



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

Management Discussion and Analysis

As of March 31 ,2006



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Management Discussion and Analysis: SE-ED

1. Overview

The economic performance of 2005 was somewhat affected by the continuous rising of petroleum price, inflation and higher interest rate and controversies in southern part including the instability of politics. The main effect in this quarter was the lacking of confidence in politics, causing widely stress and less consume behavior. Indicator of sales in February and March of the SE-ED Book Center same stores was dropped down apparently to be zero growth compared to last year. The overall books business market also fell in the same case. However after the society had more clearly solution, the situation was expected to be better since April.

Operating performance for Q1 of 2006. The company's total revenue rose by THB 66.82 million to THB 832.58 million or 8.73%. The profit after tax from operation increased by 7.79% compared to the same period last year. However the net profit was decreased to THB 33.36 million represented a decreased of 2.37% due to the effects mentioned above and recognized participating loss in associated company (Plearn Palt Company) which has just been in operation.

The company approved the dividend payment for operating performance of Q1 of 2006 from January 1, 2006 to March 31, 2006 at THB 0.10 per share from net profit portion which is not exempt from corporate income tax.

2. Business Summary

Book Store Business

The company has still continuously expanded bookstores branches until being the largest bookstores chain now. the company has opened more 4 new branches at Lotus Sattahip, Lotus Phayao, Hua Hin market village and Lotus Hua Hin. Total bookstores branches now becomes 204 branches with 194 branches are still in operation including 7 branches of franchisees. Accumulating the new 17 points of selling in Lotus and Lotus Express and others, the total selling points now become 425. Moreover, 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 International, MIS Softtech, Rak-look Family Group, Nation Egmont, Reader Digest, Media of Media 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 with long selling life and sufficient market size by no increasing books titles produced to count 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

Operating performance for Q1 of 2006 over the same period last year

Table 1: Operating performance for Q1 of 2006 over the same period last year

Description	(Unit: Million Baht)			
	Q1 2006	Q1 2005	Change	
			Amount	(%)
Sales	822.69	757.39	65.30	8.62
Other revenue	9.89	8.37	1.52	18.16
Total Revenue	832.58	765.76	66.82	8.73
Cost of sales	578.81	523.09	55.72	10.65
Participating loss in the associated companies	3.10	0.62	2.48	400.00
SG&A expenses	201.91	192.07	9.84	5.12
Gross Profit	243.88	234.90	8.98	
Gross Margin (%)	29.64	30.99	-	(1.35)
EBITDA	70.83	70.01	0.82	1.17
Profit from operation accordance with Cash Flow Statement	60.58	66.05	1.53	2.32
NET PROFIT	33.36	34.18	0.82	2.40
EPS (Baht)	0.11	0.12	(0.01)	(8.33)

The company's total revenue for Q1 of 2006 The company's total revenue rose by THB 66.82 million to THB 832.58 million or 8.73%. The sales revenue accounted for THB 822.69 million, increasing by THB 65.30 million or 8.62%. The main driver for such growth was the increased revenue of SE-ED Book Center and chain book store, which grew by 12.21%, that came from the new branches and the same stores sales growth. As this quarter, there were 4 more new branches; there are existing operation 194 branches.

The profit after tax for first quarter from operation was THB 31.05 million, or 3.73% of total revenue (In 2005, the profit from operation for first quarter was THB 28.81 million) The profit increased by THB 2.24 million, or 7.79% compared with the same period of previous year. However the profit growth was less than the sales growth due to:



- The decreasing of sales from wholesales to other bookshops and education institute of 14.91% due to the instability of polities. Otherwise the former quarter had many titles which were popular among the readers.
- The selling and administrative expenses excluding the non-operation items increased by THB 9.76 million or 5.07% due to the increasing of rental and service rate and employees incentives according with the growth of new branches while the same stores growth were dropped down and new branches still can not make profit in the beginning, also there was more investment in logistics system to support more new branches.

The net profit as of March 31, 2006 was THB 33.36 million, representing 4.01% of total revenue or THB 0.11 EPS. (For 2005 the company's Q1, the net profit was THB 34.17 million, representing 4.46% of total revenue or THB 0.12 EPS) The profit of this quarter decreased by THB 0.81 million, or 2.37% compared with the same period of previous year. The main driver was recognition of participating loss in the associated company, the Plearn Patt company that operated the Plearn Pattana school in the amount of THB 3.10 million as the school has just been opened for 2 years and the students received still not cover the full project.

4. Financial Position

4.1 Asset Component

Table 2: Asset Component

Description	March 31, 2006		December 31, 2005		Change	
	Amount	% to	Amount	% to	Amount	%
	Million Baht	Baht Total Assets	Million Baht	Baht Total Assets	Million Baht	
Cash and cash equivalent items	280.17	19.91	316.08	21.92	(35.91)	11.36
Short-term investment-net	163.90	11.64	182.72	12.67	(18.82)	10.30
Account and note receivable-net	70.31	4.50	83.94	5.82	(13.63)	16.24
Inventories-net	223.06	15.85	226.03	15.67	2.97	1.31
Other current assets	60.91	4.33	35.67	2.47	25.24	70.76
Total Curent Assets	798.35	56.72	853.43	59.17	(55.08)	6.45
Investment in subsisiary and Associated Companies	80.55	5.72	50.65	3.51	29.90	59.03
Property, plant and equipment-net	257.95	18.33	255.28	17.70	2.67	1.05
Leasehold on buildings-net	163.76	11.63	166.86	11.57	(3.10)	1.86
Other non-current assets	53.54	3.80	62.68	4.35	(9.14)	14.58
TOTAL ASSETS	1,407.51	100.00	1,442.27	100.00	34.76	2.41



Total Asset As of March 31, 2006 the Company had a total asset of THB 1,407.51 million, an decrease of THB 34.76 million. Causes of changing of total assets:

- Cash and bank deposit for THB 280.17 million decreased of THB 35.91 million as there were several title of books in Q4 of 2005 which were in popular trend and cause more cash from sales.
- Short-term investment-net for THB 163.90 million decreased THB 18.82 million due to the reclassification of government bond (age more than 3 months) to be cash and equivalent.
- Trade accounts and notes receivable-net decreased THB 13.63 million due to the decreasing of wholesales in Q1 of 2006.
- Other current assets increased THB 25.24 million. Most of then were the classification of advanced rental payment of one bookstore and warehouse which used to be in non-current asset group.
- Investments in subsidiary and associated companies increase of THB 29.90 million due to the addition investment in Plearn Patt company of THB 33 million and recognized participating loss of THB 3.10 million in Q1, 2006.
- Other non-current assets decreased THB 9.14 million as the advanced rental payment of one bookstore branch was clarified to be other current asset.

Total liabilities As of March 31, 2006 the Company had a total liability of THB 752.66 million, an decrease of THB 76.30 million. Causes of changing of total liabilities:

- Bank overdrafts was decrease THB 48.68 million. As in the end of the year, the supplier could not received payment from cheques as long holidays of bank office, then they received in the beginning of Q1, 2006.
- Account payable and note payable THB 603.19 million, was decreased THB 45.38 million. Most of them were the decreased of SE-ED Book Center Supplier payment as compared to the Q4 of 2005 which there were several books titles such as Dharma Group, translation literature and Korea fiction which were popular.
- Accrued corporate income tax THB 54.12 million, increased THB 13.98 million from corporate income tax for net profit Q1 of 2006 which was under due.

Shareholders' equity As of March 31, 2006 amount THB 654.85 million, an increase of THB 41.54 million represent 6.77% due to

- paid-up share capital increased THB 8.66 million from the exercised of warrant to common share
 - the exercised of SE-ED-W1 amount THB 0.93 million and
 - the exercised of ESOP project amount THB 7.73 million
- Premium of share capital increased of THB 0.61 million from the exercised of SE-ED-W1.
- Net profit from operation result Q1 of 2006 amount 33.36 million.

**4.2 Cash flow**

Table 3: Cash flow for Q1 of 2006 over the same period last year

Description	(Unit: Million Baht)			
	Jan. - Mar. 2006	Jan. - Mar. 2005	Change Amount	Change (%)
Cash flow received (used) from operation activities	30.91	72.22	(41.31)	57.20
Cash flow received (used) from investing activities	(27.41)	(20.72)	(6.69)	-32.29
Cash flow received (used) from financing activities	(39.41)	(31.13)	(8.28)	-26.60
Cash flow increase (decrease)	(35.91)	20.37	(56.28)	-276.27

Cash Flow Received from operation activities for Q1 of 2006 was THB 30.91 millions as listed below :

- Cash flow from operation increased in the amount of THB 67.58 millions :
 - The Net profit for Q1 of 2006 in the amount of THB 33.36 millions.
 - Non-monitory expenses in the amount of THB 33.34 millions (Depreciation and Leasehold written-off in the amount of THB 22.48 millions, loss from lost goods as THB 10.25 millions, and participating loss from investment of Plearn Patt Company Limited company as THB 3.10 millions.)
- Cash flow from trading debt increasing as THB 207.27 millions. The main drivers were trading credit and note payable.
- Cash flow decreased amount THB 45.38 million from account payable and note payable.
- Cash flow decreased from remaining goods THB 6.61 million.
- Cash flow increased from accrued tax payment THB 13.98 million.
- Cash flow increased from decreasing of account receivable THB 13.68 million.

Cash Flow Used from Investment Activities for Q1 of 2006 in the amount of THB 27.41 millions :

- Investment of Plearn Patt Company Limited company as THB 33 millions
- Purchase of assets as THB 23.41 millions.
- Classified government bond (age over 3 months) to be cash equivalent in the amount of THB 20 million.
- Cash received from Plearn Patt Co., Ltd. loan clearing of THB 9 millions.

Cash Flow Used from Financial Activities for Q1 of 2006 as THB 39.41 million :

- Bank overdrafts as THB 48.68 million.
- Cash received from the warrant exercised for Q1 of 2006 in the amount of THB 9.27 millions.

Signature.....

(Mr.Thanong Chotisroyuth)

Managing Director