



Management Discussion and Analysis: SE-ED

1. Overview

The overall economic situation in 2006 was still in the period of slow down growth from several factors causing the negative effect to consumers confidence and investment from investors. No matter of the fluctuation of world petroleum price or the increasing of inflation rate and the keep growing of interest rate, the flood disaster in several provinces, the increasing of disorders in deep southern part including the unstable politics, these effected to decreasing in people consuming. This is one of the hardest year for retail business although there was some benefit motivated from the occasion of the 60th anniversary of HM the King's accession to the throne.

Even the economic depression of retail business effected to many firms but the overall of books business was still keep growing with rather satisfy rate due to the selling of products according to the celebration of the occasion of the 60th anniversary of HM the King's accession to the throne. While SE-ED Book Center had increased product of nano technology t-shirt with the logo of the occasion of the 60th anniversary of HM the King's accession to the throne with sales of nearly two hundred thousand units. This effected much to the revenue of q2 of 2006 .In addition, the company has implied information technology to use in SE-ED Book Center since October, this caused the efficiency in managing to be better to a certain level.

The company has still grown in a satisfy level compared to the overall economic situation in 2006.The net profit of the year 2006 was THB 209.19 million or growth 11.32% from last year. While the Q4 total net profit was THB 67.43 million, an increased from the third period last year of 14.82%, and 2.57% from the same period of 2005.

The company's total revenue of the year rose by THB 3,725.75 million or growth 9.87% from the same period last year. The sales revenue accounted for THB 3,680.70 million, or up 9.38%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety, which grew 10.42%, which was the new branches and sales point growth and from the same stores sales growth with the branches renovated. Moreover the sales of books for other bookstores and education institutes grew 5.89%

For the year 2006, the company has opened more 26 new branches. Total bookstores branches now becomes 216 branches and selling point now become 170 selling points.

The Board of Directors considered and approved the dividend payment for 2006 operating performance at the rate of THB 0.60 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 0.30 per share, by setting date of payment on May 23, 2007 and closing date of the Company's share register on May 9, 2007 at 12:00 a.m.

As the company has granted significance in development of good corporate governance thoroughly , the company has been appraised as the "very good" corporate governance company from The Institute of Thai directors (IOD) of the year 2006. Especially in the subject about shareholders' rights and information disclosure with transparency were appraised to be "excellent". This is the only one publishing firm in the stock



market of Thailand listed to be appraised as the level of very good to excellent in good corporate governance subject.

2. Business Summary

Book Store Business

The company has still expanded bookstore branches continuously to keep the record of being the largest bookstores chain with highest revenue of the country. In the fourth quarter, eight branches were opened in Lotus Sawang Dandin, Lotus Pak Gred, Lotus Samui na thorn, Lotus Mae Tang, Fashion Island, Lotus Mae Sord, Lotus Jom Thong, and Home Pro Udorn Thani. Total branches to be opened were 226 while 216 of them still in operation which 7 of them were franchisees. Besides the company has another 170 petty sales points in Lotus and Lotus express. The company has renovated 7 existing branches for more suitable area and be more modernized, including improved the distribution center efficiency and expanded its area to support the branches expansion to drive more sales and profit continuously.

Distribution Business

The company takes the role of Thailand largest books distributor. To distribute books for other publishers such as Nation books, MIS Softtech, Come On Publishing, Nation Egmont and Technology Promotion Association (Thai-Japan), Work point, The National Science and Technology Development Agency (NSTDA), Thammasat University, The Stock Exchange of Thailand and Rak-look Family 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.

Industry Overview and Competition

The publishing industry grew ever larger growth rate expected to be around 10-15% from 2000-2006 There are still market opportunities, therefore many new faces occur in the publishing business, retail business and magazines business. Thus the tough competition has begun. Anyway this will inspire the market long-term growth.

However, the company has still have a very good growth rate in book publishing business, wholesale and retail business. As the company still held strength in these areas. Whereas the magazines business still grows in overall but the computer periodicals were hardest hit by competition and an advertising price war, reducing its advertising revenue significantly. However, electronics and industrial periodicals still show significant growth.



3. Operating Results

3.1 Operating performance for year 2006 over the same period last year

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

	(Unit: Million Baht)			
	Jan.-Dec.	Jan.-Dec.	Change	
	2006	2005	Amount	(%)
Sales	3,680.70	3,365.00	315.70	9.38
Other revenue	45.04	24.62	20.42	82.94
Participating gain in the associated companies	-	1.51	(1.51)	(100.00)
Total revenues	3,725.75	3,391.13	334.62	9.87
Cost of sales	2,520.72	2,332.84	187.87	8.05
SG&A expenses	901.60	790.28	111.32	14.09
Directors' remuneration	4.52	3.59	0.93	25.91
Participating loss in the associated companies	5.32	-	5.32	100.00
Gross Margin	1,159.98	1,032.16	127.82	12.38
% Gross Margin	31.52	30.67	-	0.85
EBITDA	383.78	264.41	30.96	8.78
Profit from operation accordance with Cash Flow Statement	372.23	326.44	45.79	14.03
NET PROFIT	209.19	187.91	21.28	11.32

Total revenue of the year 2006 rose by was THB 3,725.75 million, an increase of THB 334.62 million, or up 9.87%. The sales revenue was THB 3,680.70 million, an increase of THB 315.70 million, or up 9.38%. The main driver for such growth was still the increased revenue of SE-ED Book Center and Book Variety, which grew 10.42%, which was the new branches and sales point growth and from the same stores sales growth with the branches renovated. Moreover the sales of books for other bookstores and education institutes grew 5.89%

The profit after tax from operation as of December 31, 2006 was THB 205.49 million, representing 5.52% of total revenue (For 2005 the company's profit from operation was THB 184.52 million) The profit increase of THB 20.97 million, or up 11.36% from the same period last year due to the gross profit increased by THB 127.83 million or up 12.38% from the increasing of sales revenue which grew 9.38% from the same period last year, more than the growth of operation sales and administrative expense which grew THB 97.07 million or 12.24% increasing.



The non-operation revenue and expense after tax as of December 31, 2006 was THB 3.70 million. The main revenue and expense was

- Dividend and interest income from securities available for sales in the amount of THB 13.17 million.
- Directors' remuneration expense after tax in the amount of THB (3.39) million. The main cause was pension payment for directors of 2005.
- Participating loss from associated companies in amount of THB (5.32) million

The net profit including the non-operation item as of December 31, 2006 was THB 209.19 million, representing 5.61% of total revenue and THB 0.67 EPS. (For 2005 the company's net profit was THB 187.91 million, representing 5.54% of total revenue and THB 0.63 EPS) The profit increased of THB 21.28 million or growth 11.32% from the same period last year.

3.2 Operating performance for the fourth quarter as of December 31, 2006 over the same period last year.

Table 2: Operating performance for the fourth quarter as of December 31, 2006 over the same period last year

	(Unit: Million Baht)			
	Q4		Change	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>(%)</u>
Sales	910.32	919.02	(8.70)	(0.95)
Other revenue	13.06	6.52	6.54	100.31
Total revenues	923.38	925.54	(2.16)	(0.23)
Cost of sales	596.92	622.52	(25.60)	(4.11)
SG&A expenses	235.17	211.51	23.66	11.19
Directors' remuneration	0.68	0.16	0.52	325.00
Participating loss in the associated companies	1.99	0.36	1.62	437.84
Gross Margin	313.40	296.50	16.90	
% Gross Margin	34.43	32.30	-	2.13
EBITDA	111.37	113.32	(1.97)	(1.74)
Profit from operation accordance with Cash Flow Statement	90.52	129.70	(39.18)	(30.21)
NET PROFIT	67.43	65.74	1.69	2.57



The company's Q4 total revenue rose to THB 923.38 million, decrease of THB 2.16 million with same period last year, or 0.23%. The sales revenue accounted for THB 910.32 million, decrease of THB 8.70 million, or 0.95% due to the enormous decreasing of retail business situation in shopping malls and super centers in Q4 and magazines sales was decreased than normal condition. While the sales of books for other bookstores and education institutes grew 14.33%. However the gross profit for the fourth quarter increase of THB 16.90 million or up 5.70% from the same period last year.

The profit after tax for three-month from operation for Q4 as of December 31, 2006 was THB 66.69 million, representing 7.22% of total revenue (For 2005 the company's profit from operation for three-month was THB 73.97 million) The profit decrease of THB 7.28 million, or decrease 9.84% from the same period last year. The main driver was the decreasing of sales revenue. However the gross margin was increasing due to the higher proportion sales of high gross margin products, causing to the company gross profit margin increasing to THB 16.90 million. While the selling and administrative expense increased 11.19% and sales revenue decreased 0.95% caused to the decreasing of operating profit. Otherwise, in Q4 the company has gained benefit from the new regulation of the revenue department to promote investing of the listed companies in SET which lead to decreasing tax of 17.06% while the revenue decreased only 0.23%.

The Non-operation item expense after tax for three-month as of December 31, 2006 was THB 0.74 million. The main revenue and expense was dividend and interest income from securities available for sales.

The company's Q4 total net profit was THB 67.43 million including the non-operation items, representing 7.30% of total revenue and THB 0.22 EPS. (For 2005 the company's Q4 net profit was THB 65.74 million, representing 7.10% of total revenue and THB 0.22 EPS). The profit increased from the same period last year of THB 1.69 million, representing 2.57% and increased of 14.82% from the Q3 year 2006.



3.3 Dividend payment policy

The company declared a policy since financial year 1991 to pay dividend no less than 50% of the net profit after the deduction of corporate income tax. The payment will be made in the annual general meeting of the year immediately following the operating year. For the year 2006, the company have dividend payout ration was 93.81%.

Table 3: The dividend payment of 2006 and 2005 as follow:

Year 2006 operating result					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2006	10/05/2006	09/06/2006	0.10	31.13
Quarter 2	4/2006	11/08/2006	11/09/2006	0.10	31.16
Quarter 3	5/2006	10/11/2006	08/12/2006	0.10	31.19
Year 2005 operating result					
	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2005	12/05/2005	10/06/2005	0.10	30.02
Quarter 2	4/2005	11/08/2005	09/09/2005	0.10	30.14
Quarter 3	5/2005	14/11/2005	09/12/2005	0.10	30.16
Quarter 4	1/2006	26/04/2006	23/05/2006	0.29	90.29
	Total			0.59	180.61



4. Financial Position

4.1 Asset Component

Table 4: Asset Component

	December 31, 2006		December 31, 2005		Change	
	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	% of Total Assets	Amount (Bt mn)	%
Cash and cash equivalent items	290.69	19.67	269.77	19.32	20.92	7.75
Short-term investment-net	194.79	13.18	182.72	13.09	12.07	6.61
Account and note receivable-net	89.20	6.04	83.94	6.01	5.26	6.27
Loan due from an associated company	-	-	9.00	0.64	(9.00)	(100)
Inventories-net	231.00	15.64	226.03	16.19	4.98	2.20
Advanced copyright and translation	17.73	1.20	16.74	1.20	0.99	5.91
Other Current Assets	22.46	1.52	18.93	1.36	3.53	18.65
Total Current Assets	845.88	57.25	807.13	57.82	38.75	4.80
Investment in subsidiary and Associated companies	89.33	6.05	50.65	3.63	38.68	76.37
Property, plant and equipment-net	264.07	17.87	255.28	18.29	8.78	3.44
Leasehold on buildings-net	154.29	10.44	166.86	11.95	(12.57)	(7.53)
Assets pending for sales-net	19.20	1.30	21.00	1.50	(1.80)	(8.57)
Land not used for operation-net	33.78	2.29	32.37	2.32	1.41	4.36
Guarantee for rental and deposit	49.67	3.36	47.14	3.38	2.53	5.37
Other non-current assets	21.28	1.44	15.53	1.11	5.75	37.03
TOTAL ASSETS	1,447.50	100.00	1,395.97	100.00	81.53	5.84



Total Asset As of December 31, 2006 the company had a total asset of THB 1,477.50 million, increase of THB 81.53 million from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items for THB 290.69 million increased of THB 20.91 million As in the Q4 of 2006 there was more cash from increasing of sales deposit in the finance institute which would be drawn out from the suppliers in the future due date.
- Short-term investment-net for THB 194.79 million increased THB 12.07 million due to the redemption of government bond (age over than 3 months)
- Account and Note receivable for THB 89.20 million increased THB 5.26 million as there were account receivable from several institute groups in the end of year 2006.
- Inventories-net for THB 231.01 million increased THB 4.98 million from the increasing production of English Language teaching CD and DVD, dictionaries and maps in the fourth quarter.
- Other current asset increased THB 3.53 million. Most of them were the classification of advanced rental payment of one bookstore and warehouse.
- Investment in subsidiary and Associated companies increased 38.68 million in Plearn Patt Co., Ltd.

Total liabilities As of December 31, 2006 the company had a total liability of THB 812.49 million, an increase of THB 29.82 million. Increase in liabilities resulted from

- Account payable and note payable THB 649.80 million, was increased THB 1.23 million. Most of them was wholesales creditors.
- Accrued expense was THB 72.02 million, an increase of THB 28.92 million due to the changing of bonus payment policy to separate payment to be two lots at the end of December this year and end of March next year instead of one lot payment normally at the end of December.

Shareholders' equity As of December 31, 2006 amount THB 665.01 million, an increased of THB 51.71 million represent 8.43% due to

- Paid-up share capital increased THB 10.76 million from the exercised of warrant to common share
 - the exercised of SE-ED-W1 amount THB 2.62 million and
 - the exercised of ESOP project amount THB 8.14 million
- Premium of share capital increased of THB 1.64 million from the exercised of SE-ED-W1.
- Net profit from operation result year of 2006 amount 209.19 million.



4.2 Cash flow

Table 5: Cash flow for first nine-month as 2006 over the same period last year

(Unit: Million Baht)

Description	Jan. - Dec.	Jan. - Dec.	Received (used)	
	2006	2005	Amount	(%)
Cash flow received (used)				
from operation activities	327.01	409.67	(82.66)	(20.18)
Cash flow received (used)				
from investing activities	(124.70)	(146.82)	22.12	(15.06)
Cash flow received (used)				
from financing activities	(181.39)	(135.90)	(45.49)	33.47
Cash flow increase (decrease)	<u>20.91</u>	<u>126.95</u>	<u>(106.04)</u>	<u>(83.53)</u>

Cash Flow Received from operation activities in 2006 was THB 327.01 millions as listed below :

1. Cash flow from operation in the amount of THB 372.23 millions:
 - The net profit of the year 2006 in the amount of THB 209.19 millions.
 - Non-monitory expenses in the amount of THB 163.99 millions (Depreciation and Leasehold written-off in the amount of THB 90.19 millions, loss from lost goods as THB 49.38 millions, and participating loss from investment Associated companies as THB 5.32 millions.)
2. Excess cash from accrued expense THB 29.46 million which mainly was accrued bonus payment.
3. Cash flow increased due to the increasing of accrued tax payment THB 5.95 million.
4. Cash flow decreased amount THB 63.19 million due to the increasing of inventories.
5. Cash flow decreased from account and note payable increasing as THB 8.48 millions.

Cash Flow Used from Investment Activities for 2006 in the amount of THB (124.70) millions :

1. Investment of Plearn Patt Co., Ltd. as THB 45 millions
2. Purchase of assets as THB 74.70 millions.
3. Investment of government bond (age over 3 months) in the amount of THB 35 million.
4. Cash received from Plearn Patt Co., Ltd. loan clearing of THB 9 millions.

Cash Flow Used from Financial Activities in 2006 as THB (181.39) million :

1. Cash used from bank overdrafts was THB 10.02 million
2. Cash used in dividend payment was THB 183.77 million
3. Cash received from the warrant exercises for nine-month of 2006 was THB 12.40 million



4.3 Financial Ratios

Table 6: Financial ratios calculated according to the Office of the Securities and Exchange

Commission's formulae

LIQUIDITY RATIOS		2006	2005
Current Ratio	Time	1.05	1.04
Quick Ratio	Time	0.71	0.71
Cash Flow Ratio	Time	0.41	0.58
Accounts Receivable Turnover	Time	4.53	4.50
Average Debt Collection Period	Time	79	80
Inventory Turnover	Time	9.16	10.05
Average Selling Period	Day	39	36
Debtor Turnover	Time	3.88	4.31
Debt Payment Period	Day	93	84
Cash Cycle	Day	25	32
PROFITABILITY RATIOS		2006	2005
Gross Profit Margin	%	31.52	30.67
Operating Profit	%	7.98	7.86
Other Profit	%	1.21	0.77
Cash to Earnings Ratio	%	111.38	154.94
Net Profit Margin	%	5.61	5.54
Rate of Return to Equity	%	32.73	33.31
EFFICIENCY RATIOS		2006	2005
Return on Asset	%	20.43	20.74
Return on Fixed Assets	%	71.22	68.97
Asset Turnover	Time	0.65	0.66
FINANCIAL POLICY RATIO		2006	2005
Debt to Equity Ratio	Time	1.22	1.35
Interest Capability Ratio	Time	2,091.06	3,100.98
Debt Service Coverage Ratio	Time	1.27	2.15
Dividend Payout Ratio**	%	93.81	99.11

**Dividend payment rate for 2006 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 25, 2007 and calculate from the amount of common shares counted on January 26, 2007.

Truly yours,

Viboolsak Udomvanich

Deputy Managing Director

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