

August 11, 2017

Subject: Management's Discussion and Analysis for the 6 months period ended June 30, 2017

Attention: Director and Manager

The Stock Exchange of Thailand

LDC Dental Public Company Limited (LDC) would like to clarify the performance of the Company for the 6 months period ended June 30, 2017 which the details are as followed:

### Performance of the Company

Unit : Million Baht	For the 3 months			Change between QoQ		Change between YoY		For the 6 months		Change between YoY	
	Q2/17	Q1/17	Q2/16	Amount	%	Amount	%	Q2/17	Q2/16	Amount	%
Revenues from medical services	92.86	88.86	84.33	4.00	4.50	8.53	10.12	181.72	162.89	18.83	11.56
Other revenues	2.46	1.70	2.19	0.76	44.71	0.27	12.33	4.16	5.98	-1.82	-30.43
<b>Total revenues</b>	<b>95.32</b>	<b>90.56</b>	<b>86.52</b>	<b>4.76</b>	<b>5.26</b>	<b>8.80</b>	<b>10.17</b>	<b>185.88</b>	<b>168.87</b>	<b>17.01</b>	<b>10.07</b>
Cost of services	95.89	92.72	90.41	3.17	3.42	5.48	6.06	188.60	175.20	13.40	7.65
Selling expenses	2.88	3.06	4.97	-0.18	-5.88	-2.09	-42.05	5.94	9.35	-3.41	-36.47
Administrative expenses	10.62	10.43	13.03	0.19	1.82	-2.41	-18.50	21.05	22.78	-1.73	-7.59
Financial Cost	0.22	0.22	1.89	-	-	-1.67	-88.36	0.45	3.16	-2.71	-85.76
<b>Profit (loss) before income tax expenses</b>	<b>-14.29</b>	<b>-15.87</b>	<b>-23.78</b>	<b>1.58</b>	<b>-9.96</b>	<b>9.49</b>	<b>-39.91</b>	<b>-30.16</b>	<b>-41.62</b>	<b>11.46</b>	<b>-27.53</b>
Income tax (expense) revenue	-1.56	0.46	4.70	-2.02	-439.13	-6.26	-133.19	-1.10	8.27	-9.37	-113.30
Actuarial gain (loss)	-	-	-	-	-	-	-	-	0.41	-0.41	-100
<b>Net profit (loss)</b>	<b>-15.85</b>	<b>-15.41</b>	<b>-19.08</b>	<b>-0.44</b>	<b>-2.86</b>	<b>3.23</b>	<b>-16.93</b>	<b>-31.26</b>	<b>-32.94</b>	<b>1.68<sup>1</sup></b>	<b>-5.10</b>

**Note**<sup>1</sup> Net loss decreased compared to the same quarter of prior year by Baht 1.68 million or equivalent to 5.10%

<sup>2</sup> The previous branches total 21 branches have been operated before year 2016 and located in Bangkok and vicinity: Ladprao , Ramkhamhaeng , Ram-Intra KM. 4, Changwattana , Srinakarin, Onnut, Ratchapraek, Rangsit, Petchkasem,

Sajjai Dental Saimai, Rama 2, Ngamwongwan, Rama 5, Bang Yai, Nawamin, Saphanmai, Seri Thai, Phetchaburi, Ram-Intra KM. 10 and Salaya.

<sup>3</sup> New branches total 11 branches have been operated since year 2016 and located in other provinces: Nakorn Panom, Mukdaharn, Nakorn Ratchsrima, Nakorn Sawan, Nakorn Sri Thammarat, Udon Thani, Lampang, Maha Sarakam, Chiang Rai, Ubonratchathani and Chiang Mai

### **Total revenues**

For the 3 months period (quarter 2/2017), the Company has total revenues at Baht 95.32 million which increased compared to the same quarter of prior year by Baht 8.80 million or equivalent to 10.17% and increased compared to the quarter 1/2017 by Baht 4.76 million or equivalent to 5.26%. For the 6 months period, the Company has total revenues at Baht 185.88 million which increased compared to the same quarter of prior year by Baht 17.01 million or equivalent to 10.07%, generated by the previous branches<sup>2</sup> and new branches<sup>3</sup> especially the medical services increased by Baht 18.83 million (from the previous branches increased by Baht 5.64 million or equivalent to 3.58% and from the new branches increased by Baht 13.20 million or equivalent to 234.52%) because all new branches fully recognized the revenues. Other revenues decreased by Baht 1.82 million or equivalent to 30.43% due to decreasing of revenues from construction penalty of Lampang, Nakorn Sri Thammarat and Ubonratchathani by Baht 1.49 million.

### **Cost of services**

For the 3 months period (quarter 2/2017), the Company has cost of services at Baht 95.89 million which increased compared to the same quarter of prior year by Baht 5.48 million or equivalent to 6.06%. For the 6 months period, the Company has cost of services at Baht 188.60 million which increased compared to the same quarter of prior year by Baht 13.40 million or equivalent to 7.65% mainly due to increasing dentist remuneration, rental expense, depreciation-medical equipment and incentive by Baht 9.44 million, Baht 1.63 million, Baht 1.65 million and Baht 1.99 million, respectively. Therefore, the Company has gross loss of Baht 6.88 million which partially come from high dentist remuneration of new branches comparing with the service revenues which did not cover their cost because newly operated. However, the gross loss decreased compared to the same quarter of prior year by Baht 5.43 million or equivalent to 44.12%. Moreover, the ratio of cost of service to revenues from medical services decreased compared to the 6 months period of prior year from 107.56% to 103.79% in the 6 months period of 2017, presenting the improvement on cost of service management.

**Selling expenses**

For the 3 months period (quarter 2/2017), the Company has selling expenses at Baht 2.88 million which decreased compared to the same quarter of prior year by Baht 2.09 million or equivalent to 42.05%. For the 6 months period, the Company has selling expenses at Baht 5.94 million which decreased compared to the same quarter of prior year by Baht 3.41 million or equivalent to 36.47%, mainly due to decreasing of advertising and promotion expenses by Baht 3.62 million because in this year, the Company focuses on internal marketing by creating customer satisfaction.

**Administrative expenses**

For the 3 months period (quarter 2/2017), the Company has administrative expenses at Baht 10.62 million which decreased compared to the same quarter of prior year by Baht 2.41 million or equivalent to 18.50%. For the 6 months period, the Company has administrative expenses at Baht 21.05 million which decreased compared to the same quarter of prior year by Baht 1.73 million or equivalent to 7.59%, mainly due to decreasing of office supplies, other fees and garden decoration.

**Financial cost**

For the 3 months period (quarter 2/2017), the Company has financial cost at Baht 0.22 million which decreased compared to the same quarter of prior year by Baht 1.67 million or equivalent to 88.36%. For the 6 months period, the Company has financial cost at Baht 0.45 million which decreased compared to the same quarter of prior year by Baht 2.71 million or equivalent to 85.76%, mainly due to decreasing of interest expense from bill of exchange in amount of Baht 2.85 million. At present, the Company already paid for bill of exchange issuance.

**Income tax (expense) revenue**

For the 3 months period (quarter 2/2017), the Company has deferred tax expense at Baht 1.56 million which increased compared to the same quarter of prior year by Baht 6.26 million or equivalent to 133.19%. For the 6 months period, the Company has deferred tax expense at Baht 1.1 million which increased compared to the same quarter of prior year by Baht 9.37 million or equivalent to 113.30% because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

### Net profit (loss)

For the 6 months period (quarter 2/2017), the Company has net loss at Baht 31.26 million which decreased compared to the same quarter of prior year by Baht 1.68 million or equivalent to 5.10%, mainly due to high cost of new branches comparing with the service revenues which did not cover their cost because of newly operated. However, the ratio of net loss to revenues from medical services decreased compared to the 6 months period of prior year from -20.22% to -17.20% the 6 months period of 2017, presenting the better operating performance.

### **Summary of Financial Position**

Performance	Jun. 30, 2017	Dec. 31, 2016	Increased (Decreased)	
	Million Baht	Million Baht	Million Baht	%
Total assets	456.34	486.57	(30.23)	(6.21)
Total liabilities	105.48	104.44	1.04	1.00
Shareholders' equity	350.86	382.13	(31.27)	(8.18)

### Assets

As at June 30, 2017, the Company has total assets at Baht 456.34 million which decreased from as at December 31, 2016 by Baht 30.23 million or equivalent to 6.21%, mainly due to decreasing of cash and cash equivalent by Baht 27.34 million which is used as a working capital; decreasing of inventory by Baht 0.75 million due to the Company's policy to control the inventory every branch; decreasing of assets on long-term lease by Baht 3.68 million due to full depreciation of assets; and decreasing of deferred income tax asset by Baht 1.10 million because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

### Total liabilities

As at June 30, 2017, the Company has total liabilities at Baht 105.48 million which increased from as at December 31, 2016 by Baht 1.04 million or equivalent to 1.00 %, mainly due to increasing of short-term liabilities under financial lease according to financial lease – medical equipment lease.

**Shareholders' Equity**

As at June 30, 2017, the Company has shareholders' equity at Baht 350.86 million which decreased from as at December 31, 2016 by Baht 31.27 million or equivalent to 8.18 %, resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director