PT DHARMA SATYA NUSANTARA TBK (DSNG)

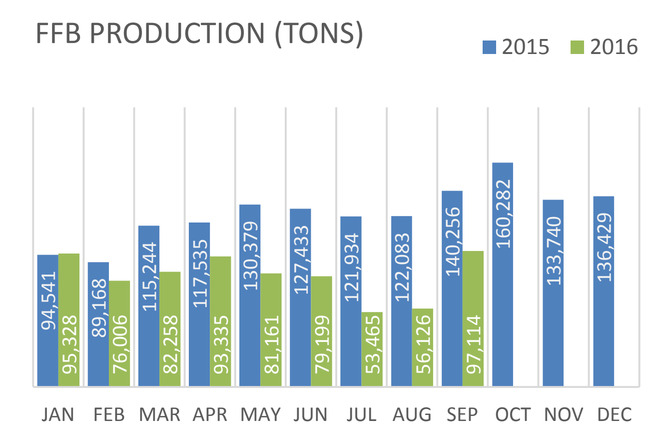
INVESTOR NEWSLETTER

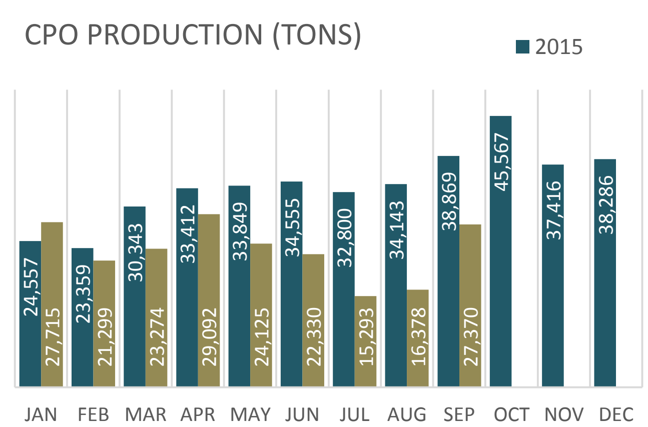
Number 19 | October 2016

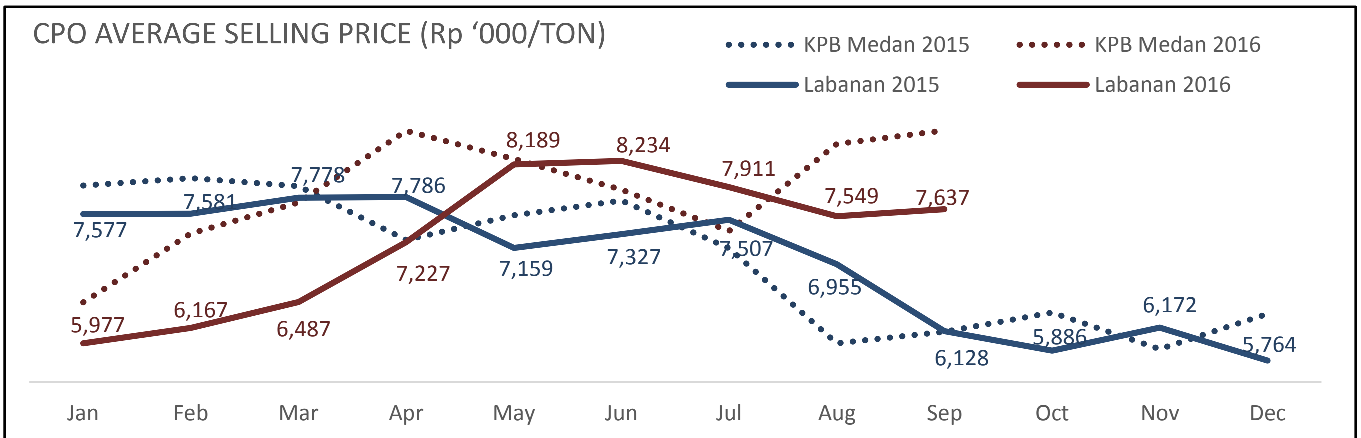
The impact of the recent El-Nino continued to hit our operational performance. In the first nine months of 2016, our FFB production reached 713,992 tons, or 32.6% lower compared to 2015. Third quarter production was also sharply lower, by 18.5%, from the already weak second quarter. In September, however, production jumped by 73% month-on-month, to 97,114 tons – the highest monthly total for the year to date.

Our CPO production in the first nine months totaled 206,875 tons, a decline of 27.6% compared to 2015 due to reduced FFB production from both nucleus and plasma estates, as well as a 13% decline in external FFB purchases. Mill productivity remains high, with a CPO Oil Extraction Rate of 24.14%, with excellent quality with FFA of 2.38%. Our Nine-month CPO ASP for 2016 was Rp 7.26 million per ton, virtually identical to pricing in 2015.

	9M-2016	9M-2015	YoY%	Q1-2016	Q2-2016	Q3-2016	QoQ%	FY2015
Plantation Performance								
FFB Production (ton)	**713,992**	**1,058,572**	**(32.6)**	253,592	253,695	206,705	(18.5)	1,489,022
- FFB Nucleus (ton)	640,878	964,801	(33.6)	227,161	229,076	184,640	(19.4)	1,351,424
- FFB Plasma (ton)	73,114	93,771	(22.0)	26,431	24,619	22,063	(10.4)	137,598
Mill Performance								
FFB Processed (ton)	857,094	1,225,937	(30.1)	300,676	309,259	247,157	(20.1)	1,725,560
CPO Production(ton)	206,875	285,885	(27.6)	72,287	75,547	59,041	(21.8)	407,155
PK Production (ton)	34,689	41,468	(16.3)	11,939	12,420	10,331	(16.8)	60,598
PKO Production (ton)	11,527	13,618	(15.4)	4,372	3,759	3,396	(9.7)	20,489
CPO OER (%)	24.14	23.32	3.5	24.04	24.43	23.89	(2.2)	23.60
FFA (%)	2.38	2.62	(9.4)	2.27	2.23	2.69	20.5	2.57
Sales Performance								
CPO (ton)	231,391	283,750	(18.5)	74,641	91,000	65,750	(27.7)	409,815
PK (ton)	7,678	6,259	22.7	2,628	2,302	2,748	19.4	9,523
PKO (ton)	12,051	12,500	(3.6)	3,500	6,150	2,401	(61.0)	19,501







DSNG Price is based on FOB Labanan Port Pricing

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PLANTED AREA

As of September 2016, the company's total planted area, including nucleus and plasma, reached 90,288 hectares, with the average age of 7.6 years.

Planted (as of September 2016) (ha)	Average Age (yr)	Planted Hectarage		
		Matured (ha)	Immatured (ha)	Total Planted (ha)
Nucleus	8.5	56,279	13,089	69,368
Plasma	4.3	8,901	12,018	20,920
Total	**7.6**	**65,181**	**25,107**	**90,288**

WOOD PRODUCTS BUSINESS

In the nine months to September, 2016, we noted a decrease of 49.5% in our panel volume, while the panel average selling price rose 4.1% compared to 2015. This is occurring as we scale back our activity in commodity panels in order to focus on higher value added products. Our engineered doors and engineered flooring both saw improvement in sales volume, by 8.0% and 14.2% respectively. Their average selling prices, however, declined by 22.8% and 9.2% for the period.

	9M-2016	9M-2015	% YoY	Q1-2016	Q2-2016	Q3-2016	QoQ%	FY2015
Sales Volume								
Panel (m3)	73,357	145,305	(49.5)	28,395	27,984	16,978	(39.3)	179,567
Engineered doors (Pcs)	47,102	43,623	8.0	15,271	13,487	18,344	36.0	61,948
Engineered flooring (M2)	932,130	816,005	14.2	303,877	317,119	311,134	(1.9)	1,098,252
Average Selling Price (ASP)								
Panel (Rp million /m3)	4.81	4.62	4.1	4.79	4.65	5.11	9.7	4.68
Engineered doors (Rp 'million /pcs)	1.02	1.32	(22.8)	1.02	1.01	1.04	2.9	1.25
Engineered flooring (Rp 'million /m2)	0.38	0.41	(9.2)	0.39	0.38	0.37	(3.1)	0.41`

FINANCIAL SUMMARY

In the third quarter of 2016, the Company generated net sales of Rp 2.6 trillion, 19.9% lower compared to the same period last year, due primarily to the El Nino-related decline in our CPO production.

Gross profit fell by 28.3% to Rp 563.6 billion and operating profit also declined by 48.7% to Rp 220.7 billion. The Company posted nine-month EBITDA of Rp 461.4 billion , or 30.4% lower compared to the same period last year. Our EBITDA margin decreased from 20.1% in 2015 to 17.5% in 2015.

The company's total comprehensive income for the year fell to Rp 24.8 billion from Rp 125.8 billion last year, as a result of declining of net sales.

In Million Rupiah

	30 Sept 2016	30 Sept 2015
Net Sales	2,644,906	3,300,413
Cost of Sales	(2,081,329)	(2,514,638)
Gross Profit	563,577	785,775
% margin	*21.3%*	*23.8%*
Operating Profit	220,671	430,421
% margin	*8.3%*	*13.0%*
Profit Before Income Tax	49,399	156,421
% margin	*1.9%*	*4.7%*
EBITDA	461,442	662,739
% margin	*17.5%*	*20.1%*
Total Comprehensive Income for The Period	24,759	125,790
% margin	*0.9%*	*3.8%*