

February 21, 2019

Subject: Management's Discussion and Analysis for the year ended December 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 year ended December 31, 2018 which the details are as followed:

**Summary of the Company's Performance**

Unit : Million Baht	2018		2017		Change	
	Amount	%	Amount	%	Amount	%
Revenues from dental service	456.15	96.64	386.72	98.70	69.43	17.95
Other revenues	15.88	3.36	5.11	1.30	10.77	210.63
<b>Total revenues from medical services</b>	<b>472.04</b>	<b>100.00</b>	<b>391.84</b>	<b>100.00</b>	<b>80.20</b>	<b>20.47</b>
Cost of services	443.49	93.95	390.38	99.63	53.11	13.60
<b>Gross profit (loss)</b>	<b>28.55</b>	<b>6.05</b>	<b>1.45</b>	<b>0.37</b>	<b>27.09</b>	<b>1,863.50</b>
Other revenues	12.81	2.71	10.91	2.78	1.91	17.48
Distribution cost	24.33	5.15	22.31	5.69	2.01	9.03
Administrative expenses	47.46	10.05	44.71	11.41	2.74	6.14
Financial cost	0.69	0.15	0.93	0.24	-0.24	-25.66
<b>Profit (loss) before income tax expenses</b>	<b>-31.11</b>	<b>-6.59</b>	<b>-55.59</b>	<b>-14.19</b>	<b>-24.48</b>	<b>-44.03</b>
Income tax (expense) revenue	-7.33	-1.55	-4.89	-1.25	2.44	49.88
Actuarial profit (loss)	-2.17	-0.46	-0.07	-0.02	2.10	3,034.19
<b>Net profit (loss)</b>	<b>-40.61</b>	<b>-8.60</b>	<b>-60.55</b>	<b>-15.45</b>	<b>-19.94<sup>/1</sup></b>	<b>-32.93</b>

**Revenues from dental services of the previous branches and new branches:**

Revenues from Dental Service	Year 2018	Year 2017	Change	
			Amount	%
Previous branches <sup>/2</sup>	384.05	341.96	42.09	12.31
New branches <sup>/3</sup>	72.10	44.76	27.34	61.07
<b>Total</b>	<b>456.15</b>	<b>386.72</b>	<b>69.43</b>	<b>17.95</b>

**Note** <sup>1</sup> Net loss decreased compared to year 2017 by Baht 19.94 million or equivalent to 32.93%.

<sup>2</sup> The previous branches total 21 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.

<sup>3</sup> New branches total 11 branches are located in other provinces, operated since 2016: 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 year 2018, the Company has total revenues at Baht 484.85 million which increased compared year 2017 by Baht 82.11 million or equivalent to 20.39%, generated by the previous branches<sup>2</sup> and new branches<sup>3</sup> especially the dental services increased by Baht 69.43 million (from the previous branches increased by Baht 42.09 million or equivalent to 12.31% and from the new branches increased by Baht 27.34 million or equivalent to 61.07%).

### **Cost of services**

For the year 2018, the Company has cost of services at Baht 443.49 million which increased compared to the year 2017 by Baht 53.11 million or equivalent to 13.60% mainly due to increasing medical and other supplies, dentist remuneration, laboratory expense, tourism cost and employee's salary which was adjusted because of the minimum wage effect by Baht 6.68 million, Baht 22.91 million, Baht 5.34 million, Baht 7.58 million and Baht 10.52 million, respectively.

### **Distribution cost**

For the year 2018, the Company has distribution cost at Baht 24.33 million which increased compared to the year 2017 by Baht 2.01 million or equivalent to 9.03% mainly due to increasing of advertising and promotion expenses – CLMV by Baht 1.11 million and the credit card fee by Baht 1.14 million.

### **Administrative expenses**

For the year 2018, the Company has administrative expenses at Baht 47.46 million which increased compared to the year 2017 by Baht 2.74 million or equivalent to 6.14% mainly due to the property tax Baht 2.13 million.

### **Financial cost**

For the year 2018, the Company has financial cost at Baht 0.69 million which decreased compared to the year 2017 by Baht 0.24 million or equivalent to 25.66% because decreasing of the hire purchase interest.

### **Income tax (expense) revenue**

For the year 2018, the Company has deferred tax expense at Baht 7.33 million which increased compared to the year 2017 by Baht 2.44 million or equivalent to 49.88% because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

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

For the year 2018, the Company has net loss at Baht 40.61 million which decreased compared to the year 2017 by Baht 19.94 million or equivalent to 32.93% mainly due to high cost of new branches comparing with the service revenues which did not cover their cost. However, the ratio of net loss to revenues from medical services decreased compared to the year 2017 from 15.45% to 8.60% the year of 2018, presenting the better operating performance.

### **Summary of Financial Position**

Performance	Dec. 31, 18	Dec. 31, 17	Increase (Decrease)	
	Million Baht	Million Baht	Million Baht	%
Total assets	379.77	422.27	(42.50)	(10.06)
Total liabilities	98.80	100.70	(1.90)	(1.88)
Shareholders' equity	280.97	321.58	(40.61)	(12.63)

### **Assets**

As at December 31, 2018, the Company has total assets at Baht 379.77 million which decreased from as at December 31, 2017 by Baht 42.50 million or equivalent to 10.06%, mainly due to decreasing of current investment in amount of Baht 15.00 million (because it reached the maturity term and became 3-months deposit so it was classified as cash and cash equivalent), property, plant and equipment by Baht 16.58 million, assets on long-term lease by Baht 9.87 million (because of write-off the asset impairment), the money placed at court by Baht 5.90 million because the plaintiff already received such amount and deferred income tax asset by Baht 6.79 million because the Company re-estimates the performance, so the Company can use the deficit lower than the last year.

**Total liabilities**

As at December 31, 2018, the Company has total liabilities at Baht 98.80 million which decreased from as at December 31, 2017 by Baht 1.90 million or equivalent to 1.88%, mainly due to decreasing of financial lease liabilities by Baht 7.57 million (because the installations made according to the financial lease contract) and estimated liability on lawsuit by Baht 6.63 million (because the lawsuit is finalized) but increasing of estimated employee benefit by Baht 2.72 million (because employee benefit was re-estimated).

**Shareholders' Equity**

As at December 31, 2018, the Company has shareholders' equity at Baht 280.97 million which decreased from as at December 31, 2017 by Baht 40.61 million or equivalent to 12.63%, resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director