

November 14, 2019

Subject: Management's Explanation and Analysis for the 3 months and 9 months period ended September 30, 2019

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 and 9 months period ended September 30, 2019 which the details are as follows:

1. Performance Analysis

1.1 Performance for the 3 months and 9 months period ended September 30, 2019 as follows:

Unit : Million Baht	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Revenues from dental service	135.91	119.49	16.43	13.75	378.35	335.47	42.88	12.78
Other main revenues	8.96	1.89	7.08	375.02	22.33	5.32	17.01	319.86
Total revenues from medical services	144.88	121.38	23.50	19.36	400.68	340.79	59.89	17.57
Cost of services	(127.16)	(112.06)	(15.09)	13.47	(362.39)	(319.63)	(42.76)	13.38
Revenues from dental service	17.72	9.31	8.41	90.27	38.29	21.16	17.13	80.98
Other revenues	1.80	4.47	(2.67)	(59.73)	5.81	13.10	(7.29)	(55.68)
Distribution cost	(4.67)	(5.97)	1.30	(21.77)	(15.70)	(18.21)	2.52	(13.82)
Administrative expenses	(15.00)	(13.86)	(1.14)	8.23	(38.98)	(40.22)	1.24	(3.08)
Financial cost	(0.07)	(0.16)	0.10	(59.92)	(0.27)	(0.55)	0.28	(50.89)
Profit (loss) before income tax expenses	(0.22)	(6.21)	5.99	(96.47)	(10.86)	(24.73)	13.88	(56.11)
Income tax (expense) revenue	0.25	(0.94)	1.19	(126.48)	0.63	(2.76)	3.38	(122.69)
Profit (loss) for the year	0.03	(7.15)	7.18	(100.42)	(10.23)	(27.49)	17.26	(62.79)
Other comprehensive income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income (loss) for the period	0.03	(7.15)	7.18	(100.42)	(10.23)	(27.49)	17.26¹	(62.79)

Note¹ Net loss decreased compared to the same quarter of prior year by Baht 17.26 million or equivalent to 62.79%.

For the 3 months period (quarter 3/2019), the Company has total revenues at Baht 146.68 million which increased compared to the same quarter of prior year by Baht 20.83 million or equivalent to 16.55% resulting gross profit at Baht 17.72 million, net profit at 0.03 million and For the 9 months period of 2019, the Company has total revenues at Baht 406.49 million which increased compared to the same quarter of prior year by Baht 52.60 million or equivalent to 14.86%, resulting gross profit at Baht 38.29 million but the Company has total comprehensive loss at Baht 10.23 million. However, the loss decreased compared to the same quarter of prior year 62.79%

1.2 Analysis details for each type of revenues

A. Revenues from service, classified by type of revenues

1.2.1 Revenues from dental services

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Medical treatment	127.20	115.77	11.43	9.87	359.65	326.15	33.50	10.27
Medical service	7.21	4.58	2.62	57.22	17.20	11.08	6.11	55.15
Drugs and medical supplies	0.22	0.26	(0.04)	(14.45)	0.67	0.74	(0.07)	(9.10)
Other supplies	0.27	0.38	(0.12)	(30.33)	0.84	1.04	(0.19)	(18.58)
X-ray	2.95	2.69	0.26	9.56	8.66	7.30	1.36	18.67
Discount	(1.92)	(4.20)	2.27	(54.16)	(8.66)	(10.83)	2.17	(20.02)
Total	135.91	119.49	16.43	13.75	378.35	335.47	42.88	12.78

1.2.1 (1) Revenues from medical services, classified by operation areas:

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Bangkok and vicinity ²	112.69	100.13	12.57	12.55	313.35	282.56	30.79	10.90
Other provinces ³	23.22	19.36	3.86	19.95	65.01	52.92	12.09	22.85
Total	135.91	119.49	16.43	13.75	378.35	335.47	42.88	12.78

Bangkok and vicinity^{/2} Total 20 branches have been operated before year 2016: 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.

Other provinces^{/3} Total 11 branches have been operated since year 2016: Nakorn Panom, Mukdaharn, Nakorn Ratchsrima, Nakorn Sawan, Nakorn Sri Thammarat, Udon Thani, Lampang, Maha Sarakam, Chiang Rai, Ubonratchathani and Chiang Mai

For the 3 months and 9 months period (quarter 3/2019), the Company has revenues from dental services at Baht 135.91 million and at Baht 378.35 million, which increased compared to the same quarter of prior year by Baht 16.43 million and Baht 42.88 million or equivalent to 13.75% and 12.78%. Revenues from dental services can be classified according the operation areas as follows:

- Bangkok and vicinity generated revenues from dental services at Baht 112.69 million and Baht 313.35 million which increased compared to the same quarter of prior year by Baht 12.57 million and Baht 30.79 million or equivalent to 12.55% and 10.90%.
- Other provinces generated revenues from dental services at Baht 23.22 million and Baht 65.01 million which increased compared to the same quarter of prior year by Baht 3.86 million and Baht 12.09 million or equivalent to 19.95% and 22.85%.

1.2.2 Other main revenues

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Revenues from sales	2.77	1.89	0.88	46.80	7.53	5.32	2.21	41.61
Revenues from tour guide	6.19	1.03	5.16	501.68	14.80	5.44	9.36	172.19
Total	8.96	2.92	6.05	207.36	22.33	10.75	11.57	107.62

For the 3 months and 9 months period (quarter 3/2019), the Company has revenues from sales at Baht 2.77 million and Baht 7.53 million, which increased compared to the same quarter of prior year by Baht 0.88 million and Baht 2.21 million or equivalent to 46.80% and 41.61% and revenues from tour guide at Baht 6.19 million and Baht 14.80 million, which increased compared to the same quarter of prior year by Baht 5.16 million and Baht 9.36 million or equivalent to 501.68% and 172.19%.

1.2.3 Other revenues

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Membership	0.54	0.51	0.03	5.60	1.80	1.32	0.48	36.75
Training	0.32	0.26	0.06	23.77	0.64	0.63	0.02	3.01
Interest received	0.14	0.18	(0.04)	(22.30)	0.50	0.56	(0.06)	(9.98)
Space rental and services	0.46	1.43	(0.97)	(68.02)	1.81	3.41	(1.60)	(46.96)
Others	0.35	2.10	(1.75)	(83.33)	1.05	1.75	(0.70)	(40.12)
Total	1.80	4.47	(2.67)	(59.73)	5.81	7.66	(1.86)	(24.23)

For the 3 months and 9 months period (quarter 3/2019), the Company has other revenues at Baht 1.80 million and Baht 5.81 million, which decreased compared to the same quarter of prior year by Baht 2.67 million and Baht 1.86 million or equivalent to 59.73% and 24.23%. It is not a significant difference.

1.3 Cost of services

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Dentist remuneration	62.09	57.83	4.26	7.37	176.20	163.39	12.81	7.84
Rental of office and branches	12.34	13.08	(0.74)	(5.63)	38.70	39.65	(0.95)	(2.39)
Employees' salaries of branches	17.82	16.29	1.53	9.40	51.79	46.05	5.68	12.34
Depreciation	5.49	5.23	0.26	48.88	15.79	15.78	0.01	0.03
Medical supplies and other supplies	10.48	9.60	0.88	9.20	30.74	26.46	4.28	16.18
Dental laboratory	8.53	6.05	2.47	40.82	22.49	16.74	5.74	34.31
Utilities	3.27	3.21	0.06	1.90	10.32	9.41	0.91	9.64
Others	7.14	0.78	6.36	816.06	16.42	2.14	14.28	666.64
Total	127.16	112.06	15.09	13.47	362.39	319.63	42.76	13.38

For the 3 months and 9 months period (quarter 3/2019), the Company has cost of services at Baht 127.16 million and Baht 362.39 million which increased compared to the same quarter of prior year by Baht 15.09 million and Baht 42.76 million or equivalent to 13.47% and 13.38% mainly due to increasing dentist remuneration, employees' salaries of the office and branches, medical supplies and other supplies, laboratory expense, utilities and tourism cost by Baht 6.19 million and Baht 13.70 million, respectively.

1.4 Distribution cost and administrative expenses

1.4.1 Distribution cost

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amount	%	Sep. 30, 2019	Sep. 30, 2018	Amount	%
Credit card fee	1.85	2.05	(0.19)	(9.50)	5.11	5.61	(0.50)	(8.91)
Advertising and PR expense	0.18	0.54	(0.36)	(66.87)	1.62	1.48	0.13	8.97
Sales promotion - CLMV	0.00	0.00	(0.00)	(0.00)	0.00	2.05	(2.05)	(100)
Sales incentive	1.82	2.51	(0.69)	(27.48)	6.55	6.54	0.02	0.27
Others	0.82	0.88	(0.06)	(6.51)	2.42	2.53	(0.11)	(4.45)
Total	4.67	5.97	(1.30)	(21.77)	15.70	18.21	(2.52)	(13.82)

For the 3 months and 9 months period (quarter 3/2019), the Company has distribution cost at Baht 4.67 million and Baht 15.70 million decreased compared to same quarter of prior year by Baht 1.30 million and Baht 2.52 million or equivalent to 21.77% and 13.82% mainly due to decreasing of advertising and promotion expenses – CLMV (because the project was canceled)

1.4.2 Administrative expenses

Unit : Million Baht

	For the 3 months		Change between YoY		For the 9 months		Change between YoY	
	Q3/19	Q3/18	Amoun	%	Sep. 30, 2019	Sep. 30, 2018	Amoun	%
Employee expense	6.84	6.35	0.48	7.63	19.86	17.90	1.97	10.98
Depreciation and amortization	0.29	0.31	(0.02)	(0.15)	0.82	0.80	0.02	3.07
Office rental	0.36	0.36	(0.00)	0.02	1.08	1.09	0.00	(0.39)
Utilities	0.07	0.22	(0.15)	(69.93)	0.33	0.61	(0.28)	(45.59)
Repair and maintenance	0.58	0.58	0.00	0.15	1.09	1.03	0.06	5.44
Director remuneration	0.15	0.08	0.06	76.72	0.72	0.62	0.10	16.22
Others	6.72	5.95	0.77	12.88	15.08	18.18	(3.10)	(17.06)
Total	15.00	13.86	1.14	8.23	38.98	40.22	(1.24)	(3.08)

For the 3 months and 9 months period (quarter 3/2019), the Company has administrative expenses at Baht 15.00 million and Baht 38.98 million which increased and decreased compared to same quarter of prior year by Baht 1.14 million and Baht 1.24 million or equivalent to 8.23% and 3.08% mainly due to decreasing of tourism expense Baht 0.86 million and Baht 4.42 million (because in this year the tourism expense is presented under cost of services) and decreasing of consultant fee Baht 0.72 million and Baht 3.37 million and Loss of closing Nakorn Sawan Branch at Baht 3.54 million

2 Financial position analysis

Unit : Million Baht

Items	September 30, 2019	December 31, 2018	Increase (Decrease)	%
Total assets	363.98	379.77	(15.79)	(4.16)
Total liabilities	93.25	98.81	(5.56)	(5.63)
Total shareholders' equity	270.74	280.97	(10.23)	(3.64)

Significant movement of assets, liabilities and shareholders' equity as at September 30, 2019, compared to the balance as at December 31, 2018 are as follows:

2.1 Asset analysis

As at September 30, 2019, the Company has total assets at Baht 363.98 million which decreased from as at December 31, 2018 by Baht 15.79 million or equivalent to 4.16%.

Unit : Million Baht

Items	September 30, 2019	December 31, 2018	Increase (Decrease)	%
Current assets	107.84	111.45	(3.60)	(3.23)
Land, building and equipment	149.27	149.96	(0.69)	(0.46)
Assets on long-term lease	89.44	99.17	(9.73)	(9.82)
Other non-current assets	17.43	19.20	(1.77)	(9.20)
Total assets	363.98	379.77	(15.79)	(4.16)

Current assets at Baht 107.84 million, decreased by Baht 3.60 million or equivalent to 3.23%, mainly due to decreasing of cash and cash equivalent by Baht 14.97 million or equivalent to 23.42% (because it was used in the operation).

Account receivable and other receivable at Baht 13.55 million, increased by Baht 6.54 million or equivalent to 93.28%, mainly because of advance payment for the rental – Changwattana branch in amount of Baht 1.96 million and accrued income – tour in amount of Baht 5.43 million.

Land, building and equipment at Baht 149.27 million, decreased by Baht 0.69 million or equivalent to 0.46% because of the depreciation.

Assets on long-term lease at Baht 89.44 million, decreased by Baht 9.73 million or equivalent to 9.82% mainly because of write-off the asset impairment.

2.2 Liability analysis

As at September 30, 2019, the Company has total liabilities at Baht 93.25 million which decreased from as at December 31, 2018 by Baht 5.56 million or equivalent to 5.63%.

Unit : Million Baht

Items	September 30, 2019	December 31, 2018	Increase (Decrease)	%
Current liabilities	83.30	81.85	1.46	1.78
Liabilities under financial lease	4.45	11.84	(7.39)	(62.43)
Other non-current liabilities	5.49	5.11	0.38	7.39
Total	93.25	98.81	(5.56)	(5.63)

Liabilities under financial lease at Baht 4.45 million, decreased by Baht 7.39 million or equivalent to 62.43% because the installations made according to the financial lease contract and no additional contract.

Non-current provisions for employee benefits at Baht 5.49 million, increased by Baht 0.38 million or equivalent to 7.39% because of new calculation based on 400 days

2.3 Shareholders' Equity Analysis

As at September 30, 2019, Shareholders' equity at Baht 270.74 million, decreased by Baht 10.23 million or equivalent to 3.64% resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director