

November 13, 2018

Subject: Management's Discussion and Analysis for the 9 months period ended September 30, 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 9 months period ended September 30, 2018 which the details are as followed:

Summary of the Company's Performance

Unit : Million Baht	For the 3 months			Change between QoQ		Change between YoY		For the 9 months		Change between YoY	
	Q3/18	Q2/18	Q3/17	Amount	%	Amount	%	Sep. 18	Sep. 17	Amount	%
Revenues from medical services	121.38	117.29	104.77	4.08	3.48	16.60	15.85	340.79	286.49	54.29	18.95
Cost of services	112.06	107.97	100.54	4.09	3.79	11.52	11.46	319.63	289.14	30.49	10.55
Gross profit (loss)	9.31	9.33	4.23	-0.01	-0.12	5.08	119.96	21.16	-2.64	23.80	-899.95
Other revenues	4.47	4.47	2.46	0.01	0.13	2.01	81.71	13.10	6.92	6.18	89.24
Distribution cost	5.97	5.69	7.43	0.29	5.04	-1.46	-19.68	18.21	13.38	4.84	36.17
Administrative expenses	13.86	13.09	10.14	0.78	5.93	3.72	36.71	40.22	31.19	9.03	28.94
Financial cost	0.16	0.18	0.25	-0.02	-9.39	-0.09	-35.14	0.55	0.70	-0.15	-21.38
Profit (loss) before income tax expenses	-6.21	-5.16	-10.83	-1.05	20.37	4.62	-42.65	-24.73	-41.00	16.26	39.67
Income tax (expense) revenue	-0.94	-0.30	0.53	-0.64	217.82	-1.47	-278.21	-2.76	-0.57	-2.18	382.63
Net profit (loss)	-7.15	-5.46	-10.30	-1.70	31.08	3.15	-30.59	-27.49	-41.57	14.08^{/1}	-33.87

Revenues from medical services of the previous branches and new branches:

Revenues from medical services	For the 3 months			For the 9 months		Change between YoY	
	Q3/18	Q2/18	Q3/17	Sep. 18	Sep. 17	Amount	%
Previous branches ^{/2}	101.74	98.81	92.61	287.11	255.50	31.61	12.37
New branches ^{/3}	19.64	18.48	12.16	53.68	30.99	22.69	73.21
Total	121.38	117.29	104.77	340.79	286.49	54.29	18.95

Note¹ Net loss increased compared to the same quarter of prior year by Baht 14.08 million or equivalent to 33.87%.

² The previous branches total 20 branches are located in Bangkok and vicinity: Ladprao, Ramkhamhaeng, Ram-Intra KM.4, Changwattana, Srinakarini, 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.

³ New branches total 11 branches are 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 – three branches have been operated at end of year 2015 and each quarter of year 2016 new two branches have been operated until the last quarter of 2016 all 11 branches have been operated.

Total revenues

For the 3 months period (quarter 3/2018), the Company has total revenues at Baht 125.85 million which increased compared to the same quarter of prior year by Baht 18.32 million or equivalent to 17.03% and increased compared to the quarter 2/2018 by Baht 4.09 million or equivalent to 3.36%. For the 9 months period of 2018, the Company has total revenues at Baht 353.89 million which increased compared to the same quarter of prior year by Baht 60.47 million or equivalent to 20.61%, generated by the previous branches² and new branches³ especially the medical services increased by Baht 54.29 million (from the previous branches increased by Baht 31.61 million or equivalent to 12.37% and from the new branches increased by Baht 22.69 million or equivalent to 73.21%) and from other revenues: interest income, gain on sales of assets, rental and relative service income, training income and tour guide income increased by a small amount.

Cost of services

For the 3 months period (quarter 3/2018), the Company has cost of services at Baht 112.06 million which increased compared to the same quarter of prior year by Baht 11.52 million or equivalent to 11.46%. For the 9 months period of 2018, the Company has cost of services at Baht 319.63 million which increased compared to the same quarter of prior year by Baht 30.49 million or equivalent to 10.55% mainly due to increasing supplies expense, dentist remuneration, laboratory expense and employee's salary was adjusted because of the minimum wage effect By Baht 4.00 million, Baht 17.15 million, Baht 3.11 million and Baht 6.45 million, respectively.

Distribution cost

For the 3 months period (quarter 3/2018), the Company has distribution cost at Baht 5.97 million which decreased compared to the same quarter of prior year by Baht 0.29 million or equivalent to 5.04%. For the 9 months period of 2018, the Company has distribution cost at Baht 18.21 million which increased compared to the same quarter of prior year by Baht 4.84 million or equivalent to 36.17% mainly due to increasing of advertising and promotion expenses – CLMV by Baht 2.05 million, incentive expense Baht 3.01 million because the Company focuses on internal marketing - creating customer satisfaction by providing incentive for the successful branches and increasing of the credit card fee according to the increase of revenues Baht 1.11 million.

Administrative expenses

For the 3 months period (quarter 3/2018), the Company has administrative expenses at Baht 13.86 million which increased compared to the same quarter of prior year by Baht 3.72 million or equivalent to 36.71%. For the 9 months period of 2018, the Company has administrative expenses at Baht 40.22 million which increased compared to the same quarter of prior year by Baht 9.03 million or equivalent to 28.94%, mainly due to the consultant fee at Baht 1.03 million, consultant fee – CLMV, consultant fee – Brand Strategy Development and consultant fee for tourism at Baht 3.64 million, property tax Baht 0.59 million, and employee expense Baht 2.38 million.

Income tax (expense) revenue

For the 3 months period (quarter 3/2018), the Company has deferred tax expense at Baht 0.94 million which increased compared to the same quarter of prior year by Baht 1.47 million or equivalent to 278.21%. For the 9 months period of 2018, the Company has deferred tax expense at Baht 2.76 million which increased compared to the same quarter of prior year by Baht 2.18 million or equivalent to 382.63%, 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 3/2018), the Company has net loss at Baht 7.15 million which decreased compared to the same quarter of prior year by Baht 3.15 million or equivalent to 30.59%. For the 9 months period of 2018, the Company has net loss at Baht 27.49 million which decreased compared to the same quarter of prior year by Baht 14.08 million or equivalent to 33.87%, 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 9 months period of prior year from -14.51% to -8.07% the 9 months period of 2018, presenting the better operating performance.

Summary of Financial Position

Performance	Sep. 30, 18	Dec. 31, 17	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	%
Total assets	382.93	422.27	(39.34)	(9.32)
Total liabilities	88.84	100.69	(11.85)	(11.77)
Shareholders' equity	294.09	321.58	(27.49)	(8.55)

Assets

As at September 30, 2018, the Company has total assets at Baht 382.93 million which decreased from as at December 31, 2017 by Baht 39.34 million or equivalent to 9.32%, mainly due to decreasing in current investment in amount of Baht 40.00 million – it reached the maturity term and was deposited as 3-months deposit so it was classified as cash and cash equivalent, property, plant and equipment by Baht 11.86 million, decreasing of assets on long-term lease by Baht 8.13 million, and the allowance for asset impairment at Baht 0.73 million of Nawamin Branch was provided. The money placed at court was decreased by Baht 5.90 million because the plaintiff already received such amount and decreasing of deferred income tax asset by Baht 2.76 million because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

Total liabilities

As at September 30, 2018, the Company has total liabilities at Baht 88.84 million which decreased from as at December 31, 2017 by Baht 11.85 million or equivalent to 11.77%, mainly due to decreasing in financial lease liabilities by Baht 5.72 million due to the installations made according to the financial lease contract and estimated liability on lawsuit was decreased by Baht 6.63 million because the lawsuit is finalized.

Shareholders' Equity

As at September 30, 2018, the Company has shareholders' equity at Baht 294.09 million which decreased from as at December 31, 2017 by Baht 27.49 million or equivalent to 8.55%, resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director