

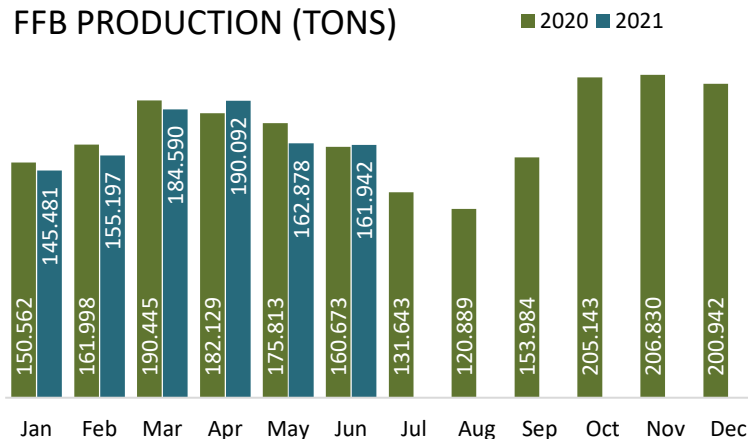
## Lagging Impact of 2019 El Nino: Pathway to Recovery

The lagging impact of 2019 El Nino was inevitably still disturbing the 1H21 FFB production, particularly for the severely-affected region like East Kalimantan, where our largest plantation is located at, as witnessed by a 7 % drop in its 1H21 FFB production against 1H20.

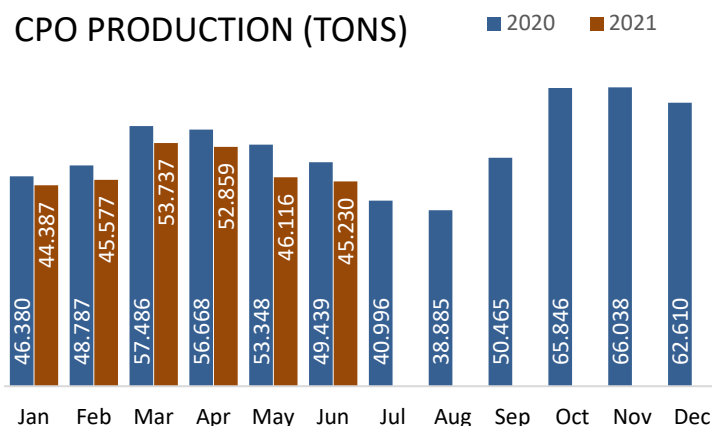
However, the case was different for our other operating regions in Central and West Kalimantan, where 1H21 FFB production on the contrary increased by 23% yoy.

Overall, we recorded a total FFB production of 1 million tons, lower by -2.1% against in 1H20 with total FFB processed of 1.27 million tons, or -1.9% lower against 1H20.

## FFB PRODUCTION (TONS)



## CPO PRODUCTION (TONS)

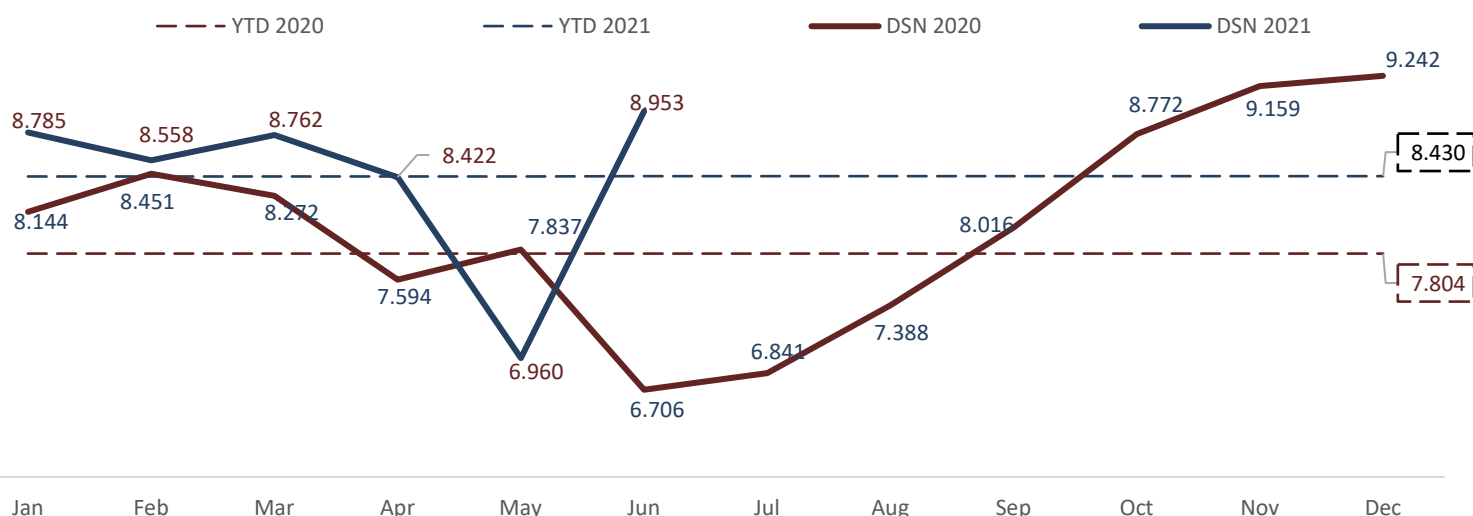


The emergence of the La Nina event since the beginning of 2021 has helped to mitigate any further lagging effect of 2019 El Nino in the upcoming months. However, as La Nina brought an excessive rainfall and causing flood, the FFB harvest evacuation was hampered. And combined with widespread disruption on mobility and transportation due to Covid-19 pandemic, our OER and FFA levels have somehow been adversely affected. 1H21 OER was recorded below our usual level of above 23% while FFA became higher than 3%.

As to 1H21 Average Selling Price, CPO ASP was recorded at Rp 8.4 million ton per ton while PKO ASP was Rp 15.3 million per ton; higher by 8% and 62%, respectively, against 1H-2020.

|                               | 1H-2021   | 1H-2020   | %      | Q1-2021 | Q2-2021 | QoQ%   | FY2020    |
|-------------------------------|-----------|-----------|--------|---------|---------|--------|-----------|
| <b>Plantation Performance</b> |           |           |        |         |         |        |           |
| FFB Production (tons)         | 1,000,180 | 1,021,620 | (2.1)  | 485.268 | 514.912 | 6.1    | 2,041,052 |
| - FFB Nucleus (tons)          | 806,258   | 833,377   | (3.3)  | 394.287 | 411.971 | 4.5    | 1,675,893 |
| - FFB Plasma (tons)           | 193,922   | 188,243   | (3.0)  | 90.981  | 102.941 | 13.1   | 365,159   |
| <b>Mill Performance</b>       |           |           |        |         |         |        |           |
| FFB Processed (tons)          | 1,271,084 | 1,295,755 | (1.9)  | 641.965 | 629.119 | (2.0)  | 2,711,357 |
| CPO Production(tons)          | 287,905   | 312,109   | (7.8)  | 143.701 | 144.204 | 0.4    | 636,947   |
| PK Production (tons)          | 50,617    | 54,748    | (7.5)  | 25.402  | 25.215  | (0.7)  | 114,290   |
| PKO Production (tons)         | 15,621    | 16,443    | (5.0)  | 7.109   | 8.513   | 19.8   | 34,049    |
| CPO OER (%)                   | 22.65     | 24.09     | (6.0)  | 22,38   | 22,92   | 2.4    | 23.49     |
| FFA (%)                       | 3.19      | 2.58      | (23.6) | 3,28    | 3,12    | (4.9)  | 2.76      |
| <b>Sales Performance</b>      |           |           |        |         |         |        |           |
| CPO (tons)                    | 278,756   | 310,439   | (10.2) | 135.201 | 143.555 | 6.2    | 640,416   |
| PK (tons)                     | 13,058    | 15,813    | (17.4) | 6.941   | 6.117   | (11.9) | 30,917    |
| PKO (tons)                    | 16,003    | 15,007    | 6.6    | 8.002   | 8.001   | 0.0    | 33,013    |
| CPO ASP (Rp '000/Ton)         | 8,430     | 7,804     | 8.0    | 8,695   | 8,180   | (5.9)  | 8,141     |
| PKO ASP (Rp '000/Ton)         | 15,272    | 9,438     | 61.8   | 14,543  | 16,002  | 10,0   | 9,770     |

## CPO AVERAGE SELLING PRICE (Rp '000/TONS)



## PLANTED AREA

As of the first half of 2021, the company's total planted area, including nucleus and plasma, reached 112.6 thousand hectares, with mature areas of 102.7 thousand hectares and average age of 11.9 years.

| Planted ('000 ha) | Average Age (yrs) | Planted Hectareage |                         |
|-------------------|-------------------|--------------------|-------------------------|
|                   |                   | Mature ('000 ha)   | Total Planted ('000 ha) |
| Nucleus           | 12.7              | 79.5               | 84.6                    |
| Plasma            | 9.1               | 23.2               | 28.0                    |
| <b>Total</b>      | <b>11.9</b>       | <b>102.7</b>       | <b>112.6</b>            |

## WOOD PRODUCTS

### Visible Demand Recovery in Q2-2021

The demand for our wood products has been convincingly recovered in the first half of 2021 from the weak global demand following the Covid-19 pandemic. The major driver is triggered by the recovered demand of our engineered flooring from United States and Canada markets which contributed more than 60% of total our engineered flooring sales. Compared to 1H-2020, Sales volume of engineered flooring in 1H-2021 has increased significantly by 30% to 524 thousand m2 with relatively unchanged ASP.

Similarly, our panel product has also enjoyed a stronger demand in 1H-2021 from the recovery of Japan market, resulting sales volume increased by 9% to 52 thousand tons, with a similar ASP level.



|                                    | 1H-2021 | 1H-2020 | %     | Q1-2021 | Q2-2021 | %QoQ  | FY2020 |
|------------------------------------|---------|---------|-------|---------|---------|-------|--------|
| <b>Sales Volume</b>                |         |         |       |         |         |       |        |
| Panel ('000 m3)                    | 52.0    | 47.8    | 8.8   | 26.3    | 25.7    | (2.0) | 86.2   |
| Engineered flooring ('000 m2)      | 524.2   | 402.1   | 30.4  | 255.0   | 269.2   | 5.6   | 986.6  |
| <b>Average Selling Price (ASP)</b> |         |         |       |         |         |       |        |
| Panel (Rp mio /m3)                 | 5.88    | 5.98    | (1.6) | 5.75    | 6.02    | 4.8   | 5.69   |
| Engineered flooring (Rp mio /m2)   | 0.40    | 0.39    | 1.0   | 0.39    | 0.41    | 5.2   | 0.39   |

## ESG UPDATES



Photo: Illustration

### RSPO certification for POM#7

In July 2021, DSNG has obtained the RSPO certification for POM#7 located in Kongbeng, East Kalimantan. This means 6 out of a total of existing 10 POMs have been RSPO certified or in other word approximately 68.4% of our CPO production capacity are RSPO certified. This is another milestone to bring us closer to our target of getting 100% RSPO certificated (nucleus) by 2022.

### ESMS (Environment and Social Management System) 2020 Audit Report

In June 2021, DSNG has published the ESMS 2020 Audit Report by Ramboll following its sustainability commitments relating to the &Green loan facility. The audit shall be performed annually and be published by both &Green and DSNG.

At present, DSNG is the only Palm Oil & Natural Wood company which has established and implemented the International Finance Corporation Performance Standard (IFC PS) and ESMS and also committed to being independently verified and audited.

In 2020, DSNG obtained a 10-year loan facility amounted to USD 30mn from Stichtingandgreen.fund (“&Green”), a globally-focused impact investment fund financing sustainable commodity production. The fund contributors include Norwegian Government through Norway’s International Climate and Forests Initiative (NICFI), Unilever dan Global Environment Facility (GEF).

### DSNG to install solar panel in wood product processing plant

In June 2021, DSNG has appointed a solar panel service provider to develop a solar power plant utilizing the Norwegian technology. The solar power plant will produce electricity without generating any greenhouse gas or polluting the environment, demonstrating DSNG’s strong commitment in renewable energy.

The solar panel will be installed on the factory’s roof top of PT Tanjung Kreasi Parquet Industry (TKPI) in September 2021 with a coverage area of 16,000 m<sup>2</sup>, which can generate electricity of 2MW at its peak capacity. This solar plant can also reduce carbon emissions up to eqv. 2,000 tons of CO<sub>2</sub> per year, and at the same time cutting down existing PLN electricity consumption.

TKPI is a subsidiary of DSNG engaging in manufacturing of engineered flooring located in Temanggung, Central Java. DSNG also has another processing plant in Temanggung that produce wood panel.



### Inclusion of DSNG in the SRI-KEHATI Index for the 2<sup>nd</sup> period

DSNG was once again being added to the SRI-KEHATI Index for the period of July 2021 – November 2021, demonstrating the external and independent recognition for the Company’s commitment in the ESG practices

The SRI-KEHATI index selection standards apply the principle of Sustainable Responsible Investment (SRI), as well as environmental, social and governance (ESG) principles. The SRI-KEHATI Index is now the only reference for investment principles that emphasize ESG issues in the Indonesian capital market. The SRI-KEHATI index consists of 25 shares of public companies listed on the IDX, whose composition is reviewed and updated in May and November each year.

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