



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

Management Discussion and Analysis

As of December 31, 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 oil price, and inflation rate. These effects on the awareness of people's consuming. Books business has also been affected but not much compared to the other businesses.

It has been expected that book business has potential for continual growth for years. Therefore, SE-ED still focuses on expanding SE-ED Book Center all over the country as the result of the fact that the company can continuously make profit.

Furthermore, the company began to adjust its internal basic structure to working more efficiently. This cause to the rate of sales and administration expenses are less than the revenue growth rate compared with the same period of 2004. It's expected that such improvement will be beneficial to the company in long term.

Operating Performance of 2005 Compared with 2004

The net profit including non-operation items as of December 31, 2005 was THB 187.91 millions, representing 5.54% of total revenue, increasing by THB 70.95 representing 60.66% of total revenue or THB 0.63 EPS, compared with the same period of 2004. The total revenue of the year rose by THB 534.79 millions to THB 3,391.13 million or growing by 18.72%.

Operating Performance of the Fourth Quarter as of December 31, 2005 Compared with the Same Period of the Last Year

In the fourth quarter, the net profit was THB 65.74 millions, including the non-operation items, representing 7.10% of total revenue, compared with the same period of the last year, growing by THB 29.09 millions representing 79.38% or THB 0.22 EPS. The total revenue of the fourth quarter rose by THB 159.22 millions to THB 925.54 millions or 20.78%.

The Board of Directors considered and approved the dividend payment for 2005 operating performance at the rate of THB 0.59 per share. However, the Company has already paid some interim dividend of the first three quarter at Baht 0.30 per share, additional dividend of this period will be THB 0.29 per share, by setting date of payment on May 23, 2006 and closing date of the Company's share register on May 10, 2006 at 12:00 a.m.



2. Business Summary

Bookstore Business

The Company has continuously expanded its branches keeping the first rank of the largest bookstores chain now. In 2005, there were 26 more new branches, totaling to 200 branches opened with its 190 branches still be in operation including 7 branches of franchisees. Accumulating the new 59 points of selling in Tesco Lotus Express, Carrefour and others, the total selling points now become 399. Moreover, the Company has renovated the existing branches to be modernized for continuously sales growth and profit drive.

Distribution Business

The Company takes an important role as Thailand largest book distributor, to wholesale books of the other publishers such as Nation Books International, Media of Media, Thammasat University Book Center, BEC-Tero Entertainment Plc., etc. to SE-ED Book Center and Book Variety, other bookstores, and educational institutes nationwide. In addition, the Company has developed its distribution system more efficient to support the future growth.

Publishing Business

The Company has been seriously realizing of direction setting, production planning to reach the market demand, and tool and channel development for public relation in order to distribute products to the target customers more efficiently. This will be the key factor for success of the company own products.



3. OPERATING RESULTS

Table 1: Operating Performance in 2005 Compared with 2004

	(Unit: Million Baht)			
	Year 2005	Year 2004	Change Amount	Change (%)
Revenue:				
Sales	3,365.00	2,833.65	531.35	18.75
Other revenues	24.62	21.12	3.50	16.57
Participating gain in the associated companies	1.51	1.57	(0.06)	3.82
Total revenue	3,391.13	2,856.34	534.79	18.72
Expenses:				
Cost of sales	(2,332.85)	(1,981.60)	351.25	17.73
SG&A expenses	(791.15)	(705.02)	86.13	12.22
Remuneration for Board	(2.72)	(2.43)	(0.29)	12.24
Total expenses	(3,126.72)	(2,689.05)	437.67	16.28
Gross Margin	1,032.15	852.05	180.10	21.14
Gross Margin (%)	30.67	30.07	-	0.60
Operating profit after tax	180.26	116.07	64.19	55.30
Non-operation revenue and expenses after tax	7.65	0.89	6.76	759.55
NET PROFIT	187.91	116.96	70.95	60.66
EPS. (BAHT)	0.63	0.41	0.22	53.66
EBITDA	352.82	240.85	111.97	46.49
Operating profit in accordance with Cash Flow Statement	326.44	224.17	102.27	45.62

Total Revenues of 2005

The total revenue of the year rose by THB 534.79 million to THB 3,391.13 million or 18.72%. The sales revenue accounted for THB 3,365 million, increasing by THB 531.35 million or 18.75%. The main driver for such growth was the increased revenue of SE-ED Book Center and Book Variety, which grew by 19.70%. That came from the new branches and sales points and the sales growth of the same store branch with renovation. In 2005, there were 26 more new branches, totaling to 200 branches opened with its 190 branches still be in operation. Moreover, the wholesale to other bookstores and educational institutes grew by 12.81%.



The Net Profit of 2005

The net profit including non-operation items as of December 31, 2005 was THB 187.91 millions, representing 5.54% of total revenue or THB 0.63 EPS. (In 2004, the net profit was THB 116.96 million, representing 4.09% of total revenue or THB 0.41 EPS.) The profit of this quarter increased by THB 70.95 millions, or 60.66% compared with the same period of previous year.

The Post – Tax Operating Net Profit of 2005

The operating profit after tax was THB 180.26 millions, or 5.32% of total revenue. Compared with THB 116.07 million in the same period of 2004, the profit increased by THB 64.19 million, or 55.30% due to representing 4.06% of total revenue due to :

- The gross profit rose by THB 180.11 millions from the sales growth of non-returnable bestsellers. Compared with the same period of previous year, sales revenue rose by 18.75%.
- The selling and administrative expenses excluding the non-operation items increased by THB 93.49 million or 13.32 %.

Additionally, the non-operation item revenue and expenses after tax of 2005 was THB 7.65 million. The main driver was revenue from dividend and realized gain on disposal of securities available for sales and the decreasing expenses due to adjusting for physical count asset with replacement method which the value of supplies and warehouse equipments were higher than in book value.



Table 2: Operating Performance of the Fourth Quarter Compared with the Same Period Last Year

	(Unit: Million Baht)			
	Q4 2005	Q4 2004	Change Amount	Change (%)
Revenue:				
Sales	919.02	761.88	157.14	20.63
Other revenues	6.52	4.44	2.08	46.83
Total revenue	925.54	766.32	159.22	20.78
Expenses:				
Cost of sales	(622.52)	(533.26)	(89.26)	16.74
SG&A expenses	(211.67)	(180.44)	(31.23)	17.31
Participating loss in the associated companies	(0.37)	(0.16)	(0.21)	131.25
Total expenses	(834.56)	(713.86)	120.70	16.91
Gross Margin	296.50	228.62	67.88	-
Gross Margin (%)	32.26	30.01	-	2.25
Operating profit after tax	67.46	35.33	32.13	90.94
Non-operation items after tax	(1.72)	1.32	(0.40)	30.30
NET PROFIT	65.74	36.65	29.09	79.37
EPS. (BAHT)	0.22	0.12	0.10	83.33
EBITDA	113.33	72.00	41.33	57.40
Operating profit in accordance with Cash Flow Statement	102.69	71.32	31.37	43.98

Total Revenues of Q4 of 2005

The company's Q4 total revenue rose by THB 159.22 millions to THB 925.54 millions or 20.78%. The sales revenue accounted for THB 919.02 million, increasing by THB 157.14 million or 20.63%. The main driver for such growth was the increased revenue of SE-ED Book Center and Book Variety which grew by 23.23%. That came from the sales growth of the same store with branch renovation, while the wholesale sales to other bookstores and educational institutes decreased by 8.94%.

The Net Profit of Q4, 2005 was THB 65.74 millions, including the non-operation items, representing 7.10% of total revenue or THB 0.22 EPS. (In 2004, the net profit was THB 36.65 million, representing 4.78% of total revenue or THB 0.12 EPS). Compared with the same period of the last year, the profit rose by THB 29.09 millions or 79.37%.



Post – Tax Operating Net Profit of three-month period as of December 31, 2005 was THB 67.46 million, representing 7.29% of total revenue. (In 2004 the operating profit was THB 35.33 millions) The profit increased by THB 32.13 millions or 90.96% from the same period of the last year due to :

- The gross profit rose by THB 67.88 millions from the of sales growth which was higher than Q4 revenue growth rate due to the same reason of the year.
- The selling and administrative expenses increased by THB 31.74 million over the same period of the last year or 17.67%.

The Non-Operation Item Expense After Tax of three-month period as of December 31 was THB 1.72 millions. The main expense was about the improvement of account payable clearing.

4. Financial Status

4.1 Asset Components

Table 3: Asset Components

	December 31, 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	316.08	21.92	142.83	12.89	173.25	121.30
Short-term investment-net	182.84	12.67	161.94	14.62	20.78	12.83
Account and note receivable-net	83.94	5.82	83.74	7.56	0.20	0.24
Loan to associate companies	9.00	0.62	-	-	9.00	100
Inventories-net	226.03	15.67	153.49	13.86	72.54	47.26
Others current assets	35.67	2.47	27.42	2.48	8.25	30.09
Total Current Assets	853.43	59.17	569.41	51.40	284.02	49.88
Investment in subsidiary and Associated companies	50.65	3.51	34.84	3.14	15.81	45.38
Properties, plants and equipments-net	255.28	17.70	241.94	21.84	13.34	5.51
Leasehold on buildings-net	166.86	11.57	137.01	12.37	29.85	21.79
TOTAL ASSETS	1,442.27	100.00	1,107.81	100.00	334.46	30.19



Total Assets As of December 31, 2005, the Company had total asset of THB 1,442.27 millions, increasing from the last year by THB 334.46 millions representing 30.19%. as followings:

- Cash and cash equivalentitem was increased by THB 173.25 millions to THB 316.08 millions. The most of them came form investing in the government bond in the amount of THB 114 millions.
- Loan to associated companies increased by THB 9 millions, by granting the financial support to Plearn Patt Company Limited as current capital expenditure.
- Inventories-net increased by THB 72.54 millions from more non-returnable purchasing of goods, particularly mobile top-up cards, cookbooks, premiums, etc.
- Leasehold on buildings-net increased by THB 29.85 millions from changing leasing contracts of two bookstores for long-term rental in Q1 and Q2 of this year.

Total Liabilities As of December 31, 2005, the Company had total liability of THB 828.97 millions, increasing by THB 236.24 millions as followings:

- Account and note payable of THB 648.57 millions increased by THB 215.83 millions due to the increasing of distribution suppliers' creditors as the result of the sale growth of non-returnable bestsellers.
- Accrued corporate income tax increased by THB 17.51 millions because of the profit growth in 2005.

Shareholders' Equity As of December 31, 2005, was in the amount of THB 613.30 millions, increasing by THB 98.22 millions or 19.07% due to :

- Paid-up share capital increasing THB 7.98 millions from the exercised warrants to common shares :
 - the exercised of SE-ED-W1 in the amount of THB 5.21 millions.
 - the exercised of ESOP project in the amount of THB 2.77 millions.
- Premium of share capital increasing by THB 3.39 millions from the exercised of SE-ED-W1.
- Net profit from operation result of 2005 in the amount of 187.91 millions.
- Dividend payment of 2005 in the amount of THB 98.72 millions.



4.2 Cash Flow

Table 4: Cash Flow in 2005 over the Same Period of the Last Year

Descriptions	(Unit: Million Baht)			
	Jan. - Dec.	Jan. - Dec.	Received (used)	
	2005	2004	Amount	(%)
Cash flow received (used)				
from operation activities	409.67	144.89	264.78	182.75
Cash flow received (used)				
from investing activities	(146.82)	(29.37)	(117.45)	399.85
Cash flow received (used)				
from financial activities	(89.60)	(119.06)	29.47	(24.75)
Cash flow increased (decreased)	<u>173.25</u>	<u>(3.55)</u>	<u>176.80</u>	<u>4,980.28</u>

Cash Flow Received from operation activities in 2005 was THB 409.67 millions as listed below :

- Cash flow from operation increased in the amount of THB 326.44 millions :
 - 2005 Net profit in the amount of THB 187.91 millions.
 - Non-monitory expenses in the amount of THB 138.53 millions (Depreciation and Leasehold written-off in the amount of THB 88.34 millions, loss from lost goods as THB 32.66 millions, and loss from slow moving goods as THB 9.97 millions.)
- Cash flow from trading debt increasing as THB 207.27 millions. The main drivers were trading credit and note payable.
- Cash flow decreasing as THB 115.62 millions due to the increasing of operation asset including inventories.

Cash Flow Used from Investment Activities for 2005 in the amount of THB 146.82 millions :

- Purchase of assets as THB 92.16 millions.
- Purchase of securities available for sales in the amount of THB 20 millions.
- Cash invested in leasehold as THB 11.87 millions.
- Granting financial support to Plearn Patt Co., Ltd. as THB 9 millions.

Cash Flow Used from Financial Activities in 2005 as THB 89.60 million :

- Cash used in dividend payment in the amount of was THB 98.72 millions.
- Cash received from the warrant exercised in 2005 in the amount of THB 11.37 millions.
- Bank overdrafts increasing as THB 2.25 million.



5. Change of Directors and Executives

--None--

Truly yours,

(Thanong Chotisorayuth)

Managing Director

INVESTOR RELATION

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