

August 10, 2016

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q16 and YTD 2Q16

Financial Performance Summary – 2Q16 and and YTD 2Q16

Beauty Community Public Co.,Ltd. is pleased to announce its 2Q16 and YTD 2Q16 the management discussion and analysis.

- Total Revenue 2Q16 of THB 588.23 million growth 44.91% and YTD 2Q16 of THB 1,118.13 million growth 45.14% YoY
- Gross Profit 2Q16 of THB 392.43 million growth 44.37% and YTD 2Q16 of THB 741.80 million growth 44.04% YoY
- Selling expenses 2Q16 of THB 168.39 million increased 33.72% and YTD2Q16 of THB 315.06 million growth 27.85% YoY
- Administrative expenses 2Q16 of THB 54.87 million increased 60.06% and YTD2Q16 of THB 101.38 million growth 47.66% YoY
- Net Profit 2Q16 of THB 138.72 million increased 48.19% and YTD2Q16 of THB 267.95 million growth 57.97% YoY

Million Baht	Q2				YoY		Q1		QoQ		Year to Date (YTD)				YoY	
	2016	%	2015	%	+/-	%	2016	%	+/-	%	2016	%	2015	%	+/-	%
Revenue from sales	583.74	99.24%	400.51	98.67%	183.24	45.75%	524.54	98.99%	59.20	11.29%	1,108.29	99.12%	758.43	98.45%	349.86	46.13%
Cost of sales	191.31	32.52%	128.68	31.70%	62.63	48.67%	175.18	33.06%	16.13	9.21%	366.49	32.78%	243.43	31.60%	123.06	50.55%
Gross profit (GP)	392.43	67.23%	271.82	67.87%	120.61	44.37%	349.36	66.60%	43.07	12.33%	741.80	66.93%	515.00	67.90%	226.80	44.04%
Other Income	4.48	0.76%	5.42	1.33%	(0.94)	(17.29%)	5.36	1.01%	(0.88)	(16.45%)	9.84	0.88%	11.96	1.55%	2.12	-17.70%
Total Revenue	588.23	100.00%	405.92	100.00%	182.30	44.91%	529.91	100.00%	58.32	11.01%	1,118.13	100.00%	770.39	100.00%	347.74	45.14%
Selling expenses	168.39	28.63%	125.93	31.02%	42.46	33.72%	146.67	27.68%	21.72	14.81%	315.06	28.18%	246.42	31.99%	68.64	27.85%
Administrative expenses	54.87	9.33%	34.28	8.45%	20.59	60.06%	46.51	8.78%	8.37	17.99%	101.38	9.07%	68.66	8.91%	32.72	47.66%
Profit before interest & tax (EBIT)	173.65	29.52%	117.03	28.83%	56.62	48.38%	161.55	30.49%	12.10	7.49%	335.20	29.98%	211.88	27.50%	123.32	58.20%
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	#DIV/0!
Income tax	34.93	5.94%	23.42	5.77%	11.51	49.16%	32.33	6.10%	2.60	8.04%	67.25	6.01%	42.26	5.49%	24.99	59.14%
Profit for the period	138.72	23.58%	93.61	23.06%	45.11	48.19%	129.22	24.39%	9.50	7.35%	267.95	23.96%	169.62	22.02%	98.33	57.97%
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%	0.51	0.05%	-	0.00%	0.51	100.00%
Total comprehensive income for the period (net)	138.72	23.58%	93.61	23.06%	45.11	48.19%	129.22	24.39%	9.50	7.35%	268.46	24.01%	169.62	22.02%	98.84	58.27%
EBITDA	188.47	32.04%	128.62	31.69%	59.85	46.53%	174.13	32.86%	14.34	8.24%	362.60	32.43%	235.19	30.53%	127.41	54.17%

Note : 1. % GP margin calculated to sales 2. Financial statement for year 2015 were adjusted.

Total Revenue

Total Revenue 2Q16 were THB 588.23 million growth 44.91% YoY and increased 11.01% QoQ,

Total Revenue were mainly increased from the shop expansion that increased 37 shops from 320 shops on 30 June 2015 (Domestic : BEAUTY BUFFET 212 shops, BEAUTY COTTAGE 69 shops, BEAUTY MARKET 12 shops and Oversea : BEAUTY BUFFET 24 shops, BEAUTY COTTAGE 3 shops) to be 357 shops on 30 June 2016 (Domestic : BEAUTY BUFFET 234 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 14 shops and Oversea : BEAUTY BUFFET 35 shops, BEAUTY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 2Q16 average were 23.31%. The other income were mainly came from interest income. Revenue structure were mainly came from selling through the retail cosmetic shop : Beauty Buffet shops were 71.58%, Beauty Cottage 9.66%, Beauty Market 2.73%, Franchises 0.93%, CP 8.00%,E-commerce 2.22% Wholesales, oversea and other 4.89%. Note : Oversea shops are operated by our partner which company sell in wholesales term.

Gross Profit

Gross Profit 2Q16 were THB 392.43 million growth 44.37% YoY increased 12.33% QoQ and YTD 2Q16 of THB 741.80 million growth 44.04% YoY

Gross profit increased mainly came from total sales increased. However, gross profit margin 2Q16 were 67.23% slightly decreased from 2Q15 (67.87%) and slightly increased from 1Q16 (66.60%) and gross profit margin YTD 2Q16 were 66.93% decreased from YTD 2Q15 (67.90%) due to we can maintain GP.

Selling expenses

Selling expenses for 2Q16 were THB 168.39 million increased 33.72% YoY, increased 14.81% QoQ, YTD 2Q16 of THB 315.06 million growth 27.85% YoY. Selling expenses increased mainly came from shop rental and staff cost due to more shop expansion and number of staff increased to serve shop expansion and to support the new shop concept.

Administrative expenses

Administrative expenses 2Q16 were THB 54.87 million increased 60.06% YoY, increased 17.99% QoQ and YTD 2Q16 of THB 101.38 million increased 47.66% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount and fixed asset increased to support the expansion.

However, 2Q16 total SG&A : percent to total revenue were 37.96% decreased from 39.47%YoY and increased from 36.46% QoQ. This meant we can control the expenses better.

Net Profit

Net profit for 2Q16 were THB 138.72 million increased 48.19% YoY, but increased 7.35% QoQ and net profit for period YTD 2Q16 of THB 267.95 million growth 57.97% YoY. Net profit increased mainly came from sales and gross profit increased and cost control.

Statement of Financial Position

Total assets as at June 30, 2016 were THB 1,549.01 million increased THB 56.09 million or 3.76% from 31 December 2015 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 264.41 million, temporary investments were THB 540.00 million (Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions), account receivable were THB 49.13 million without doubtful debt, inventory were THB 299.52 million, property, plant and equipment were THB 303.50 million.

Total liabilities were THB 380.31 million increased THB 35.40 million or 10.26% from 31 December 2015, liabilities mainly came from trade account payable THB 147.49 million, accrued expenses THB 85.29 million, and assets payables THB 19.47 million. Total shareholders' equity were THB 1,168.69 million increased THB 20.69 million or 1.80% from December 31, 2015 mainly increased came from net profit for the period.

Statement of Cash Flows

For the 2Q16, the company had net cash inflows by operating activities of THB 309.25 million, net cash inflows investing activities THB 85.13 million, used in for purchased of fixed assets of THB 33.87 million, temporary investments decreased THB 120.00 million. Dividend paid THB 249.00 million, then cash and cash equivalents as at the end of period of THB 264.41 million

Financial Ratio

Financial Ratio	30/6/2016	30/3/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.01	3.72	3.20	4.60	6.84	10.75
Finished goods days	111	115	137	141	132	113
Total inventory days	145	149	178	188	187	176
Return on equity	46.26%	42.62%	36.01%	28.87%	21.25%	28.63%
Return on assets	35.23%	33.42%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.33	0.25	0.30	0.18	0.13	0.09

For this period, current ratio was 3.01 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 111 days that better to our operation, decreased from last year though we have to stock inventory for shop expansion and new shop concept Beauty Market.

Return on equity was 46.26% better than last year and better than last quarter, it mean that better profitability.

Return on assets was 35.23% better than last year and better than last quarter, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.33 time close to last year and last quarter.

Dividend payment

On 25 February 2015, the Board of Directors Meeting approved the 2014 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.99 per share, amount of Baht 297 million, for which the interim dividend was paid on 12 September 2014 at Baht 0.35 per share, amount of Baht 105 million, the remaining dividend to be paid at Baht 0.64 per share, amount of Baht 192 million which be paid on 22 May 2015 and were approved by the general shareholders' meeting on 24 April 2015 already.

On 13 August 2015, the Board of Directors Meeting approved the 2015 interim dividend payment at the rate of THB 0.05 per share, totally THB 150.00 million or 88.44% to net profit, which be paid on 11 September 2015. Therefore, dividend per share decreased due to change in par value of share capital from Baht 1.00 each for 300,000,000 shares to Baht 0.10 each for 3,000,000,000 shares amounting to Baht 300 million that were approved by AGM held on April 24, 2015 and the company has registered the changes in par value of share capital with the Ministry of Commerce on May 8, 2015.

On 25 February 2016, the Board of Directors Meeting approved the 2015 dividend payment be paid to the shareholders of 3,000 million shares at the rate of THB 0.133 per share, amount of Baht 399 million, for which the interim dividend was paid on 11 September 2015 at Baht 0.05 per share, amount of Baht 150 million, the remaining dividend to be paid at Baht 0.083 per share, amount of Baht 249 million which be paid on 19 May 2016 and this payment were already approved by the general shareholders' meeting on 25 April 2016.

On 10 August 2016, the Board of Directors Meeting approved the 2016 interim dividend payment at the rate of THB 0.08 per share, totally THB 240.00 million or 89.57% to net profit, which be paid on 9 September 2016.

Management outlook

Beauty Community Public Company Limited engages in the retail distribution of cosmetics and skincare products under Beauty Buffet, Beauty Cottage and Beauty Market shop brand concepts. The company also offers its "Made In Nature" and "Girly Girl" products through other distribution channels including modern trade, convenience stores and Traditional Trade. The distribution through retail shops and other distribution channels can be summarized as follow:

1. Shop brands expansion

1. A total of 234 Beauty Buffet retail shops as of June 30, 2016
2. A total of 71 Beauty Cottage shops as of June 30, 2016

3. A total of 14 Beauty Market shops as of June 30, 2016

4. Total 38 Oversea Retail Stores as of June 30, 2016:

- Cambodia, a total of 7 retail stores (6 for Beauty Buffet and 1 for Beauty Cottage)
- Laos, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
- Myanmar, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
- Vietnam, a total of 27 retail stores (27 for Beauty Buffet)

2. Consumer Product Channel Expansion

2.1 Modern trade, convenient store and supermarket totally 15 supermarket such as Big-C supercenter, Tesco Lotus and Tops Supermarket.

2.2 Traditional trade : On November 2014, we have signed distribution agreement with CP Consumer Product to distribute our product and were distributed on February 2015.

2.3 Catalog : 4 catalogs ; Friday catalog, 7-11 catalog, Sarah catalog by TV direct and D catalog

2.4 E-Commerce : 16 websites ; 11 third parties websites and BEAUTY websites : Beautyplaza 5 channel Website ,Facebook ,Line , Wechat and Alibaba

3. Product roadshow

3.1 “Top Thai Brands 2016” on 3-6 March 2016 at Manila, Philippines by DITP, Ministry of Commerce

3.2 Asean Beauty South East Asia’s Premier Beauty Show on April 28-30, 2016 at Bitec Bangna, Bangkok

4. Infrastructure

- Warehouse and Training Center building were finished on March 2016 and there were grand opening on 23 June 2016.
- Information Technology : ERP – Microsoft Dynamic AX program were in process to development , will be go-live within this year.

5. Corporate roadshow

- Road show at Singapore by Phillips Securities on 7-8 March 2016.
- Road show at London,Paris and Frankfurt by Phillips Securities on 14-18 March 2016.
- Opportunity Day at SET on 25 March 2016.
- AGM 2016 on 25 April 2016
- Road show at Japan by Thanachart Securities and Daiwa Capital Markets on 25-26 May 2016.
- Corporate day – BEAUTY by Phatra Securities on 3 June 2016.
- “Beauty meet investors” by Asia Plus Securities on 15 June 2016.
- “Retail business trend” by Kasikorn Securities on 6 July 2016.
- Thai Corporate Day 2016 by Deutsche Tisco Investment on 29 July 2016.

Your faithfully,

Beauty Community Public Company Limited

(Mr.SuraponPhetklueng)

Director of Financial and Accounting