



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

Management Discussion and Analysis

As of September 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 nine-month period year 2005 to 2004. Expect that the adjustment will be beneficial to the company in long future.

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

The company net profit for first nine-month was THB 122.17 million, representing 4.95% of total revenue, an increase of THB 41.86 million or up 52.12%.and THB 0.41 EPS. The company's first nine-month total revenue rose to THB 2,465.96 million, an increase of THB 375.77 million, or up 17.98%.

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

The company net profit for Q3 of 2005 was THB 40.24 million, representing 4.60% of total revenue, an increase of THB 20.57 million or up 104.58% and THB 0.13 EPS. The company's total revenue Q3 of 2005 rose to THB 874.66 million, an increase of THB 158.86 million, or up 22.19%.

The company approved the interim dividend payment for operating performance of Q3 of 2005 from July 1, 2005 to September 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 and Q2 of 2005 at THB 0.10 per share. Therefore the interim dividend payment for operating performance of first nine month of 2005 at THB 0.30 per share.



2. Business Summary

Book Store Business

The company has still continuously expanded bookstores branches until being the largest bookstores chain now. In Q3 of 2005, the company has opened more 7 new branches at Lotus Wanghin, Lotus Pathumthani, Carrefour Rungsit, Lotus Phrae , Pacific Park Sriracha ,Carrefour Chachoengsao and the Sukhumvit subway station Total bookstores branches now becomes 190 branches with 181 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 351 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 Media of Media, Nation books International, Thailand Institute of Scientific and Technological Research, Arsom Saranart Limited Partnership., MIS Softtech, Good Morning, Thammasat University 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 nine-month as 2005 over the same period last year

	(Unit: Million Baht)			
	Jan.-Sep.	Jan.-Sep.	Change	
	2005	2004	Amount	(%)
Revenue:				
Sales	2,445.98	2,071.77	374.21	18.06
Other revenue	18.09	16.67	1.42	8.51
Participating gain in the associated companies	1.88	1.74	0.14	8.17
Total revenues	2,465.96	2,090.18	375.77	17.98
Expenses:				
Cost of sales	(1,710.33)	(1,448.03)	262.30	18.11
SG&A expenses	(582.20)	(527.32)	54.89	10.41
Total expenses	(2,292.53)	(1,975.34)	317.19	16.06
Gross Margin	735.65	623.74	111.91	-
% Gross Margin	30.08	30.11	-	(0.03)
Profit after tax from operation	112.35	72.24	40.11	55.52
Non-operation revenue and expense after tax	9.82	8.08	1.74	21.53
NET PROFIT	122.17	80.31	41.86	52.12
EPS. (BAHT)	0.41	0.29	0.12	41.38
EBITDA	239.48	168.84	70.64	41.84
Profit from operation				
accordance with Cash Flow Statement	223.75	152.85	70.90	46.39

Total Revenues for first nine-month of 2005

The total revenue accounted for THB 2,465.96 million, an increase of THB 375.77 million, or up 17.98%. The Sales revenue was THB 2,445.98 million, an increase of THB 374.21 million, or up 18.06%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 18.47%, which was the new branches and sales point growth, and from the same stores sales growth with the branches renovated. In Q3 of 2005 there were 7 more new bookstore branches total to 190 branches opened with 181 branches still in operation. Moreover the sales of books for other bookstores and education institutes grew 22.90%

The net profit for nine-month from operation as of September 30, 2005 was THB 122.17 million, representing 4.95% of total revenue and THB 0.41 EPS. (For 2004 the company's net profit for nine-month was THB 80.31 million, representing 3.84% of total revenue and THB 0.29 EPS) The profit increased of THB 41.83 million, or up 52.12% from the same period last year.



The profit after tax for nine-month from operation as of September 30, 2005 was THB 112.35 million, representing 4.56% of total revenue (For 2004 the company's profit from operation for nine-month was THB 72.24 million) The profit increase of THB 40.11 million, or up 55.53% from the same period last year due to

- The gross profit THB 111.91 million from the increasing of sales revenue which grew 17.94% from the same period last year.
- The selling and administrative expense was increased THB 61.42 million, or up 11.71 % 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 item revenue and expense after tax for nine-month as of September 30, 2005 was THB 9.82 million. The main driver was revenue from dividend and realized gain on disposal of securities available for sales and the decreasing expense due to adjusting for physical count asset with replacement method which supply and warehouse equipment was higher than book value.



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

	(Unit: Million Baht)			
	Q3	Q3	Change	
	2005	2004	Amount	(%)
Revenue:				
Sales	869.58	713.33	156.26	21.91
Other revenue	5.07	2.47	2.60	105.26
Participating gain in the associated companies	(0.83)	(0.09)	(0.74)	822.22
Total revenues	874.66	715.70	158.86	22.09
Expenses:				
Cost of sales	(614.45)	(506.00)	108.44	21.43
SG&A expenses	(202.47)	(180.74)	21.72	12.02
Total expenses	(816.91)	(686.75)	130.17	18.95
Gross Margin	255.13	207.32	47.81	-
% Gross Margin	29.34	29.06	-	0.28
Profit after tax from operation	43.09	15.88	27.21	171.35
Non-operation item after tax	(2.85)	3.79	(6.64)	175.20
NET PROFIT	40.24	19.67	20.57	104.58
EPS. (BAHT)	0.13	0.07	0.05	45.45
EBITDA	79.00	47.55	31.45	66.14
Profit from operation accordance with Cash Flow Statement	81.27	42.95	38.33	89.24

Total Revenues for Q3 2005

The company's Q3 total revenue rose to THB 874.66 million, an increase of THB 158.86 million, or up 22.19%. The sales revenue accounted for THB 869.58 million, an increase of THB 156.26 million, or up 21.91%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety which grew 19.72%, and from the same stores sales growth with the branches renovated, while the sales of books for other bookstores and education institutes grew 51.97%.

The company's Q3 total net profit was THB 40.24 million including the non-operation items, representing 4.60% of total revenue and THB 0.13 EPS. (For 2004 the company's Q3 net profit was THB 19.67 million, representing 2.75% of total revenue and THB 0.07 EPS). The profit increased from the same period last year of THB 20.57 million, representing 104.58%.



The profit from operation after tax for three-month from operation as of September 30, 2005 was THB 43.09 million, representing 4.93% of total revenue (For 2004 the company's profit from operation for three-month was THB 15.88 million) The profit increase of THB 27.21 million, or up 171.32% from the same period last year due to

- Gross profit increased of THB 47.81 million from the increasing of sales revenue.
- The selling and administrative expenses increased THB 21.38 million over the same period last year, or up 11.84% which was higher than the Q3 revenue growth rate due to the same reason of nine month.

The Non-operation item expense after tax for three-month as of September 30, 2005 was THB 2.85 million. The main expense was about the improvement of account payable clearing.

4. Financial Position

4.1 Asset Component

Table 3: Asset Component

	September 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	229.06	17.87	142.83	12.89	86.23	60.38
Short-term investment-net	162.84	12.70	161.94	14.62	0.90	0.56
Account and note receivable-net	74.97	5.53	83.74	7.56	(8.77)	(10.47)
Loan to associate companies	14.00	1.09	-	-	14.00	100
Inventories-net	199.25	14.69	153.49	13.86	45.77	29.82
Total Current Assets	712.49	55.59	569.41	51.40	143.08	25.13
Investment in subsidiary and Associated companies	36.85	2.65	34.84	3.14	1.18	3.39
Property, plant and equipment-net	246.80	18.19	241.94	21.84	4.85	2.01
Leasehold on buildings-net	169.79	12.51	137.01	12.37	32.78	23.93
TOTAL ASSETS	1,281.76	100.00	1,107.81	100.00	173.95	15.70



Total Asset As of September 30, 2005 the Company had a total asset of THB 1,281.76 million, an increase of THB 173.95 million represent 15.70%. Causes of changing of total assets:

- Cash and bank deposit for THB 229.06 million increased of THB 86.23 million due to invest in the government bond in the amount of THB 120 million from the excess cash and promissory notes
- Loan to associate companies increased THB 14 million by granting the financial support to Plearn Patt company for their current capital expenditure.
- Inventories-net increased THB 45.77 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 such as Kird Tae Ghum , Khem Tis Cheevit, Marketing Management
- Leasehold on buildings-net increased THB 32.78 million due to the changing leasing contract of two bookstore branches to be long term rental in Q1 and Q2 of this year.
- Leasehold guarantee and advanced payment decreased THB 23.15 million due to the transfer of leasehold guarantee to be long term leasehold right along with the one year advanced payment for the bookstore branches.

Total liabilities As of September 30, 2005 the Company had a total liability of THB 704.66 million, increased THB 111.93 million. Decrease in liabilities resulted from

- Trading debts and note payable was decreased THB 46.65 million from sales figure's clearance of consigned goods from several big suppliers in this quarter.
- Account payable and note payable THB 572.13 million, was increased THB 139.39 million due to the increasing of distribution suppliers creditor as there were several titles of best selling books which the payment was still not due.
- Other current liabilities increased THB 19.53 million mainly cause from accrued bonus payment and accrue copyright payment which due every October of the year.

Shareholders' equity As of September 30, 2005 amount THB 577.10 million, an increase of THB 62.02 million represent 12.04% due to

- paid-up share capital increased THB 7.20 million from the exercised of warrant to common share
 - the exercised of SE-ED-W1 amount THB 4.44 million and
 - the exercised of ESOP project amount THB 2.76 million
- Premium of share capital increased of THB 2.89 million from the exercised of SE-ED-W1.
- Net profit from operation result nine-month of 2005 amount 122.17 million.
- Dividend payment in 9 months of 2005 in the amount of THB68.56 million.



4.2 Cash flow

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

(Unit: Million Baht)

Description	Jan. - Sep.	Jan. - Sep.	Received (used)	
	2005	2004	Amount	(%)
Cash flow received (used)				
from operation activities	279.96	54.77	225.20	411.21
Cash flow received (used)				
from investing activities	(88.62)	12.37	(100.99)	816.41
Cash flow received (used)				
from financing activities	(105.11)	(146.49)	41.38	(28.25)
Cash flow increase (decrease)	<u>86.23</u>	<u>(79.35)</u>	<u>165.58</u>	<u>(57.45)</u>

Cash flow receive from operation activities increased THB 225.20 million from the same period last year due to

- Cash flow from operation increased THB 70.90 million
- Cash flow decreased THB 99.78 million due to the increasing of operation asset including inventories.
- Cash flow from trading debt increased THB 155.99 million .The main drivers were trading credit ,note payable and accrue corporate income tax.

Cash flow used from investment activities increased THB 100.99 million from the same period last year due to

- Granting financial assistance to Plearn Patt Co., Ltd. THB 14 million.
- Cash invested in leasehold of 2 new branches
- Cash received from disposal of securities available for sales in the period of 9 months of 2004 in the amount of THB 86.62 million.

Cash flow used from financing activities decreased THB 41.38 million from the same period last year due to

- In Q3 of 2004 there was stock repurchasing of THB 122.64 million but no repurchasing stock in 2005.
- Cash used in dividend payment in first 9 month of 2005 was THB 68.56 million which was less than the same period last year dividend payment of THB 45.64 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 42.45 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 nine-month of 2005 was THB 10.10 million, a decrease of THB 84.45 million from the same period last year.

5. Change of Directors and Executives

--None--

Truly yours,

(Thanong Chotisorayuth)
Managing Director

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