

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

Fuel price cuts: minimal impact

The government cut the price of premium gasoline by Rp350/liter or 4.7% and the price of subsidized diesel (solar) by Rp1,050/liter or 15.6% on January 5, 2016. This move will have a positive impact on the overall economy, we believe, by reducing the transportation and distribution costs of companies whilst also increasing the purchasing power of Indonesian households. Whilst the cuts had already been anticipated in December 2015, the market still reacted positively with the JCI rising 31.9 points despite weak regional markets that day.

MARKET NEWS

*Analysts' comment inside

- ACES allocates Rp 300 bn (BI)*
- 2W: Sales slump (BI)
- BBNI targeting Rp 11.5tn (BI)
- High speed train project on track (TJP)

Previous Reports:

- ASII: Challenges remain-[Snapshot20160113](#)
- Cement: Seasonality impact-[Snapshot20160112](#)
- PPRO: Strong 4Q15 numbers-[Snapshot20160111](#)
- PTBA: Improved production amid lackluster coal prices-[Snapshot20160106](#)
- Bank Central Asia: 11M15-[Snapshot20160105](#)
- Bank Rakyat Indonesia: 11M15-[Snapshot20160104](#)
- Bank Negara Indonesia: 11M15 – Slightly above-[Snapshot20151230](#)
- BMRI: 11M15 – Still Growing, BBTN: 11M15 – Strong loan growth -[Snapshot20151229](#)

IDX ANNOUNCEMENT

Corp Action

Code	Action	Date	Time (WIB)
ASRI	EGM	15-Jan-16	10
BATA	EGM	15-Jan-16	10
PKPK	EGM	19-Jan-16	14
SIAP	EGM	20-Jan-16	11

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	4,537	0.5	(1.2)	311
Thailand	1,279	1.9	(0.7)	1,625
Philippines	6,494	2.6	(6.6)	127
Malaysia	1,643	0.1	(3.0)	481
Singapore	2,697	0.2	(6.5)	787
Regional				
China	2,950	(2.4)	(16.7)	49,815
Hong Kong	19,935	1.1	(9.0)	10,030
Japan	17,716	2.9	(6.9)	12,978
Korea	1,892	(1.3)	(3.6)	3,230
Taiwan	7,825	0.7	(6.2)	2,216
India	24,854	0.7	(4.8)	674
NASDAQ	4,526	(3.4)	(9.6)	96,860
Dow Jones	16,151	(2.2)	(7.3)	11,160

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,835	0.8	2.0	(0.3)
SBI rate %	7.10	-	-	(0.1)
10y Gov Indo bond	8.58	(0.2)	(0.5)	(0.2)

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	49	(0.5)	(6.5)	(3.5)
Gold	US\$/toz	1,095	0.1	3.3	3.2
Nickel	US\$/mt.ton	8,356	1.9	(3.5)	(4.8)
Tin	US\$/mt.ton	13,295	(1.1)	(8.8)	(8.9)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,924	(1.0)	(14.1)	(10.5)
Corn	US\$/mt.ton	135	0.3	(4.3)	0.6
Crude Oil	US\$/barrel	31	0.7	(15.5)	(17.1)
Palm oil	MYR/mt.ton	2,226	(1.3)	2.9	1.2
Rubber	US\$/mt ton	108	0.2	(7.5)	(8.3)
Pulp	US\$/tonne	793	N/A	(2.1)	(1.3)
Coffee	US\$/60kgbag	94	0.6	2.0	2.0
Sugar	US\$/MT	423	2.5	6.0	0.2
Wheat	US\$/ton	130	(0.7)	(2.5)	1.7

Source: Bloomberg

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Thursday, 14 January 2016

Fuel price cuts: Minimal impact

The government cut the price of premium gasoline by Rp350/liter or 4.7% and the price of subsidized diesel (solar) by Rp1,050/liter or 15.6% on January 5, 2016. This move will have a positive impact on the overall economy, we believe, by reducing the transportation and distribution costs of companies whilst also increasing the purchasing power of Indonesian households. Whilst the cuts had already been anticipated in December 2015, the market still reacted positively with the JCI rising 31.9 points despite weak regional markets that day. Nonetheless, certain sectors stand to benefit more than others:

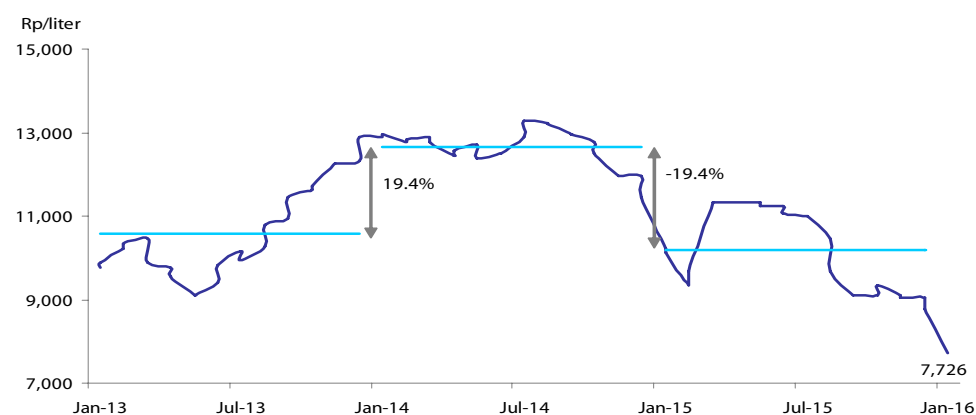
Modest impact on the automotive sector

We expect a modest direct impact on car and motorcycle sales volume from the government's move to cut fuel prices. Furthermore, we also foresee an indirect impact since inflationary pressures will be eased further, and this should give a timely boost to consumer purchasing power going forward. Nonetheless, the automotive business still faces stiff challenges, especially from the weak rupiah and heightened competition, which together will put pressure on margins.

No impact on cement companies' operations

For cement companies in particular, they do not use subsidized diesel or premium fuel in their operational activities since they are required to use diesel fuel for industry, whose price is adjusted on a biweekly basis. The price of diesel fuel for industry has decreased by 46.8% to Rp7,725/liter in January 2016 from Rp11,338/liter in early March 2015 on the back of the slump in global crude oil prices.

Exhibit 1. Price of diesel fuel for industry



Source: Various publications

Nonetheless, the dramatic decline in the price of diesel fuel has not fully translated into transportation savings for cement companies since they do not only rely on truck transportation, but also railways (particularly in Java) and ships. The cost for transportation by railway is not directly linked to movements in the price of diesel fuel, but rather to inflation. For transportation by ship, the cost is more likely to be driven by the loading and unloading time at the local port rather than the crude oil price.

For companies under our coverage, the low diesel price will more likely have a greater impact on Indocement (INTP) than its archrival Semen Indonesia (SMGR). In SMGR's case, land transportation (i.e. by truck and railway) accounts for about 40% of the total transportation costs. For INTP, by comparison, despite a lack of detailed guidance from the management, the company definitely relies more on land transportation. Hence, INTP's transportation cost per ton is declined by 3.7% in 3Q15 to Rp109,633/ton from Rp113,832/ton in 2Q15 and Rp121,553/ton in 1Q15.

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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

Minimal impact on the retail sector

The fuel price cuts might have a very slight impact on retailers through lowering distribution costs since the transportation and travelling cost to sales ratio only stands at 1.2% on average for the retailers under our coverage. Indirectly, however, lower subsidized fuel prices will give a boost to consumer purchasing power, especially in the mid-low income segment. Retailers to benefit include Ramayana Lestari Sentosa (RALS).

MARKET NEWS

ACES allocates Rp 300 bn (BI)

Ace Hardware (ACES) allocates 2016's capex of Rp 250-300bn, which will be derived from internal cash, to open eight new stores in Java and outside Java, and three Toy Kingdom stores. 2016, ACES is targeting sales growth of 5% and will launch its e-commerce business.

Comment: With the better macroeconomic outlook for 2016, we believe that demand for ACES will improve, although only moderately. We are slightly more optimistic compared to the company, by targeting 7.5% sales growth in 2016. All in all, we still maintain our HOLD recommendation for ACES with Target Price of Rp745. (Anindya)

2W: Sales slump (BI)

2W sales last year reached 6.47 million units, down 18% yoy from 7.91 million units in 2014. The decrease is due to the economic slowdown, vulnerable exchange rate, and decline in commodity prices. Automatic segment is still on the favour with contribution of 6%, motor sport contributes 13%, moped 11%. This composition is expected to persist this year. In addition, the Chairman of the Indonesian Motorcycle Association estimates that sales this year will only grow about 5%.

BBNI targeting Rp 11.5tn (BI)

Bank Negara Indonesia (BBNI) is optimistic to disburse Rp 11.5tn KUR or equivalent to 40,000-50,000 borrowers in 2016, and estimates that 95% of the fund will be disbursed by the retail borrowers. 2015, BBNI has disbursed Rp 3tn KUR, from the targeted Rp 3.2tn, to 12,000 borrowers.

High speed train project on track (TJP)

Government plan to kick off the construction of the country's first high speed train later this month is on track as all the preparation except some paperwork have been completed. Transportation Minister said that Kereta Cepat Indonesia China (KCI) which would build and operate Jakarta-Bandung high speed rail has fulfilled all requirements, including getting recommendation from regional administrations of the area passed by the train. In addition, Transportation Minister has issued a permit for the train routes. The next step is to require operational permit, that company unlikely to face problems obtaining such permit.



Equity Valuation

	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn		EPS (Rp)		Core EPS (Rp)		EPS Growth		PER (x)		EV / EBITDA (x)		PBV (x)		Net Gearing 2015	ROE 2015	
					2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016			
Danareksa Universe				2,688,554	175,906	189,144	273.5	294.1			-1%	8%	15.3	14.2	12.5	11.8	2.4	2.2		16.8	
Auto				249,055	16,781	19,189	307.4	351.5			-15%	14%	14.8	13.0	10.7	9.8	1.8	1.6		12.7	
Astra International	HOLD	5,900	6,700	238,853	16,050	18,063	396	446	370	412	-16%	13%	14.9	13.2	11.2	10.2	1.8	1.7	34.1	12.9	
Gajah Tunggal	BUY	498	1,500	1,735	266	633	76	182	140	127	-1%	138%	6.5	2.7	4.1	4.0	0.3	0.3	95.0	4.4	
Selamat Purnama	BUY	4,580	5,300	6,594	465	493	323	342	332	352	19%	6%	14.2	13.4	8.6	7.9	4.6	3.8	net cash	36.0	
Banks				949,673	73,678	79,865	683.9	741.3			-1%	8%	12.9	11.9	4.3	2.0	2.0	2.0		19.0	
BCA	BUY	13,175	15,425	324,830	18,062	19,792	724	794	724	794	8%	10%	18.2	16.6	NA	NA	3.6	3.0	NA	21.4	
BNI	BUY	4,985	5,850	92,964	7,506	8,596	402	461	402	461	-30%	15%	12.4	10.8	NA	NA	1.4	1.3	NA	12.1	
BRI	BUY	11,600	13,400	286,162	24,352	25,863	987	1,048	987	1,048	0%	6%	11.8	11.1	NA	NA	2.5	2.1	NA	23.0	
Bank Tabungan Negara	BUY	1,370	1,450	14,498	1,588	1,964	151	187	151	187	42%	24%	9.0	7.3	NA	NA	1.1	1.0	NA	12.4	
Bank Mandiri	BUY	9,350	11,450	218,167	20,144	21,413	863	918	863	918	1%	6%	10.8	10.2	NA	NA	1.8	1.6	NA	18.2	
Bank Tabungan Pensiunan	BUY	2,235	4,500	13,053	2,026	2,237	347	383	347	383	8%	10%	6.4	5.8	NA	NA	0.9	0.8	NA	15.8	
Cement				139,199	9,522	9,566	991	995			-13%	0%	14.6	14.6	9.2	8.9	2.5	2.4		17.6	
Indocement	HOLD	20,250	21,000	74,545	4,915	4,919	1,335	1,336	1,305	1,306	-9%	0%	15.2	15.2	9.4	9.1	2.6	2.4	net cash	16.9	
Semen Indonesia	BUY	10,900	12,300	64,654	4,608	4,648	777	784	761	767	-17%	1%	14.0	13.9	8.9	8.6	2.5	2.3	5.1	18.4	
Construction				117,828	4,375	5,514	100	126			19%	26%	26.9	21.4	12.7	10.5	3.1	2.7		13.8	
Jasa Marga	BUY	5,950	8,000	40,460	1,531	1,779	480	614	513	657	19%	29%	12.4	9.7	13.6	12.0	3.2	2.9	95.6	12.8	
Wijaya Karya	HOLD	2,830	2,900	17,402	684	741	95	120	100	126	-5%	27%	29.8	23.5	12.2	9.8	3.1	2.8	28.8	11.1	
Pembangunan Perumahan	BUY	4,000	4,700	19,370	635	857	131	177	138	185	19%	35%	30.5	22.6	11.7	9.5	5.7	25.6	20.9	25.6	
Adhi Karya	BUY	2,380	2,750	8,475	397	556	111	156	123	169	22%	40%	21.4	15.2	8.0	7.6	1.8	1.6	net cash	14.1	
Waskita Karya	BUY	1,750	2,150	23,752	833	1,089	61	80	61	80	19%	31%	28.5	21.8	15.3	11.5	2.7	2.4	net cash	12.2	
Wika Beton	HOLD	960	1,350	8,367	396	491	45	56	46	57	32%	24%	21.2	17.0	11.0	8.8	3.4	2.9	net cash	17.1	
Consumer				417,713	13,419	14,186	488	516			7%	6%	31.1	29.4	18.4	17.4	6.2	6.2		25.9	
Indofood CBP	BUY	13,975	13,800	81,488	3,033	3,308	520	567	520	567	16%	9%	26.9	24.6	18.6	17.5	5.2	4.6	net cash	20.3	
Indofood	BUY	5,850	7,100	51,365	3,704	4,059	422	462	363	610	13%	10%	13.9	12.7	6.3	6.1	1.8	1.7	19.5	13.8	
Unilever	SELL	36,100	30,475	275,443	5,889	6,234	772	817	772	817	3%	6%	46.8	44.2	32.1	30.5	27.0	16.8	net cash	80.4	
Nippon Indosari Corpindo	BUY	1,205	1,680	6,099	266	309	53	61	53	61	41%	16%	22.9	19.7	13.1	10.6	5.1	4.2	59.5	24.7	
Mandom	BUY	16,500	21,170	3,318	526	276	2,618	1,375	279	1,373	202%	-47%	6.3	12.0	7.0	6.1	2.0	1.9	net cash	35.7	
Healthcare				116,033	2,981	3,387	211	266			26%	38%	34.3	24.5	21.0	6.7	6.0	6.0		18.6	
Kalbe Farma	HOLD	1,480	1,355	69,375	2,040	2,274	44	49	43	49	-1%	12%	34.0	30.5	22.2	19.4	6.7	6.0	net cash	20.6	
Kimia Farma	BUY	890	1,200	4,943	259	303	47	55	42	47	12%	17%	18.9	16.2	12.6	11.0	2.6	2.3	0.7	13.9	
Siloam Hospital	HOLD	9,400	10,500	10,867	93	134	80	116	84	127	49%	44%	116.9	81.3	21.2	16.3	6.2	5.8	16.1	5.5	
Mitra Keluarga	BUY	2,120	2,995	30,848	599	676	40	46	40	45	14%	15%	53.4	45.7	46.6	39.5	9.3	8.3	net cash	23.9	
Heavy Equipment				63,064	6,331	6,015	1,385	1,316			14%	-5%	10.0	10.5	4.1	3.8	1.5	1.4		15.9	
Hoindo Adiperkasa	HOLD	1,140	3,650	958	220	260	262	309	238	273	13%	18%	4.4	3.7	1.8	1.1	0.3	0.3	net cash	8.0	
United Tractors	HOLD	16,650	18,500	62,107	6,111	5,756	1,638	1,543	1,638	1,543	14%	-6%	10.2	10.8	4.2	3.9	1.6	1.5	net cash	16.5	
Mining				58,669	6,032	4,691	76	59			-25%	-22%	9.7	12.5	3.3	3.7	0.5	0.5		6.0	
Adaro Energy	BUY	473	750	15,129	2,249	1,577	70	49	70	49	9%	-30%	6.7	9.6	3.0	3.0	0.4	0.4	32.0	6.4	
Timah	HOLD	463	570	3,448	101	180	14	24	14	24	-84%	78%	34.2	19.1	6.8	5.4	0.6	0.6	34.7	1.8	
Vale Indonesia	BUY	1,430	3,700	14,209	887	1,090	89	110	89	110	-56%	23%	16.0	13.0	4.2	4.0	0.6	0.6	net cash	4.1	
Aneka Tambang	BUY	301	472	7,233	(706)	(293)	(74)	(31)	(74)	(31)	-5%	-59%	(4.1)	(9.8)	12.4	11.3	0.4	0.4	13.3	-4.9	
Bukit Asam	BUY	4,525	7,800	10,426	1,970	1,445	906	665	906	665	-2%	-27%	5.0	6.8	3.4	4.6	1.1	1.0	net cash	21.4	
Indo Tambangraya Megah	HOLD	5,650	7,300	6,384	1,504	814	1,331	720	1,331	720	-28%	-46%	4.2	7.8	0.9	1.2	0.5	0.5	net cash	14.1	
Harum Energy	HOLD	680	790	1,838	28	(123)	10	(45)	10	(45)	471%	-540%	66.0	(15.0)	-	4.1	8.8	0.5	0.5	net cash	0.8
Plantation				42,181	5,510	5,938	211	227			11%	8%	7.7	7.1	4.3	3.8	1.1	1.0		14.9	
Astra Agro Lestari	BUY	16,375	27,100	25,786	2,770	2,832	1,759	1,798	1,759	1,798	11%	8%	9.3	9.1	5.5	5.1	2.2	2.0	net cash	24.5	
Sampoerna Agro	BUY	1,725	2,600	3,260	464	550	245	291	253	299	18%	19%	7.0	5.9	4.6	4.0	1.0	0.9	31.8	14.5	
PP London Sumatra	HOLD	1,225	2,090	8,358	1,055	1,133	155	166	155	166	8%	7%	7.9	7.4	3.7	3.1	1.1	1.0	net cash	13.9	
Salm Ivomas Pratama	BUY	302	850	4,777	1,221	1,423	77	99	87	98	33%	17%	3.9	3.4	2.9	2.5	0.3	0.3	37.6	8.2	
Property				96,392	8,896	10,205	87	99			-10%	15%	10.8	9.4	8.6	8.4	1.9	1.7		18.8	
Alam Sutera	BUY	331	700	6,504	1,254	1,516	64	77	73	85	5%	21%	6.2	6.2	5.1	4.9	0.8	0.8	75.3	18.9	
Bumi Serpong Damai	BUY	1,820	2,100	35,029	2,369	2,617	135	150	140	156	-36%	10%	13.4	12.2	11.8	10.4	2.3	2.0	net cash	16.6	
Metropolitan Land	BUY	208	620	1,592	290	322	38	43	38	43	14%	11%	5.4	4.9	4.3	4.0	0.7	0.6	27.7	14.2	
Surya Semesta Internusa	HOLD	710	1,040	3,341	464	415	99	88	103	93	32%	-11%	7.2	8.0	3.0	3.0	1.1	1.0	net cash	16.9	
Lippo Karawaci	BUY	1,065	1,200	24,578	1,565	1,763	72	82	64	58	64	-38%	13%	14.7	13.1	11.2	9.7	1.5	1.4	27.3	10.1
PP Properti	BUY	187	242	2,626	1,626	1,963	21	26	22	28	172%	27%	9.1	7.2	6.3	5.9	1.2	1.0	8.8	100.6	
Summarecon	BUY	1,575	2,045	22,722	1,327	1,609	92	111	92	111	-5%	21%	17.1	14.1	12.6	10.4	4.6				

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		13-Jan-2016	12-Jan-2016					
Ace Hardware	ACES	805	750	7.3	6.6	6.6	(2.4)	HOLD
Perusahaan Gas Negara	PGAS	2,665	2,530	5.3	(1.1)	15.1	(2.9)	BUY
Lippo Karawaci	LPKR	1,065	1,025	3.9	4.4	(5.3)	2.9	BUY
Kalbe Farma	KLBF	1,480	1,430	3.5	7.6	18.9	12.1	HOLD
Waskita Karya	WSKT	1,750	1,695	3.2	3.6	6.4	4.8	BUY
Indocement	INTP	20,250	19,650	3.1	(7.5)	4.4	(9.3)	HOLD
XL Axiata	EXCL	3,705	3,600	2.9	0.7	-	1.5	BUY
Bank Tabungan Negara	BBTN	1,370	1,335	2.6	0.7	8.7	5.8	BUY
Bukit Asam	PTBA	4,525	4,410	2.6	0.3	4.9	-	BUY
Jasa Marga	JSMR	5,950	5,800	2.6	3.5	25.7	13.9	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		13-Jan-2016	12-Jan-2016					
Sarana Menara Nusantara	TOWR	4,600	4,850	(5.2)	(5.2)	6.6	(3.2)	BUY
Salim Ivomas Pratama	SIMP	302	315	(4.1)	(10.4)	(14.0)	(9.0)	BUY
Bank Tabungan Pensiunan Nasional	BTPN	2,235	2,300	(2.8)	(7.6)	(10.6)	(6.9)	BUY
Gajah Tunggal	GJTL	498	510	(2.4)	(6.9)	1.8	(6.0)	BUY
Mitra Adi Perkasa	MAPI	4,000	4,090	(2.2)	0.3	3.8	5.4	BUY
Harum Energy	HRUM	680	695	(2.2)	(2.2)	0.7	0.7	HOLD
Selamat Sempurna	SMSM	4,580	4,665	(1.8)	(1.9)	(8.4)	(3.8)	BUY
Hexindo Adiperkasa	HEXA	1,140	1,160	(1.7)	(7.3)	(11.6)	(7.7)	HOLD
Adaro Energy	ADRO	473	481	(1.7)	(5.4)	(0.8)	(8.2)	BUY
Summarecon	SMRA	1,575	1,600	(1.6)	(0.9)	6.8	(4.5)	BUY

Sources: Bloomberg

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