

May 11, 2018

Subject: Management's Discussion and Analysis for the 3 months period ended March 31, 2018

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 3 months period ended March 31, 2018 which the details are as followed:

### Summary of the Company's Performance

Unit : Million Baht	Q1/18		Q1/17		Change	
	Amount	%	Amount	%	Amount	%
Revenues from medical services	102.12	96.09	88.86	98.12	13.26	14.92
Other revenues	4.16	3.91	1.70	1.88	2.46	144.71
<b>Total revenues</b>	<b>106.28</b>	<b>100.00</b>	<b>90.56</b>	<b>100.00</b>	<b>15.72</b>	<b>17.36</b>
Cost of services	99.60	93.71	92.72	102.39	6.88	7.42
Distribution cost	6.56	6.17	3.06	3.38	3.50	114.38
Administrative expenses	13.27	12.49	10.43	11.52	2.84	27.23
Financial Cost	0.21	0.20	0.23	0.25	-0.02	-8.70
<b>Profit (loss) before income tax expenses</b>	<b>-13.36</b>	<b>-12.57</b>	<b>-15.88</b>	<b>-17.54</b>	<b>2.52</b>	<b>-15.87</b>
Income tax (expense) revenue	-1.52	-1.43	0.46	0.51	-1.98	-430.43
<b>Net profit (loss)</b>	<b>-14.88</b>	<b>-14.00</b>	<b>-15.41</b>	<b>-17.02</b>	<b>0.53<sup>1</sup></b>	<b>-3.44</b>

**Note**<sup>1</sup> Net loss increased compared to the same quarter of prior year by Baht 0.53 million or equivalent to 3.44%

<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, Saijai 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 1/2018), the Company has total revenues at Baht 106.28 million which increased compared to the same quarter of prior year by Baht 15.72 million or equivalent to 17.36%, generated by the previous branches<sup>2</sup> and new branches<sup>3</sup> especially the medical services increased by Baht 13.26 million (from the previous branches increased by Baht 6.59 million or equivalent to 8.24% and from the new branches increased by Baht 6.67 million or equivalent to 75.08%) and from other revenues : interest income, gain on sales of assets, rental and relative service income, training income and tour guide income increased by Baht 2.46 million or equivalent to 144.71%.

**Cost of services**

For the 3 months period (quarter 1/2018), the Company has cost of services at Baht 99.60 million which increased compared to the same quarter of prior year by Baht 6.88 million or equivalent to 7.42%, mainly due to increasing dentist remuneration, rental expense, laboratory expense and employee expense by Baht 5.10 million, Baht 0.42 million, Baht 0.56 million and Baht 1.05 million, respectively.

**Distribution cost**

For the 3 months period (quarter 1/2018), the Company has distribution cost at Baht 6.56 million which increased compared to the same quarter of prior year by Baht 3.50 million or equivalent to 114.38%, mainly due to increasing of advertising and promotion expenses – CLMV by Baht 2.05 million and incentive expense Baht 1.68 million because in this year, the Company focuses on internal marketing - creating customer satisfaction by providing incentive for the successful branches.

**Administrative expenses**

For the 3 months period (quarter 1/2018), the Company has administrative expenses at Baht 13.27 million which increased compared to the same quarter of prior year by Baht 2.84 million or equivalent to 27.23%, mainly due to the consultant fee at Baht 1.64 million, consultant fee - CLMV at Baht 0.50 million, consultant fee - Brand Strategy Development at Baht 0.85 million and consultant fee for tourism at Baht 0.42 million.

**Income tax (expense) revenue**

For the 3 months period (quarter 1/2018), the Company has deferred tax expense at Baht 1.52 million which increased compared to the same quarter of prior year by Baht 1.98 million or equivalent to

430.43%, because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

### **Net profit (loss)**

For the 3 months period (quarter 1/2018), the Company has net loss at Baht 14.88 million which decreased compared to the same quarter of prior year by Baht 0.53 million or equivalent to 3.44%, mainly due to high cost of new branches comparing with the service revenues which did not cover their cost because of newly operated.

### **Summary of Financial Position**

Performance	Mar. 31, 18	Dec. 31, 17	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	%
Total assets	403.51	422.27	(18.76)	(4.44)
Total liabilities	96.81	100.69	(3.88)	(3.85)
Shareholders' equity	306.70	321.58	(14.88)	(4.63)

### **Assets**

As at March 31, 2018, the Company has total assets at Baht 422.27 million which decreased from as at December 31, 2017 by Baht 18.76 million or equivalent to 4.44%, mainly due to decreasing in property, plant and equipment by Baht 4.38 million because in the previous year the Company made a financial lease contract for medical equipment which was fully depreciated in this year, decreasing of assets on long-term lease by Baht 3.19 million, decreasing in intangible assets by Baht 0.43 million due to amortization during the period, and decreasing of deferred income tax asset by Baht 1.52 million because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

### **Total liabilities**

As at March 31, 2018, the Company has total liabilities at Baht 96.81 million which decreased from as at December 31, 2017 by Baht 3.88 million or equivalent to 3.85%, mainly due to decreasing of account payable and other payable Baht 2.26 million or equivalent to 2.94 % (which decreasing in account payable and accrued laboratory expense) and decreasing in financial lease liabilities by Baht 1.99 million due to the installations made according to the financial lease contract.

**Shareholders' Equity**

As at March 31, 2018, the Company has shareholders' equity at Baht 306.70 million which decreased from as at December 31, 2017 by Baht 14.88 million or equivalent to 4.63%, resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director