for the nine months to September 30 was Rp12.39 trillion, up 22% from Rp10.18 trillion a year ago.

Fee-based income rose 20% to Rp1.2 trillion from Rp1 trillion a year earlier, while outstanding loans advanced 22% to Rp105.55 trillion from Rp86.69 trillion a year earlier.

POWER

PLN Seals \$1.36 Bn Gas Deal

State electricity company PLN signed a contract worth \$1.36 billion on Tuesday (29/10/07) to buy gas from PT Energi Mega Persada, Agence France-Presse reported.

Between 2010 and 2028, PLN will purchase from Energi Mega Persada unit Kangean Energi Indonesia Ltd 360 trillion British thermal units (Btu) of gas for its Gresik power plant in East Java, energy minister Purnomo Yusgiantoro said.

Kangean Energi has also sealed a deal worth \$806 million to supply 220.9 trillion Btu of gas to Pertagas, a subsidiary of state-owned oil and gas company Pertamina, between 2010 and 2020.

The deals were among 12 gas purchase contracts together worth \$6.79 billion signed Tuesday by gas producers and domestic buyers in the sidelines of an international oil and gas conference, Yusgiantoro said.

The producers include JOB Pertamina, Petrochina Jabung, Husky Energy, ConocoPhillips and Medco Malaka.

Chevron Plans to Expand Geothermal Power

Chevron Geothermal Indonesia Ltd, a unit of Chevron Corp., plans to expand its geothermal power capacity to meet growing electricity demand in the country, a company official said on Thursday (1/11/07).

Chevron currently has geothermal power plants with a total capacity of around 365 MW in West Java.

"We are very keen to expand our geothermal capacity. We are considering whether we can expand from our operation in West Java," Reuters quoted Usman Slamet, a Chevron official, as telling reporters on the sidelines of an energy conference. He did not specify a time frame.

Indonesia has the potential to produce an estimated 27,000 MW of electricity from geothermal sources. However, the vast potential remains largely untapped because of the high cost of generating electricity from geothermal sources.

"Chevron has no problem regarding financing and technology. We are looking for possibilities to expand our geothermal projects in other areas in Indonesia," Slamet said.

OIL & GAS

Bids Sought for 26 Exploration Areas

The government is inviting investors to bid for 14 new oil and gas exploration areas and is asking for new offers for 12 old blocks in an effort to boost energy reserves, Energy Minister Purnomo Yusgiantoro said on Tuesday (30/10/07).

Indonesia has estimated reserves of 9 billion barrels of proven and potential crude and 182 trillion cubic feet of gas, energy ministry data show, but its failure to exploit the resources means it has to pay for oil imports and cut back on LNG exports, Reuters said.

"Indonesia is still attractive for oil investors because Indonesia has big potential to find hydrocarbons", Purnomo told reporters at the Asia Pacific Oil and Gas conference.

Luluk Sumiarso, Director General of Oil and Gas at the ministry, said bid documents would be available within a month. Another official, who declined to be identified, told Reuters that the energy ministry estimated each of the 26 blocks to have reserves of between 30 million and 1 billion barrels of oil equivalent.

Blocks offered included Bawean II, East Bawean I, Situbondo, and the North East Madura blocks onshore and offshore East Java province, as well as onshore and offshore South Barito and onshore Mahakam Hilir on Kalimantan.

President Susilo Bambang Yudhoyono told the conference that increasing production for Indonesia, Asia-Pacific's only OPEC member, was a top priority. "The Indonesian government has just announced today that 26 blocks have been offered... This is the first challenge for all of us, namely how to increase our oil and gas production and how to invest more in exploration activities," Dr. Yudhoyono said.

President Opens Ujung Pangkah, Oyong Production

President Susilo Bambang Yudhoyono on Tuesday (30/10/07) inaugurated initial oil and gas production in two offshore oil and gas blocks with an estimated investment of \$1.232 billion, *Platts Commodity News* reported.

The first is Hess' Ujung Pangkah block in East Java, where total investment will reach \$930 million.

The block produces 100 million cu ft/d, 1,800 b/d of condensate currently. It is expected that the block will reach its peak capacity of 25,000 b/d of oil and condensate as well as 6,000 b/d of liquefied petroleum gas by 2009, Minister of Energy and Mines Purnomo Yusgiantoro said.

The second block inaugurated was Santos' Oyong block in Madura, East Java. The block is expected to produce 8,000-10,000 b/d of oil and 60 million cu ft/d of gas in its peak capacity by 2009. Total investment for Oyong will reach \$302.6 million, Yusgiantoro said.

BP President Confirms Interest in 3rd Tangguh Train

BP Plc is considering building a third liquefied natural gas (LNG) plant at Tangguh in Papua after finishing work on two plants, John Minge, the president of BP Indonesia, said on Thursday (1/11/07).

His comments firmed up earlier statements by BP officials at the Tangguh project, where the consortium the company leads is constructing two plants which will produce 7.6 million tons of gas a year. The project is expected to begin operations in the fourth quarter of 2008 and the first shipment will be sent early in 2009.

"Our first priority is to finish train 1 and train 2. And that is what we are focused on. I fully anticipate there will be an expansion," Reuters quoted Minge as telling reporters when asked about the possibility of setting up a third plant.

"There are three big things. One is, how much gas do we have, you don't want to build a train unless you know you have the gas. Number two is how much is it going to cost you to expand; the last is the market price."

Tangguh will take gas from the Wiriagar, Muturi and Berau blocks, which together have combined reserves of 14.4 trillion cubic feet (tcf). BP is the operator of the three blocks.

Budiman Parhusip, a senior BP Indonesia official, said on Thursday proven plus probable and possible reserves in Tangguh were estimated at around 23.3 trillion cubic feet.

Meanwhile BP signed an \$884-million loan agreement with banks including Bank of China and Bank of Tokyo-Mitsubishi to finance the Tangguh project. In August 2006, BP signed deals with international banks for \$2.6 billion in loans, part of a total of \$3.5 billion in loans it needs for the \$5 billion project.

Oilex Confirms Pandalian-3 Well Reservoir Quality

Oilex Ltd said drilling and wireline logging at Sumatra's West Kampar Pandalian-3 well confirm the reservoir quality is 'excellent'.

The well has been cased and that a program to test a series of sandstone units has begun, Thomson Financial quoted a company statement of Monday (29/10/07).

Oilex has a 45% participating interest in the West Kampar production-sharing contract, while Sumatera Persada Energy holds the remaining 55% stake.

MINING

Bumi Reports Five-Fold Profit Jump

The country's largest coal producer, PT Bumi Resources, reported on Thursday (1/11/07) a five-fold rise in nine-month net profit, powered by high coal prices and gains from selling stakes in mines to India's Tata Power Co.

The firm made a net profit of \$800 million in the January-September period, up from \$153 million a year ago, Reuters reported.

Bumi agreed in March to sell stakes in two of its biggest mines, PT Kaltim Prima Coal and PT Arutmin Indonesia, to India's Tata Power for \$1.3 billion.

Bumi, which has a market capitalization of \$10.2 billion, had said its coal output this year may top its target of 58 million tons if weather conditions are favorable.

The firm reported nine month revenue gained 22.5% to \$1.65 billion from \$1.34 billion a year ago and made a one-off gain of \$553.5 million from the sale to Tata Power.

Bumi Resources is aiming to boost production by more than half over the next four years, reaching 100 million tons by the end of the decade.

Soaring coal prices had lifted Bumi's share price more than 400% since the start of the year, outpacing a 46% rise in the Jakarta Composite Index.

2008 Coal Output Seen Rising

Coal output is likely to rise nearly 11% next year as producers increase capacity due to soaring demand for coal from power plants and industries as they switch from petroleum to coal, Reuters reported on Monday (29/10/07).

Indonesia, the world's largest exporter of thermal coal, is expected to produce 225 million tons in 2008 compared with an estimated 203 million this year, said Singgih Widagdo, director of natural resources at the Indonesian Coal Society.

The country's thermal coal exports are also expected to rise to 180-185 million tons next year from an estimated 170 million tons this year.

"Soaring crude oil prices have prompted producers to convert to coal as soon as possible. We expect domestic consumption of coal will increase so it can boost the economy," Widagdo said.

"Demand for electricity from China and India doubled in line with their economic growth, making them import more coal from our country."

Indonesia is tapping alternative sources of energy such as coal and natural gas to meet rising demand for power and to cut down on consumption of expensive crude oil as its own reserves dwindle. The country has abundant coal deposits of around 38.9 billion tons and has surpassed Australia as the world's biggest exporter of thermal coal.

Antam, Tshingshan Eye Steel Project

State-controlled miner PT Aneka Tambang has signed an agreement with China's top private stainless steel producer Tsingshan Holding Group to conduct a feasibility study on a steel project in Maluku, the company said on Wednesday (31/10/07).

It aims at exploring the possibility of setting up an integrated stainless steel facility which includes a power plant and a ferro-nickel plant at Antam's laterite ore concession on Obi island, North Maluku, it said.

"This agreement is part of our efforts to continuously explore ways to increase shareholder value by moving away from exporting raw materials and increasing processing activities," Antam chief Dedi Aditya Sumanegara said in a statement quoted by Reuters.

The study, expected to be completed by August 2008, will cost around \$2 million. Antam gave no estimate how much the potential venture might cost. "A joint venture company will only be set up if the feasibility study shows satisfactory result," the company said.

Meanwhile Carnegie Minerals PLC said it has signed a deal to fund a staged exploration programme for iron and nickel laterite mineralization on another area of Obi island, with Asia Resources 168 Ltd, a Western Australian-based private resource exploration company, Thomson Financial reported on Thursday (1/11/07).

Carnegie will undertake exploration work while Asia Resources will handle logistics and local government relations.

Ore Processing Contingent on Feasibility: Minister

Indonesia's move toward adding more value to its metals industry by pushing for regulations that would encourage mining companies to develop local processing facilities would be contingent on whether the move would be economically feasible, a minister said Wednesday (31/10/07).

"We're still deliberating as to whether downstream facilities should be located in Indonesia or elsewhere," Dow Jones quoted Trade Minister Mari Elka Pangestu as saying at a mining conference.

But the high cost of building such facilities needs to be balanced with the need to create jobs for the country, she said. Pangestu said Indonesia's export growth is at an "unprecedented high" of 19% this year, with mining products and crude palm oil making up the bulk of such exports.

But job creation from investments in the mining sector has been miniscule, she added. Indonesia therefore needs to look into enhancing current and future mining investments by pushing for the creation of local processing facilities and more infrastructure projects, she said.

Straits Asia Acquires E. Kalimantan Coal Mine

Straits Asia Resources (SAR) has agreed to acquire 100% of the huge Jembayan coal mine in East Kalimantan province for \$350 million.

Jembayan is expected to produce about 4 million tons of coal this year. The concession covers almost 13,000 hectares but only 48% of this area has been explored, implying significant upside potential, SAR told Singapore's *Business Times*.

An independent review of the deposits has identified non-classified reserves of 41 million tons and resources of 115 million tons, it said.

“The acquisition will deliver immediate benefits to Straits Asia as it allows us to expand our 2008 production to a target of around 8.5 million to 9.5 million tons from our two mines,” said SAR chief executive Richard Ong.

SAR will embark on an extensive exploration program over the next 12 months.

===***===