



บริษัท ซีเอดยูเคชั่น จำกัด (มหาชน)
SE-EDUCATION PUBLIC COMPANY LIMITED

Management Discussion and Analysis

As of June 30 ,2005



Management Discussion and Analysis: SE-ED

1. Overview

As the overall economics of the country has been slowed down due to the continuously increasing of petroleum price, the increasing of inflation rate. These effects to the awareness in people consuming. In books business is also affected but not much compared to other businesses. Owing to the plenty of rooms for books business potential growth, the company takes this opportunity to expand SE-ED Book Center branches all across the country to access more customers.

Furthermore the company began to adjust internal structure to working more efficiently. This cause to the increasing rate of sales and administration expense less than the revenue growth rate compared in the same of six-month period year 2005 to 2004. Expect that the adjustment will be beneficial to the company in long future.

Operating performance for first six-month as 2005 over the same period last year

The company net profit for first six-month was THB 81.94 million, representing 5.15% of total revenue, an increase of THB 21.29 million or up 35.11%.and THB 0.27 EPS. The company's first six-month total revenue rose to THB 1,592.13 million, an increase of THB 217.65 million, or up 15.84%.

Operating performance for the second quarter as of June 30, 2005 over the same period last year.

The company net profit for Q2 of 2005 was THB 47.76 million, representing 5.78% of total revenue, an increase of THB 16.48 million or up 52.67% and THB 0.16 EPS. The company's total revenue Q2 of 2005 rose to THB 826.99 million, an increase of THB 106.12 million, or up 14.72%.

The company approved the interim dividend payment for operating performance of Q2 of 2005 from April 1, 2005 to June 30, 2005 at THB 0.10 per share from net profit portion which is not exempt from corporate income tax. In additional the company paid the interim dividend payment for operating performance of Q1 of 2005 at THB 0.10 per share. Therefore the interim dividend payment for operating performance of first six month of 2005 at THB 0.20 per share.



2. Business Summary

Book Store Business

The company has still continuously expanded bookstores branches until being the largest bookstores chain now. In Q2 of 2005, the company has opened more 5 new branches at Coliseum Phuket, Seacon-square 3rd floor, Lotus Rangsit-Nakhonnayok, Lotus Wanghin, Lotus Pathumthani Total bookstores branches now becomes 184 branches with 176 branches are still in operation including 6 branches of franchisees. When accumulate to the selling points in Lotus Express, Lotus, Big C, Carrefour and others will be total selling point now become 339 selling point. Besides, the company has renovated the existing branches to be modernized for continuously sales growth and profit drive.

Distribution Business

The company takes the role of Thailand largest books distributor. To distribute books for other publishers such as Nation books, MIS Softtech, Good Morning, Thammasat University, Nation Egmont, Reader Digest, Rak-look Family Group, Bliss Publishing, Plan Sara, Tonmai Publishing, Media of Media, Manager Media Group etc. to SE-ED Book Center and Book Variety, other bookshops and academic institutes. Moreover, the company has still developed distribution system for better efficiency to support for the future growth.

Publishing Business

The company thinks highly of setting direction, planning production to meet the market demand and emphasizes on development of tools and channel for public relation in order to distribute products to target customers more efficiently. This will be the key factor for success of the company own produced goods.



3. OPERATING RESULTS

Table 1: Operating performance for first six-month as 2005 over the same period last year

	(Unit: Million Baht)			
	Jan.-Jun. 2005	Jan.-Jun. 2004	Change	
			Amount	(%)
Revenue:				
Sales	1,576.40	1,358.44	217.96	16.04
Other revenue	13.02	14.21	(1.19)	-8.36
Participating gain in the associated companies	2.71	1.83	0.88	48.27
Total revenues	1,592.13	1,374.48	217.65	15.84
Expenses:				
Cost of sales	(1,095.88)	(941.71)	154.17	16.37
SG&A expenses	(377.10)	(344.63)	32.47	9.42
Total expenses	(1,472.98)	(1,286.34)	186.64	14.51
Gross Margin	480.52	416.73	63.79	-
% Gross Margin	30.48	30.67	-	-0.20
Profit after tax from operation	69.26	56.35	12.91	22.90
Non-operation revenue and expense after tax	12.67	4.29	8.38	195.33
NET PROFIT	81.94	60.65	21.29	35.11
EPS. (BAHT)	0.27	0.22	0.05	22.73
EBITDA	160.48	121.29	39.19	32.31
Profit from operation accordance with Cash Flow Statement	142.48	109.90	32.58	29.64

Total Revenues for first six-month of 2005

The total revenue accounted for THB 1,592.13 million, an increase of THB 217.65 million, or up 15.84%. The Sales revenue was THB 1,576.40 million, an increase of THB 217.96 million, or up 16.04%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 17.63%, which were the same stores sales growth of 10.19% and also the growth from new branches.

The profit after tax for six-month from operation as of June 30, 2005 was THB 69.26 million, representing 4.35 % of total revenue (For 2004 the company's profit from operation for six-month was THB 56.35 million) The profit increase of THB 12.91 million, or up 22.90% from the same period last year due to



- ◆ The gross profit THB 63.78 million from the increasing of sales revenue which grew 16.04% from the same period last year.
- ◆ The selling and administrative expense was increased THB 39.72 million, or up 11.53 % due to
 - Space rental charges and service charges were increased from the new branches, which increased 29 branches
 - The increase of depreciation of decorating equipment and bookshelves including the computers according to the increasing of new branches. And the increasing investment of network equipment and communication gears between branches and headquarter.
 - The increase of packaging material and bags according to the increasing of sales and branches.

The non-operation revenue and expense after tax for six-month as of June 30, 2005 was THB 12.67 million.

The main revenue and expense was

- Dividend and realized gain on disposal of securities available for sales in the amount of THB 5.72 million
- Participating gain from associated companies in amount of THB 2.71 million
- Adjust for physical count asset with replacement method which is higher than book value:
 - Warehouse supply use is higher than book value in the amount of THB 1.59 million
 - The value of warehouse equipment in used more than 1 year is higher than book value in the amount of THB 2.18 million.
 - Office material used and computer parts, value are THB 1.61 million higher than book value.
- Directors' remuneration expense in the amount of THB (1.98) million. The main cause was pension payment for directors of 2004.

The net profit for six-month including the non-operation item as of June 30, 2005 was THB 81.94 million, representing 5.15 % of total revenue and THB 0.27 EPS. (For 2004 the company's net profit for six-month was THB 60.65 million, representing 4.41% of total revenue and THB 0.22 EPS) The profit increased of THB 21.29 million, or up 35.11% from the same period last year.



Table 2: Operating performance for the second quarter as of June 30, 2005 over the same period last year.

	(Unit: Million Baht)			
	Q2 2005	Q2 2004	Change	
			Amount	(%)
Revenue:				
Sales	818.41	711.93	106.48	14.96
Other revenue	5.25	6.01	(0.76)	12.57
Participating gain in the associated companies	3.33	2.93	0.40	13.55
Total revenues	826.99	720.87	106.12	14.72
Expenses:				
Cost of sales	(572.79)	(499.94)	72.85	14.57
SG&A expenses	(185.03)	(175.33)	9.70	5.53
Total expenses	(757.82)	(675.27)	82.55	12.22
Gross Margin	245.62	211.90	33.63	-
% Gross Margin	30.01	29.78	-	-0.23
Profit after tax from operation	38.86	28.73	10.13	35.26
Non-operation item after tax	8.91	2.56	6.35	248.04
NET PROFIT	47.76	31.28	16.48	52.67
EPS. (BAHT)	0.16	0.11	0.05	45.45
EBITDA	76.43	51.37	25.06	48.78
Profit from operation accordance with Cash Flow Statement	90.46	61.41	29.05	47.31

Total Revenues for Q2 2005

The company's Q2 total revenue rose to THB 826.99 million, an increase of THB 106.12 million, or up 14.72 %. The sales revenue accounted for THB 818.41 million, an increase of THB 106.48 million, or up 14.96%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 15.20%, while the sales of books for other bookstores and education institutes grew 10.36%.

The profit from operation after tax for three-month from operation as of June 30, 2005 was THB 38.86 million, representing 4.70 % of total revenue (For 2004 the company's profit from operation for three-month was THB 28.73 million) The profit increase of THB 10.13 million, or up 35.26% from the same period last year due to

- Gross profit increased of THB 33.63 million from the increasing of sales revenue.



- The selling and administrative expenses increased THB 16.95 million over the same period last year, or up 9.68% which was higher than the Q2 revenue growth rate due to the same reason of six month.

The Non-operation revenue and expense after tax for three-month as of June 30, 2005 was THB 8.91 million. The main revenue and expense was

- Adjust for physical count asset with replacement method which is higher than book value in amount of THB 5.38 million.
- Participating gain from associated companies in the amount of THB 3.33 million.
- Dividend and realized gain on disposal of securities available for sales in the amount of THB 1.15 million
- Directors' remuneration expense in the amount of THB (1.62) million.

The company's Q2 total net profit was THB 47.76 million including the non-operation items, representing 5.78 % of total revenue and THB 0.16 EPS. (For 2004 the company's Q2 net profit was THB 31.28 million, representing 4.34% of total revenue and THB 0.11 EPS). The profit increased from the same period last year of THB 16.48 million, representing 52.67%.

4. Financial Position

4.1 Asset Component

Table 3: Asset Component

	June 30, 2005		December 31, 2004		Change	
	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	%
Cash and cash equivalent items	144.29	11.71	142.83	12.89	1.46	1.02
Short-term investment-net	212.86	17.28	161.94	14.62	50.92	31.44
Account and note receivable-net	80.00	6.49	83.74	7.56	(3.74)	-4.47
Inventories-net	194.03	15.75	153.49	13.86	40.54	26.41
Total Current Assets	670.94	54.47	569.41	51.40	101.53	17.83
Investment in subsidiary and Associated companies	36.85	2.99	34.84	3.14	2.01	5.77
Property, plant and equipment-net	240.55	19.53	241.94	21.84	(1.39)	0.57
Leasehold on buildings-net	172.93	14.04	137.01	12.37	35.92	26.22
TOTAL ASSETS	1,231.76	100.00	1,107.81	100.00	123.95	11.19



Total Asset As of June 30, 2005 the Company had a total asset of THB 1,231.76 million, an increase of THB 123.95 million. Causes of changing of total assets:

- Cash and bank deposit for THB 144.29 million increased of THB 1.46 million.
- Short-term investment-net increased THB 50.92 million due to invest in the government bond in the amount of THB 50 million from the excess cash.
- Loan to associate companies increased THB 5 million by granting the financial support to Plearn Patt company for their current capital expenditure.
- Inventories-net increased THB 40.54 million due to more non-returnable purchasing of goods from suppliers for distribution by selecting only the goods with high opportunity to be best selling.
- Leasehold on buildings-net increased THB 35.92 million due to changing contract of one bookstore branch
- Leasehold guarantee and advanced payment decreased THB 14.10 million due to the transfer of leasehold guarantee and advanced payment to be long term leasehold of branch in the amount of THB 30.21 million and reclassified rental advanced payment in excess of one year of branch to be non-current asset in the amount of THB 14.20 million.

Total liabilities As of June 30, 2005 the Company had a total liability of THB 665.86 million, a decrease of THB 73.13 million. Decrease in liabilities resulted from

- Trading debts and note payable was decreased THB 48.76 million from sales figure's clearance of consigned goods from several big suppliers in this quarter.
- Account payable and note payable THB 527.29 million, was increased THB 94.55 million due to the increasing of distribution suppliers creditor as there were several titles of best selling books in Q1 of 2005 which the payment was still not due.
- Other current liabilities increased THB 18.05 million mainly cause from accrued bonus payment and advance receives revenue from Thailand Electronics Exhibition 2005.

Shareholders' equity As of June 30, 2005 amount THB 565.90 million, an increase of THB 50.82 million represent 9.87% due to

- paid-up share capital increased THB 7.04 million from the exercised of warrant to common share
 - the exercised of SE-ED-W1 amount THB 4.29 million and
 - the exercised of ESOP project amount THB 2.75 million
- Premium of share capital increased of THB 2.79 million from the exercised of SE-ED-W1.
- Net profit from operation result six-month of 2005 amount 81.94 million.



4.2 Cash flow

Table 4: Cash flow for first six-month as 2005 over the same period last year

Description	(Unit: Million Baht)		Received (used)	
	Jan. - Jun. 2005	Jan. - Jun. 2004	Amount	(%)
Cash flow received (used)				
from operation activities	182.08	65.38	116.70	99.99
Cash flow received (used)				
from investing activities	(103.26)	(43.07)	(146.33)	-339.74
Cash flow received (used)				
from financing activities	(77.36)	(104.49)	27.13	-25.96
Cash flow increase (decrease)	1.46	3.96	(2.50)	-63.04

Cash flow receive from operation activities increased THB 116.70 million from the same period last year due to

- Cash flow increased amount THB 47.76 million from Q2 net profit
- Cash flow decreased amount THB 83.06 million due to the increasing of operation asset including inventories.
- Cash flow increased amount THB 122.66 million from depreciation, amortization expense and non-monetary item adjustment.

Cash flow used from investment activities increased THB 146.33 million from the same period last year due to

- Cash received from disposal of short term investment THB 87.49 million.
- Cash invested in government bond THB 50 million
- Cash invested in leasehold of 2 new branches

Cash flow used from financing activities decreased THB 27.13 million from the same period last year due to

- In Q2 of 2004 there was stock repurchasing of THB 99.92 million but no repurchasing stock in 2005.
- Cash used in dividend payment in first 6 month of 2005 was THB 38.42 million which was less than the same period last year dividend payment of THB 46.47 million due to the new regulation to reserved for repurchasing stock in total amount of treasury stock price. So the dividend payment of Q4 2004 which has paid in May 2005 was decreased.
- Bank overdrafts was increased THB 40.52 million due to the creditors could not draw money in time from the cheques due date around year end as so many consecutive holidays. Therefore they drew money at the beginning of first quarter of 2005.



- Cash received from the warrant exercises for six-month of 2005 was THB 9.83 million, a decrease of THB 78.74 million from the same period last year.

5. Change of Directors and Executives

- 5.1 **To acknowledge the resignation** of Mr. Suthichai Yoon and Mr. Tanachai Santichaikul from the director of the company since June 21, 2005, which the company reported to the Stock Exchange of Thailand since June 23, 2005., and to approve the resignation of the director, Mr. Sermsin Samalapa, since June 28, 2005.
- 5.2 **To approve the appointment** of Mr. Sumeth Damrongchaitham, Mr. Yongsak Ekprachyasakul and Mr. Kachen Benjakul to be new directors of the company replace Mr. Suthichai Yoon, Mr. Tanachai Sanichaikul and Mr. Sermsin Samalapa for the remaining term of holding office since June 28, 2005.
- 5.3 **To approve the appointment** of Mr. Wattana Chiengkul, Mr. Vorasit Pokachaiyapat and Mr. Kachen Benjakul, to be additional independent directors since June 28, 2005.

Truly yours,

Pongsak Sivapatrakumpol
Deputy Managing Director

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