

August 14, 2014

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 2Q14 and YTD 2Q14

Financial Performance Summary – 2Q14 and YTD 2Q14

Beauty Community Public Co., Ltd. is pleased to announce its 2Q14 the management discussion and analysis.

- Total Revenue 2Q14 of THB 315.20 million growth 27.42% and YTD2Q14 of THB 596.07 million growth 24.12% YoY
- Gross Profit 2Q14 of THB 206.08 million growth 20.09% and YTD2Q14 of THB 392.70 million growth 17.08% YoY
- Selling expenses 2Q14 of THB 106.26 million increased 25.96% and YTD2Q14 of THB 205.10 million increased 27.03% YoY
- Administrative expenses 2Q14 of THB 29.43 million increased 20.47% and YTD2Q14 of THB 56.85 million increased 14.84% YoY
- Net Profit 2Q14 of THB 61.57 million increased 11.57% and YTD2Q14 of THB 115.36 million growth 5.29% YoY

Million Baht	Q2				YoY		Q1		QoQ		Year to Date (YTD)				YoY	
	2014	%	2013	%	+/-	%	2014	%	+/-	%	2014	%	2013	%	+/-	%
Revenue from sales	308.52	97.88%	241.07	97.45%	67.44	27.98%	274.27	97.65%	34.25	12.49%	582.79	97.77%	467.58	97.37%	115.21	24.64%
Cost of sales	102.43	32.50%	69.46	28.08%	32.97	47.47%	87.66	31.21%	14.77	16.85%	190.09	31.89%	132.16	27.52%	57.94	43.84%
Gross profit (GP)	206.08	66.80%	171.61	71.19%	34.47	20.09%	186.61	68.04%	19.47	10.44%	392.70	67.38%	335.42	71.74%	57.28	17.08%
Other Income	6.69	2.12%	6.31	2.55%	0.38	5.99%	6.59	2.35%	0.10	1.47%	13.28	2.23%	12.64	2.63%	0.64	5.06%
Total Revenue	315.20	100.00%	247.38	100.00%	67.82	27.42%	280.86	100.00%	34.34	12.23%	596.07	100.00%	480.22	100.00%	115.85	24.12%
Selling expenses	106.26	33.71%	84.36	34.10%	21.90	25.96%	98.83	35.19%	7.43	7.52%	205.10	34.41%	161.46	33.62%	43.64	27.03%
Administrative expenses	29.43	9.34%	24.43	9.87%	5.00	20.47%	27.42	9.76%	2.01	7.33%	56.85	9.54%	49.50	10.31%	7.35	14.84%
Profit before interest & tax (EBIT)	77.08	24.45%	69.13	27.95%	7.95	11.49%	66.95	23.84%	10.13	15.13%	144.03	24.16%	137.10	28.55%	6.93	5.06%
Finance costs	-	0.00%	0.11	0.04%	0.11	-100.00%	-	0.00%	-	0.00%	-	0.00%	0.21	0.04%	0.21	-100.00%
Income tax	15.51	4.92%	13.84	5.60%	1.67	12.03%	13.36	4.76%	2.15	16.09%	28.87	4.84%	27.51	5.73%	1.36	4.94%
Profit for the period	61.57	19.53%	55.18	22.31%	6.39	11.57%	53.59	19.08%	7.98	14.89%	115.16	19.32%	109.38	22.78%	5.78	5.29%
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	2.43	0.87%	-	100.00%	2.43	0.41%	-	0.00%	2.43	100.00%
Total comprehensive income for the period (net)	61.57	19.53%	55.18	22.31%	6.39	11.57%	51.16	18.22%	10.41	20.35%	112.73	18.91%	109.38	22.78%	3.35	3.06%
EBITDA	87.29	27.69%	76.44	30.90%	10.85	14.19%	76.31	27.17%	10.98	14.39%	163.60	27.45%	151.04	31.45%	12.56	8.32%

Note : % GP margin calculated to sales

Total Revenue

Total Revenue 2Q14 were THB 315.20 million growth 27.42% YoY and growth 12.23% QoQ and YTD2Q14 of THB 596.07 million growth 24.12% YoY. Total Revenue were mainly increased from the shop expansion that increased 54 shops from 204 shops on 30 June 2013 (BEAUTY BUFFET 159 shops, BEAUTY COTTAGE 44 shops, and Oversea BEAUTY BUFFET 1 shop) to be 258 shops on 30 June 2014 (BEAUTY BUFFET 186 shops, BEAUTY COTTAGE 56 shops, BEAUTY MARKET 6 shops, and Oversea BEAUTY BUFFET 6 shops, BEAUTY COTTAGE 4 shops) and increased from the Same Store Sales Growth : 2Q14 average were 15.15% , SSSG YTD average were 8.61% (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 78.00%, Beauty Cottage 11.40%, Beauty Market 4.09%, Franchises 1.41%, Modern Trade 1.74%, Wholesales, oversea and other 3.36%.

Gross Profit

Gross Profit 2Q14 were THB 206.08 million growth 20.09% YoY and 10.44% QoQ and YTD2Q14 of THB 392.70 million growth 17.08% YoY

Gross profit increased mainly came from total sales increased. Gross profit margin 2Q14 were 66.80% decreased from 2Q13 (71.19%) and slightly decreased from 1Q14 (68.04%) 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 and we've more promotion during the period to increase sales.

Selling expenses

Selling expenses for 2Q14 were THB 106.26 million increased 25.96% YoY, increased 7.521% QoQ. and YTD2Q14 of THB 205.10 million growth 27.03% 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 and also salary base increased.

Administrative expenses

Administrative expenses 2Q14 were THB 29.43 million increased 20.47% YoY, increased 7.33% QoQ and YTD2Q14 of THB 56.85 million growth 14.84% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion and 2Q14 we've paid for independent surveyor and independent financial advisor for AGM on April 2014.

However, 2Q14 total SG&A : percent to total revenue were 43.05% slightly decreased from 43.98% on 2Q13 YoY and decreased from 44.95% on 1Q14 QoQ. This meant that we can control the expenses better.

Net Profit

Net profit for 2Q14 were THB 61.57 million increased 11.57% YoY, increased 20.35% QoQ and net profit for period YTD 2Q14 of THB 115.36 million growth 5.29% YoY. Net profit increased mainly came from sales and gross profit increased. (However, on 1Q14 we've to book the recalculation of the employee benefit for the last period 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 June 30, 2014 were THB 1,156.58 million increased THB 18.52 million or 1.63% from 31 December 2013 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 156.08 million, temporary investments were THB 420.00 million (Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions), 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), account receivable were THB 8.08 million without doubtful debt, inventory were THB 199.95 million, property, plant and equipment were THB 163.32 million.

Total liabilities were THB 145.63 million increased THB 10.79 million or 8.00% from 31 December 2013, liabilities mainly came from trade account payable THB 58.90 million, accrued expenses THB 31.39 million, and assets payables THB 12.05 million. Total shareholders' equity were THB 1,010.95 million increased THB 7.73 million or 0.77% from December 31, 2013 mainly increased came from net profit for the period but decreased from dividend payment.

Statement of Cash Flows

For the 6 month periods ended June 30, 2014, the company had net cash inflows by operating activities of THB 104.17 million, used in investing activities THB 35.23 million, used in for purchased of fixed assets of THB 15.44 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), dividend paid THB 105.00 million, then cash and cash equivalents as at the end of period of THB 156.08 million.

Financial Ratio

Financial Ratio	30/6/2014	31/3/2014	31/12/2013	31/12/2012
Current ratio	5.80	6.08	6.84	10.75
Finished goods days	133	137	132	113
Total inventory days	178	184	187	176
Return on equity	22.39%	19.89%	21.25%	28.63%
Return on assets	19.65%	17.50%	19.07%	24.27%
Debt to equity	0.14	0.14	0.13	0.09

For this period, current ratio was 5.80 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 133 days that better to our operation, increased from last year but better than last quarter due to we have to stock inventory for shop expansion and new shop concept Beauty Market.

Return on equity was 22.39% better than last year and better than last quarter, it mean that better profitability.

Return on assets was 19.65% better than last year and better than last quarter, it mean that operation efficiency had improvement.

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.

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.

Therefore, on 13 August 2014, the Board of Directors Meeting approved the 2014 interim dividend payment at the rate of THB 0.35 per share, which be paid on 12 September 2014.

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 186 Beauty Buffet retail shops as of June 30, 2014
2. A total of 56 Beauty Cottage shops as of June 30, 2014
3. A total of 8 Beauty Market shops as of June 30, 2014
4. Total 10 Oversea Retail Stores as of June 30, 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)
 - Laos, 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. The construction of training center and warehouse has already begun. 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, which right now is in development process. The project will go live within next year.

Despite unstable economic situation and political turbulence in Thailand, in the first quarter, however, Beauty Community still keeps an increase in the total revenue of 20.63%, in addition, Same Store Sales Growth of the first quarter in 1Q2014 on an average of 1.89%. Therefore, in the second quarter the total revenue increased 27.42% from last year and increased 12.23% from last quarter and increased from the Same Store Sales Growth : 2Q14 average were 15.15% , SSSG YTD average were 8.61% (1Q14 average were 1.89%) due to the political stability and an increase in consumer price index. Accordingly, Beauty Community has strongly believed that we would grow further sustainably, and we are confident that the goal of 30% in increase of total revenue will be met.

Your faithfully,

Beauty Community Public Company Limited

(Mr.Surapon Phetklung)

Director of Financial and Accounting