

INVESTOR NEWSLETTER



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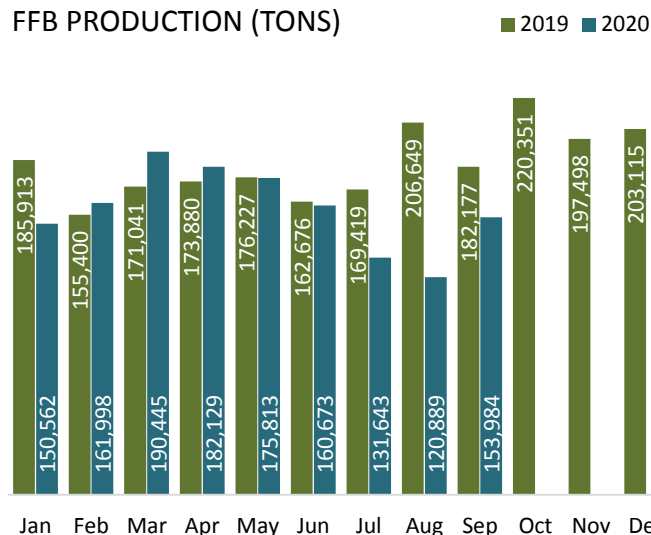
El-Nino Devastating Q3 Production

The adverse impact of mild El-Nino occurred in 2019 has been clearly seen in a drop of FFB production throughout Indonesia during 2020, particularly starting Q3-2020. East Kalimantan, where the majority of our plantations are located, experienced a delayed El-Nino yet the worst impact amongst other regions, resulting FFB production declined by more than 20% yoy.

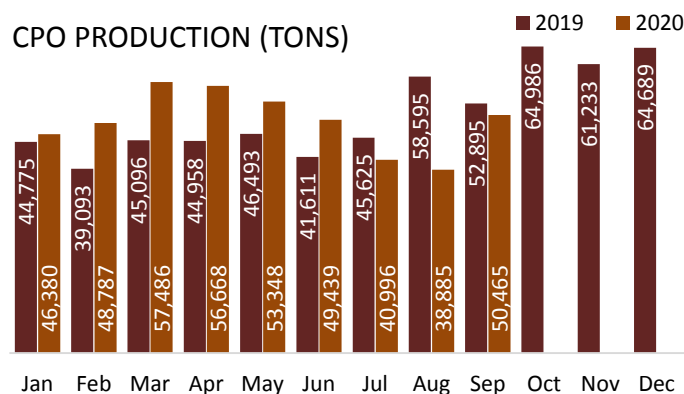
In line with the condition as set out above, our Q3-2020 production, both nucleus and plasma have experienced a decrease by 21% and 26%, respectively against Q2-2020, and 29% and 19%, respectively against Q3-2019. YTD-wise, our nine-months FFB production in 2020 reached 1.43 million tons, 10% lower than the same period last year.

Nevertheless, YTD Sep 2020 CPO production was still higher by 6% yoy as the OER was improving from 23.39% last year to 23.86% and more external FFB were processed because our newly added mill capacity of 60 tons/hour in Q3-2019 have now been fully up and running.

FFB PRODUCTION (TONS)



CPO PRODUCTION (TONS)



Our CPO sales volumes during nine months of 2020 were 433 thousand tons, 7% lower than last year. However, if we excluded the 2018 ending stock which was carried over to the 2019 sales volume, then YTD Sep 2020 CPO sales volume was still higher by 6% yoy. Similarly, PK and PKO sales volumes also increased by 11% and 5%, respectively.

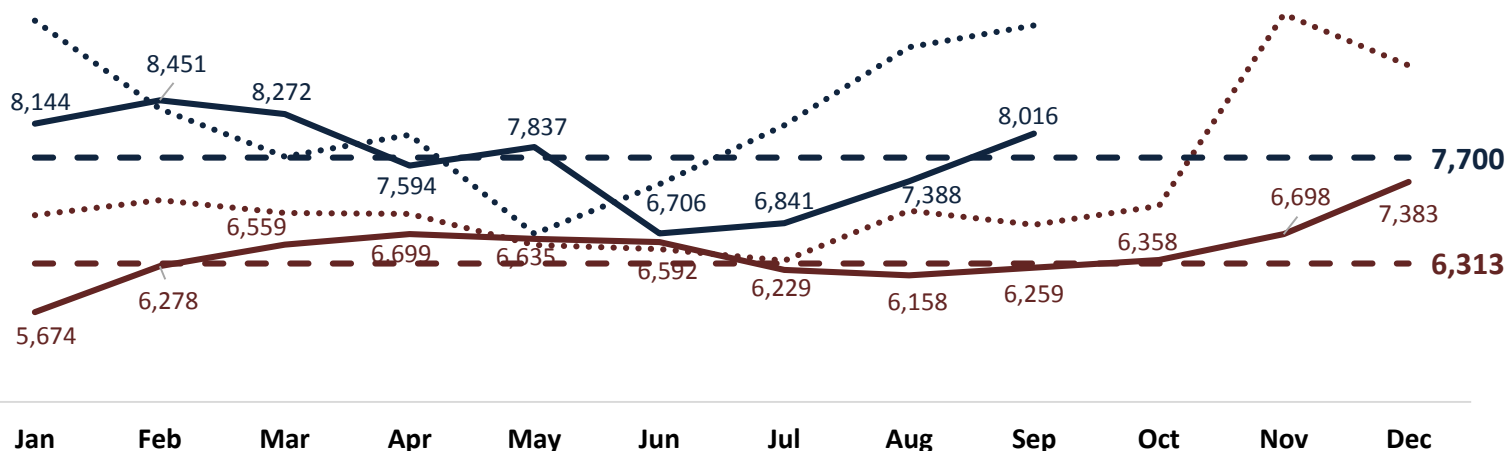
Our CPO average selling price to date was Rp 7.7 million per ton, 22% higher than the same period last year, reflecting a serious shortage in supply side throughout 2020.

	9M-2020	9M-2019	YoY%	Q1-2020	Q2-2020	Q3-2020	%QoQ	FY2019
Plantation Performance								
FFB Production (tons)	1,428,137	1,583,381	(9.8)	503,005	518,615	406,517	(21.6)	2,204,345
- FFB Nucleus (tons)	1,169,162	1,343,091	(12.9)	410,470	422,907	335,785	(20.6)	1,864,850
- FFB Plasma (tons)	258,975	240,290	7.8	92,535	95,708	70,732	(26.1)	339,495
Mill Performance								
FFB Processed (tons)	1,854,229	1,791,945	3.5	630,842	664,913	558,474	(16.0)	2,597,096
CPO Production(tons)	442,454	419,141	5.6	152,653	159,455	130,346	(18.3)	610,050
PK Production (tons)	78,527	71,447	9.9	26,993	27,755	23,780	(14.3)	105,808
PKO Production (tons)	23,207	21,923	5.9	7,790	8,652	6,764	(21.8)	31,462
CPO OER (%)	23.86	23.39	2.0	24.20	23.98	23.34	(2.7)	23.49
FFA (%)	2.64	2.61	1.1	2.54	2.63	2.77	3.5	2.67
Sales Performance								
CPO (tons)	433,455	464,154	(6.6)	142,947	167,492	123,016	(26.6)	665,993
PK (tons)	22,935	20,650	11.1	9,018	6,795	7,122	4.8	31,172
PKO (tons)	23,008	22,010	4.5	8,003	7,004	8,001	14.2	32,011
CPO ASP (Rp '000/Ton)	7,700	6,313	22.0	8,292	7,388	7,438	0.7	6,476

PALM OIL SEGMENT

CPO ASP (Rp '000/TON)

..... KPB Medan 2019 KPB Medan 2020
--- YTD 2019 --- YTD 2020
--- DSN 2019 --- DSN 2020



PLANTED AREA

As of September 2020, the company's total planted area, including nucleus and plasma, reached 112,450 hectares, with mature areas of 103,031 hectares and average age of 10.9 years.

	Planted (ha) (as of Sep 2020)	Average Age (yrs)	Planted Hectareage	
			Mature (ha)	Total Planted (ha)
Nucleus		11.7	79,821	84,566
Plasma		8.2	23,210	27,884
Total		10.9	103,031	112,450

WOOD PRODUCTS



Challenges During the Pandemic

The revenue generated by our wood product business during the first nine months of 2020 declined by around 3% against 3Q-2019 as weaker sales volume and selling price have started been noticed in the third quarter of 2020 catalyzing the adverse impact of Covid-19 on the economy across many countries, of our export destination including Japan, as reflected in a decline in the Q3-2020 sales volume of our panel product by -26% against Q2-2020. Nevertheless, our continuous improvement and automation across many production processes over the last couple years are bound to bear fruit by driving down our production costs to become more efficient to help the business to survive during this pandemic.

	9M-2020	9M-2019	% YoY	Q1-2020	Q2-2020	Q3-2020	%QoQ	FY2019
Sales Volume								
Panel (m3)	64,029	70,813	(9.6)	25,858	21,916	16,255	(25.8)	96,622
Engineered flooring (m2)	660,583	673,336	(1.9)	238,988	163,157	258,438	58.4	931,668
Average Selling Price (ASP)								
Panel (Rp mio /m3)	5.85	5.98	(2.1)	5.75	6.25	5.47	(12.5)	5.92
Engineered flooring (Rp 'mio /m2)	0.39	0.39	(0.3)	0.38	0.41	0.39	(5.3)	0.39

FINANCIAL SUMMARY

Higher CPO Price driving Higher Revenue

Financially, the Company generated revenue of Rp 4.38 trillion during nine months of 2020, increased by 10% from the same period last year, despite lower CPO sales volume because of higher CPO selling price. As of Sep 30, 2020, palm oil segment contributed around 84% of the Company's total revenue.

The Company posted a gross profit of Rp 984 billion, 1.8% higher than the same period last year, with the Gross Profit Margin (GPM) of 23%. Meanwhile, operating profit was recorded at Rp 530 billion, increased by 15% from last year with the Operating Profit Margin (OPM) of 12%.

Our EBITDA for the third quarter of 2020 was Rp 947 billion, 12% higher compared to the same period last year with the EBITDA margin of 22%, slightly better than last year.

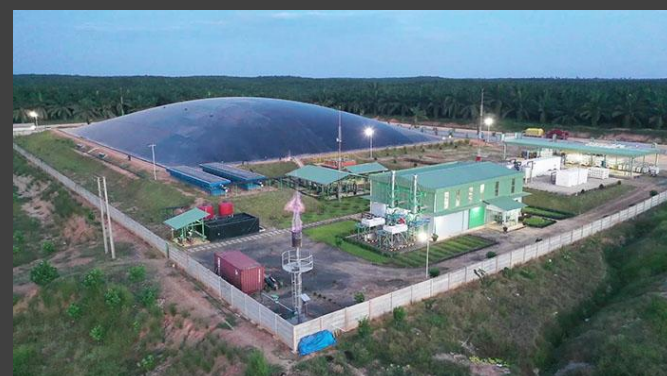
During the first nine months of 2020, the Company recorded net income of Rp 162 billion, an increase of 162% against the same period last year, with the margin of 4%, doubled than last year of 2%. The major contributor to the increase in net income was the forex gain as a result of converting around 25% of IDR loans into USD loans in April and May 2020.

In Million Rupiah

	Sep 30, 2020	Sep 30, 2019
Revenue	4,381,195	3,968,039
- Palm Oil	3,672,290	3,234,683
- Wood Product	708,905	733,356
Gross Profit	984,139	966,362
% margin	22.5	24.4
Operating Profit	529,672	459,276
% margin	12.1	11.6
Profit Before Income Tax	239,650	87,799
% margin	5.5	2.2
EBITDA	947,242	844,702
% margin	21.6	21.3
Total Comprehensive Income	161,910	61,729
% margin	3.7	1.6

DSNG Commissioned the First Bio-CNG Plant

On September 17, 2020, DSNG commissioned its first Bio-CNG Plant in Muara Wahau, East Kalimantan. The BioCNG Plant project demonstrated DSNG's real commitment to implement the circular economy concept by minimizing palm oil mill waste and pollution, utilizing sustainable resources and regeneration of natural systems. The Bio CNG Plant utilizes liquid waste from a palm oil mill and one palm oil mill with a processing capacity of 60 tons of FFB/hour can lower the greenhouse gas emission effects through the reduction of more than 50,000 tons of CO₂, and will generate electricity with a capacity of 1.2 MegaWatt and the remaining excess biogas will be further compressed into Biomethane Compressed Natural Gas and then stored and contained in gas cylinders, safe for both workers and the environment.



THE COMPANY'S UPDATES



DSNG to Supply Palm Kernel Shell to Japan

A subsidiary of DSNG entered into an agreement with eREX Singapore Pte.Ltd., to supply Palm Kernel Shells to Japan market for a period of 15 years. eREX Singapore PTE Ltd. is a subsidiary of eREX Co. Ltd, a publicly-listed and leading corporation in Japan with extensive experience in developing biomass-based power plants. The signing ceremony between the two companies was virtually conducted on 8 October 2020 by Mr. Efendi Sulisetyo as the President Director of PT Dharma Sumber Energi and Mr Shuji Yoda as the Managing Director of eRex Singapore Pte. Ltd.

The Company's President Director, Mr. Andrianto Oetomo, stated that the supply of palm kernel shells totaling to 70,000 tons per annum would be coming from the palm oil mills of the Company located in Muara Wahau, East Kalimantan.

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