

London Sumatra -----Maintain OUTPERFORM
Sterling 3Q07A, up 158% QoQ; upgrading our CPO price assumption
EPS: ▲ TP: ▲

Teddy Oetomo / Research Analyst / 62 21 2553 7911 / teddy.oetomo@credit-suisse.com

Haider Ali / Research Analyst / 65 6212 3064 / haider.ali@credit-suisse.com

- London Sumatra (LSIP) reported a sterling 9M07A, with net income Rp362 bn, up 64% YoY. 9M07A was only 68% of our FY07E, but 3Q07A alone achieved Rp195 bn of net profit, versus Rp167 bn in 1H07A, implying 158% QoQ growth. The proportion of the allocation of indirect costs against revenue also dropped from 22% in 9M06A to 19% in 9M07A, indicating that some of the cost restructuring programmes are now underway.
- We increase our FY08E and FY09E earnings forecasts for London Sumatra (LSIP) by 11% and 3.8%, respectively, due to our upgrade on CPO price assumptions from RM2500/ton in FY08E and FY09E to RM2800/ton for FY08E and RM2600/ton for FY09E.
- For 2007E, we see potential for higher short-term costs on the back of potential for one-off charges, which are often incurred by companies that are undertaking cost restructuring.
- We value LSIP at Rp12,500, based on 18.5x 2008E P/E, in line with the average 2008E P/E for Malaysia and Singapore listed palm oil stocks.

Bbg/RIC	LSIP IJ / LSIP.JK	Price (31 Oct 07, Rp)	9,650.00		
Rating (prev. rating)	O (O)	TP (Rp) (prev. TP)	12,500 (9,100)		
Shares outstanding (mn)	1,095.23	Est. pot. % chg. to TP	30		
Daily trad vol-6m avg (mn)	4,000	52-wk range (Rp)	9650 - 4575		
Daily trad val-6m avg (US\$ mn)	1.5	Mkt cap (Rp/US\$ bn)	10,569.0/ 1.2		
Free float (%)	30.0	Performance	1M	3M	12M
Major shareholders	Credit Suisse Custodian	Absolute	38.8	46.2	108.6
		Relative	23.9	29.9	24.9
Year	12/05A	12/06A	12/07E	12/08E	12/09E
Revenues (Rp bn)	1,833	2,148	3,068	3,701	3,787
EBITDA (Rp bn)	537	532	1,002	1,470	1,580
Net profit (Rp bn)	356	303	533	918	1,009
EPS (Rp)	261	222	391	673	739
- Change from prev. EPS (%)	n.a.	n.a.	0	11	4
- Consensus EPS (Rp)	n.a.	n.a.	445	555	583
EPS growth (%)	n.a.	(14.8)	76.0	72.2	9.8
P/E (x)	37.0	43.4	24.7	14.3	13.1
Dividend yield (%)	0.0	0.8	0.5	0.8	1.4
EV/EBITDA (x)	21.6	21.8	11.1	7.1	6.2
P/B (x)	11.7	9.8	5.9	4.3	3.4
ROE (%)	31.6	22.5	24.0	30.3	26.1
Net debt/equity (%)	91	75	23	net cash	net cash

Note 1: London Sumatra cultivates, harvests and processes palm oil, rubber, coconut, cocoa, coffee and tea. Note 2: Our per share numbers are on fully diluted basis assuming 100% conversion of MCN, increasing the total number of shares outstanding from 1,095mn shares currently to 1,364.5mn shares

Sterling 3Q07A results, up 158%QoQ

London Sumatra (LSIP) reported sterling 9M07A, with net income Rp362 bn, up 64% YoY. 9M07A was only 68% of our FY07E but 3Q07A alone achieved Rp195 bn of net profit, versus Rp167 bn in 1H07A. The proportion of allocation of indirect costs against revenue also dropped from 22% in 9M06A to 19% in 9M07A, indicating that some of the cost restructuring programmes are now underway. We continue to expect that much of LSIP's cost restructuring will be undertaken in 2008E.

Revising our CPO price assumptions

We are revising up our FY08E and FY09E earnings forecasts for London Sumatra (LSIP) by 11% and 3.8%, respectively, on the back of our upgrade on CPO price assumption from RM2500/ton for FY08E and FY09E to RM2800/ton for FY08E and RM2600/ton for FY09E.

We continue to believe that current management of LSIP is focused to reduce the company's inefficient and opaque cost structure, leading to robust earnings growth outlook ahead. We maintain our FY07E CPO price assumption for LSIP at RM2200/ton to account for potentially higher forward sales by past management in 1H07A. In addition, we also see a potential risk for one-off charges to be booked in FY07E as LSIP is currently undergoing cost restructuring.

Figure 1: Robust 3Q07A

	9M07	%YoY	3Q07	%QoQ	FY07E	9M07 as %FY07E
Revenue	2,082	31	862	26	3,072	68
Alloc. indirect cost	400	13	130	(16)	621	64
% of revenues	19		15		20	
Gross profit	775	78	359	48	1,055	73
Gross margin	37		42		34	
Op profit	708	96	341	58	909	78
Op margin	34		40		30	
Net Profit	362	64	195	158	535	68
Net margin	17		23		17	

Source: Company data, Credit Suisse estimates.

Figure 2: Estimate changes on the back of higher CPO price assumption

	Old est. (Rp bn)			New est. (Rp bn)			Est. chg. (%)		
	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Revenues	3,072	3,506	3,715	3,068	3,701	3,787	(0.1)	5.6	1.9
Alloc indir. cost	621	565	509	620	564	508	(0.2)	(0.2)	(0.2)
% of rev. (%)	20	16	14	20	15	13			
Gross profit	1,055	1,402	1,593	1,053	1,542	1,648	(0.2)	10.0	3.4
GM (%)	34	40	43	34	42	44			
Op profit	909	1,235	1,417	907	1,366	1,468	(0.2)	10.6	3.6
OM (%)	30	35	38	30	37	39			
Net profit	535	827	972	533	918	1,009	(0.3)	11.1	3.8
NM (%)	17	24	26	17	25	27			

Source: Company data, Credit Suisse estimates.

Maintain OUTPERFORM, increase target price to Rp12,500

Given the higher CPO price assumption, leading to higher earnings estimate, we increase our target price for LSIP from Rp9100 to Rp12,500. Our new target price is based on 18.5x 2008E P/E, in line with the 2008E P/E implied by Malaysia and Singapore listed plantation stocks under Credit Suisse coverage.

Companies Mentioned (Price as of 31 Oct 07)

PT London Sumatra Indonesia (LSIP.JK, Rp9650.00, OUTPERFORM, TP Rp12,500.00)

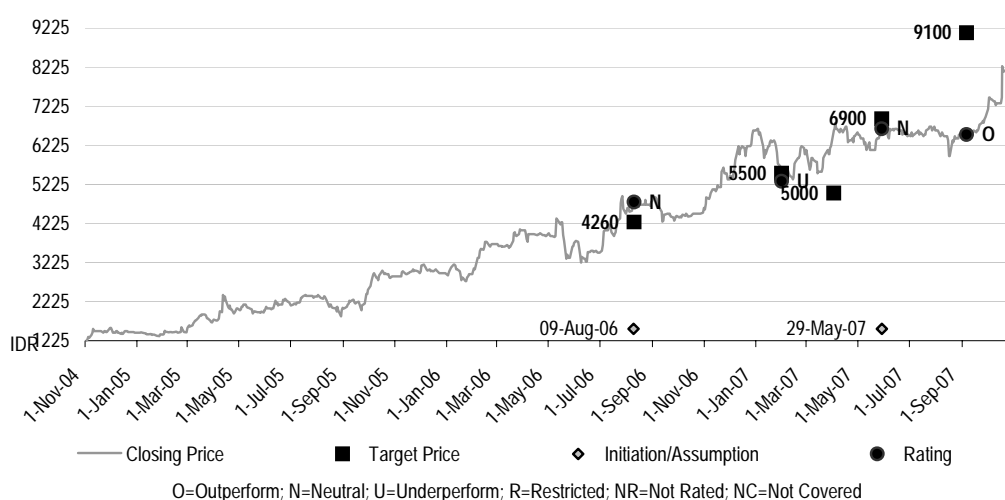
Disclosure Appendix

Important Global Disclosures

Teddy Oetomo & Haider Ali each certify, with respect to the companies or securities that he or she analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

3-Year Price, Target Price and Rating Change History Chart for LSIP.JK



LSIP.JK Date	Closing Price Price (IDR)	Target Price Price (IDR)	Rating	Initiation/ Assumption
9-Aug-06				X
10-Aug-06	4775	4260	NEUTRAL	
31-Jan-07	5300	5500	UNDERPERFORM	
2-Apr-07	6600	5000		
29-May-07	6650	6900	NEUTRAL	X
6-Sep-07	6500	9100	OUTPERFORM	

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

Analysts' stock ratings are defined as follows*:**

Outperform: The stock's total return is expected to exceed the industry average* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral: The stock's total return is expected to be in line with the industry average* (range of $\pm 10\%$) over the next 12 months.

Underperform:** The stock's total return is expected to underperform the industry average* by 10-15% or more over the next 12 months.

*The industry average refers to the average total return of the analyst's industry coverage universe (except with respect to Asia/Pacific, Latin America and Emerging Markets, where stock ratings are relative to the relevant country index).

**In an effort to achieve a more balanced distribution of stock ratings, the Firm has requested that analysts maintain at least 15% of their rated coverage universe as Underperform. This guideline is subject to change depending on several factors, including general market conditions.

***For Australian and New Zealand stocks a 7.5% threshold replaces the 10% level in all three rating definitions, with a required equity return overlay applied.

Restricted: In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark:**

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

	Global Ratings Distribution	
Outperform/Buy*	45%	(57% banking clients)
Neutral/Hold*	41%	(57% banking clients)
Underperform/Sell*	12%	(52% banking clients)
Restricted	2%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

See the Companies Mentioned section for full company names.

Price Target: (12 months) for (LSIP.JK)

Method: Our target price for London Sumatra (LSIP) of Rp12,500/share represents 18.5x 08E PER, in line with the 08E PER with the current average 08E PER implied by the market on Malaysia and Singapore listed palm oil plantation stocks. Our target price multiple of LSIP of 18.5x 08E remain at slight discount to the 19x 08E PER implied in our target price for Astra Agro Lestari (AALI). The discount reflects the higher liquidity, market capitalisation, efficiency and plantation size of the latter.

Risks: London Sumatra's business involves a number of risks to our target price of Rp12,500, they are: 1) Liquidity risks. We see a risk for illiquidity in LSIP's stock in post General Offer (GO) period, depending on the take up rate on the proposed GO. Given the significant disparity in LSIP's current share price with that of the minimum price required for the GO, we see higher risks for investors to arbitrage such differences, which will result in higher take up rate on the GO and thus, lower free float for LSIP in post GO period, 2) Risk relating to Indonesia. All of LSIP's businesses are in Indonesia and thus, the company's performance is significantly influenced by economic, political and social development in Indonesia, 3) Regulatory risks. Regulatory uncertainties and the risks of future government intervention remains a major risk threatening the Indonesia palm oil sector, 4) Commodity price risks, 5) Foreign currency exchange risks, 6) Risks on acquisition completion. If Indofood Agri (IFAR) walks away from the acquisition, we believe that there will be negative market sentiment towards LSIP's shares resulting in a potential for its share price to diverge from the real fundamental of the stock, 7) Restructuring risks. Our expectation for LSIP's future earnings expansion rest upon our expectation for cost restructuring ahead and thus, failure to materialise its cost restructuring program as per expected may result in lower than expected earnings ahead, 8) Change of management risks.

Important Regional Disclosures

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (LSIP.JK) within the past 12 months.

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683.

Disclaimers continue on next page.

Disclaimers

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse, the Swiss bank, or its subsidiaries or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. CS does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

CS believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of the report were obtained or derived from sources CS believes are reliable, but CS makes no representations as to their accuracy or completeness. Additional information is available upon request. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected total return over a 12-month period relative to the relevant coverage universe. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. In addition, CS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. CS is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgement at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is regulated in the United Kingdom by The Financial Services Authority ("FSA"). This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States by Credit Suisse Securities (USA) LLC; in Switzerland by Credit Suisse; in Canada by Credit Suisse Securities (Canada), Inc.; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A.; in Japan by Credit Suisse Securities (Japan) Limited, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan; elsewhere in Asia/Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse Singapore Branch and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse Taipei Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn. Bhd., to whom they should direct any queries on +603 2723 2020.

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S.

Please note that this report was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA or in respect of which the protections of the FSA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

Any Nielsen Media Research material contained in this report represents Nielsen Media Research's estimates and does not represent facts. NMR has neither reviewed nor approved this report and/or any of the statements made herein.

Copyright 2007 CREDIT SUISSE and/or its affiliates. All rights reserved.

ASIA/PACIFIC: +852 2101-6000
EUROPE: +44 (20) 7888-8888
UNITED STATES OF AMERICA: +1 (212) 325-2000