

May 14, 2014

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q14

Financial Performance Summary – 1Q14

Beauty Community Public Co., Ltd. is pleased to announce its 1Q14 the management discussion and analysis.

- Total Revenue 1Q14 of THB 280.86 million growth 20.63%
- Gross Profit 1Q14 of THB 186.61 million growth 13.92%
- Selling expenses 1Q14 of THB 98.83 million increased 28.81%
- Administrative expenses 1Q14 of THB 27.42 million increased 9.36%
- Net Profit 1Q14 of THB 51.16 million decreased 5.60%

| Million Baht | Q4 | | | | YoY | | Q3 | | QoQ | |
|---|--------|---------|--------|---------|--------|----------|--------|---------|--------|---------|
| | 2013 | % | 2012 | % | + / - | % | 2013 | % | + / - | % |
| Revenue from sales | 274.27 | 97.65% | 226.50 | 97.28% | 47.77 | 21.09% | 267.45 | 97.39% | 6.82 | 2.55% |
| Cost of sales | 87.66 | 31.21% | 62.70 | 26.93% | 24.96 | 39.82% | 83.78 | 30.51% | 3.88 | 4.63% |
| Gross profit (GP) | 186.61 | 68.04% | 163.81 | 72.32% | 22.80 | 13.92% | 183.67 | 68.68% | 2.94 | 1.60% |
| Other Income | 6.59 | 2.35% | 6.33 | 2.72% | 0.26 | 4.07% | 7.16 | 2.61% | - 0.57 | -7.91% |
| Total Revenue | 280.86 | 100.00% | 232.84 | 100.00% | 48.02 | 20.63% | 274.61 | 100.00% | 6.25 | 2.28% |
| Selling expenses | 98.83 | 35.19% | 77.10 | 33.11% | 21.73 | 28.18% | 96.13 | 35.01% | 2.70 | 2.81% |
| Administrative expenses | 27.42 | 9.76% | 25.07 | 10.77% | 2.35 | 9.36% | 27.32 | 9.95% | 0.10 | 0.37% |
| Profit before interest & tax (EBIT) | 66.95 | 23.84% | 67.97 | 29.19% | - 1.02 | -1.49% | 67.38 | 24.54% | - 0.43 | -0.63% |
| Finance costs | - | 0.00% | 0.10 | 0.04% | - 0.10 | -100.00% | - | 0.00% | - | 0.00% |
| Income tax | 13.36 | 4.76% | 13.67 | 5.87% | - 0.31 | -2.25% | 13.60 | 4.95% | - 0.24 | -1.75% |
| Profit for the period | 53.59 | 19.08% | 54.20 | 23.28% | - 0.61 | -1.12% | 53.78 | 19.58% | - 0.19 | -0.35% |
| Other comprehensive income | 2.43 | 0.87% | - | 0.00% | 2.43 | 100.00% | - | 0.00% | 2.43 | 100.00% |
| Total comprehensive income for the period (NPAT) | 51.16 | 18.22% | 54.20 | 23.28% | - 3.04 | -5.60% | 53.78 | 19.58% | - 2.62 | -4.87% |
| EBITDA | 76.31 | 27.17% | 74.60 | 32.04% | 1.72 | 2.30% | 75.51 | 27.50% | 0.80 | 1.06% |

Note : % GP margin calculated to sales

Total Revenue

Total Revenue 1Q14 were THB 280.86 million growth 20.63% YoY and growth 2.28% QoQ. Total Revenue were mainly increased from the shop expansion that increased 55 shops from 196 shops on 31 March 2013 (BEAUTY BUFFET 156 shops, BEAUTY COTTAGE 40 shops – included Oversea BEAUTY BUFFET 1 shop) to be 251 shops on 31 March 2013 (BEAUTY BUFFET 189 shops, BEAUTY COTTAGE 57 shops, BEAUTY MARKET 5 shops – included Oversea BEAUTY BUFFET 5 shops, BEAUTY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 1Q14 average were 1.89%. 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 77.24%, Beauty Cottage 12.10%, Beauty Market 4.01%, Franchises 1.24%, Modern Trade 2.09%, Wholesales, oversea and other 3.32%.

Gross Profit

Gross Profit 1Q14 were THB 186.61 million growth 13.92% YoY and 1.60% QoQ.

Gross profit increased mainly came from total sales increased. Gross profit margin 1Q14 were 68.04% decreased from 1Q13 (72.32%) and slightly decreased from 4Q13 (68.68%) due to we've opened new concept shop : Beauty Market on July 19, 2013 that gross margin lower than Beauty Buffet and Beauty Cottage, however the total gross profit volume increased.

Selling expenses

Selling expenses for 1Q14 were THB 98.83 million increased 28.18% YoY, increased 2.81% QoQ. 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 and also salary base increased.

Administrative expenses

Administrative expenses 1Q14 were THB 27.42 million increased 9.36% YoY, increased 0.37% QoQ. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion.

Net Profit

Net profit for 1Q14 were THB 51.16 million decreased 5.60% YoY, decreased 4.87% QoQ. Net profit decreased mainly came from gross profit margin decreased and this period we've to book the recalculation of the employee benefit by the actuary amount THB 3.04 million (Net from income tax amount = THB 2.43 million).

Statement of Financial Position

Total assets as at March 31, 2014 were THB 1,200.99 million increased THB 62.93 million or 5.53% from 31 December 2013 mainly came from used in investing activities. Total liabilities were THB 146.61 million increased THB 11.77 million or 8.73% from 31 December 2013, liabilities mainly came from trade account payable THB 49.89 million, accrued expenses THB 27.85 million, and assets payables THB 16.27 million. Total shareholders' equity were THB 1,054.38 million increased THB 51.16 million or 5.10% from December 31, 2013 mainly increased came from net profit for the period.

Statement of Cash Flows

For this period 1Q14, the company had net cash inflows by operating activities of THB 51.92 million and cash and cash equivalents as at the end of period of THB 137.29 million, temporary investments was THB 500.00 million same last year-end (Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions). Used in for purchased of fixed assets of THB 6.54 million, invested in long term investments THB 100.00 million (Long term investments consist of long-term deposit with financial institution due over 1 year and without withdrawal restrictions).

Financial Ratio

| Financial Ratio | 31/3/2014 | 31/12/2013 | 31/12/2012 |
|------------------------|------------------|-------------------|-------------------|
| Current ratio | 6.08 | 6.84 | 10.75 |
| Finished goods days | 137 | 132 | 113 |
| Return on equity | 19.89% | 21.25% | 28.63% |
| Return on assets | 17.50% | 19.07% | 24.27% |
| Debt to equity | 0.14 | 0.13 | 0.09 |

For this period, current ratio was 6.04 time show that company still has more capability to repay short term liabilities but decreased slightly from last year due to current assets slightly increased and current liabilities increased from trade account payable and accrued expenses.

Inventory days (Finished goods) was 137 days that better to our operation but increased from last year due to we have to stock inventory for shop expansion and new shop concept Beauty Market.

Return on equity was 19.89% decreased from last year due to average total shareholders' equity was very high this year.

Return on assets was 17.50% decreased from last year due to average total assets was very high this year.

Debt to equity ratio was 0.14 time slightly increased from last year due to total liabilities increased but total shareholders' equity slightly increased.

Dividend payment

The Ordinary General Meeting of Shareholders on 25 April 2013 resolved to approve the dividend payment based on the company's operation for 2012, additional payment at the rate of THB 0.35 per share of total amount of THB 105.0 million, which was paid on 22 May 2013.

On 13 August 2013, the Board of Directors Meeting approved the 2013 interim dividend payment at the rate of THB 0.30 per share, which be paid on 12 September 2013.

Therefore, on 25 February 2014, the Board of Directors Meeting approved the 2013 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.65 per share, amount of Baht 195 million, for which the interim dividend was paid on 12 September 2013 at Baht 0.30 per share, amount of Baht 90 million, the remaining dividend to be paid at Baht 0.35 per share, amount of Baht 105 million which be paid on 22 May 2014 and the general shareholders' meeting on 25 April 2014 approved this payment already.

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. A total of 184 Beauty Buffet retail shops as of March 31, 2014
2. A total of 54 Beauty Cottage shops as of March 31, 2014
3. A total of 5 Beauty Market shops as of March 31, 2014
6. Total 8 Oversea Retail Stores as of March 31, 2014:
 - Cambodia, a total of 4 retail stores (3 for Beauty Buffet and 1 for Beauty Cottage)
 - Vietnam, 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)

Operation Plan for 2014

To meet the business goals the company will focus on development of new concepts as well as product lines, including adding distribution channels continuously. The company's plans for 2557 are as follows:

(1) Development of new product concept

The company has a policy on development new product concepts related to beauty, health and lifestyle, which is the company's line of business expertise, to meet the diverse needs of consumers and to capture a broader market segments.

(2) Addition of the distribution channel

The company has a policy on expanding distribution channels other than the Company's current distribution channels continuously. The company has promoted its product through Facebook and plans to develop its E-Commerce site (beautyplazaonline.com) to facilitate customers in an area not covered by retail branches and to make products more accessible.

(3) The company mainly distributes its products and largely generates its revenue through retail stores. The retail stores are the main growth arm for the company and the company has a policy to continuously expand its retail stores.

(4) Investing to improve operation efficiency such as ERP System, and establishment of training center and warehouse for supporting business expansion in the future. and the general shareholders' meeting on 25 April 2014 approved this investment already. In terms of information system improvement, the company has hired Tectura (Thailand) Co., Ltd. to develop Microsoft Dynamics AX2012 to support company's management and retail system. The project will Go Live within this year.

Despite unstable economic situation and political turbulence in Thailand, in the first quarter Beauty Community still keeps an increase of total revenue of 20.63%, in addition, an increase of Same Store Sales Growth of the first quarter in 2014 on average of 1.89%. Accordingly, Beauty Community has strongly believed that we would grow further and sustainably that we would reach the goal of the 30% increase of total revenue in no time.

Your faithfully,

Beauty Community Public Company Limited

(Mr.Surapon Phetklung)

Director of Financial and Accounting