LQ45 Index Methodology:

Index Objective

The LQ45 Index, which was launched in February 1997, is a market capitalization-weighted index that captures the performance of 45 most liquid companies listed on the Indonesia Stock Exchange (the "IDX"). The LQ45 Index covers at least 70% of the stock market capitalization and transaction values in the Indonesia Stock Market. The Index is denominated in Indonesia rupiah ("IDR") and is published throughout the trading hours of the IDX.

Stock Universe of the Underlying Index and Selection Methodology

All index constituents of the Jakarta Composite Index ("JCI") are eligible for inclusion in the LQ45 Index. The JCI was initially introduced on 1 April 1983 as a general indicator of all stocks listed in Jakarta Stock Exchange. Later in 2007, Jakarta Stock Exchange merged with Surabaya Stock Exchange to become Indonesia Stock Exchange which inherited Jakarta Composite Index as its general index.

The LQ45 Index comprises of 45 most liquid Common Stock (hence the name LQ is referring to Liquid) listed on the IDX that have been chosen and scrutinized through the following criteria:

1. The selection process started by selecting Top 60 common stocks with highest average transactions value in Regular Market for the last 12 months.
2. Out of the 60 stocks; further 45 stocks is selected weighted by Transaction Value, Market Capitalization, Trading Day Number, and Transaction Frequency in Regular Market over the last 12-month period.
3. The stocks must be included in the calculation of the Composite Index (JCI).
4. The stocks should have been listed in the IDX for at least 3 months.
5. The stocks should have a good financial condition, prospect of growth, high trading frequency and transactions in Regular Market.

Index Evaluation and Stock Replacement

Every 6 (six) month, IDX will evaluate on the movement of the listed stocks. If a stock within the index does not fulfill the regulated criteria, the stock will be replaced on the next cycle of stock selection. Stock replacements occur once every six months, effective on the beginning of February and August. Notice period is at least 3 business days prior to the effective date.

Advising Committee

To guarantee fairness in stock selection, IDX could seek advice from its advising committee; consist of members from BAPEPAM-LK (Indonesian Capital Market Authorities), educational institution (Universities) and independent professional stock market consultants.

LQ45 Index Base Day

The LQ45 Index was launched in February 1997. To obtain further historical facts and data, 13 July 1994 should be used as the base day, with an index value of 100.

Index Calculation Method

The basis for the LQ45 Index's calculation is the Aggregate Market Value of the total listed stocks on 13 July 1994. The Aggregate Market Value is the total of the multiplication of each listed shares (excluding the shares of companies under restructuring program) with each price in the IDX on that day.

The calculation formula is as follows:

$$LQ45 = \frac{Market\ Value}{Base\ Value} \times 100$$

In order to ensure that the index calculation still represents the movement of the stock price in the market occurring in a continuous auction trading system, the Base Value is immediately adjusted if there is a change in the issuer's capital or other factors which do not relate to the stock price. The adjustment will be done if there is an addition of new issuer, rights offering, partial/company listing, new stock issuance originating from warrants and convertible bonds as well as delisting. In the case of stock split, stock dividend or bonus issue, the Base Value is also adjusted though Market Value is not influenced.

The stock price currency used for calculating the LQ45 Index is the currency at the regular market, in which the occurring transaction is based on the continuous auction market.

The formula for adjusting the Base Value is:

$$New\ Base\ Value = \frac{Old\ Market\ Value + New\ Stock\ Market\ Value}{Old\ Market\ Value} \times Old\ Base\ Value$$