



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

Management Discussion and Analysis

As of March 31 ,2007

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Management Discussion and Analysis: SE-ED

1. Overview

As the turbulent of world economics affected the Thai economy to be slow down continuously. Including the rising of petroleum price, lead to the avoidable of higher inflation rate and the strong value of Baht currency compare to US Dollar, and the chaos in the southern part including the bombs in Bangkok caused to the decreasing in confidential index of investors and consumers and affected to the consumer behaviour of people.

Even there were several effects from the cause mention above, the company has still had the strong infrastructure of business with low risk in business expansion, so did not suffered much from these situation. Then the company has the strong financial status with enough liquidity to create suitable value and benefit to shareholders sustainedly.

Operating performance for Q1 of 2007. The company's total revenue rose by THB 876.29 million or growth 5.25% from the same period last year. The sales revenue accounted for THB 867.89 million, or up 5.49%. The main driver for such growth was from the sales growth of wholesales books which several items of them were popular in the market and from the foreign language books which the company was their distributor.

The profit after tax from operation as of March 31, 2007 was THB 32.55 million, or growth 13.85% from last year. While the Q1 total net profit was THB 32.69 million, decreased from same period last year of 2.02% due to the increasing rate of corporate income tax from 25% to 30%.

For the first quarter as of March 31, 2007, the company has opened more 13 new branches. Total bookstores branches now becomes 229 branches and selling point now become 86 selling points.

The company approved the dividend payment for operating performance of Q1 of 2007 from January 1, 2007 to March 31, 2007 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 13 new branches at Lotus hyper market Lop Buri, Lotus Market Pol Khon Kaen, Lotus Market Sun Sai Chiang Mai, Lotus Market Paan Chiang Rai, Home Pro Pethchakrasem, Lotus Market Trakarn Puechpol Ubon Rat Chathani, Lotus Market Song Pee Nong Suphan Buri, Lotus hyper market Rangsit Khong 7, Lotus hyper maket Sam Pran Nakhon Pathom, Lotus Market tha Muang Kanchanaburi, Lotus Market Baan Bueng Chonburi, Carrefour Chonburi and hyper market Navanakorn. Total bookstores branches now becomes 239 branches with 229 branches are still in operation including 7 branches of franchisees. Accumulating the new 3 points of selling in Lotus, the total selling points now become 46. 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 2007 over the same period last year (from the financial statement which the equity method)

Table 1: Operating performance for Q1 of 2007 over the same period last year

(Unit: Million Baht)

Description	Q1	Q1	Change	
	2007	2006	Amount	(%)
Sales	867.89	822.69	45.20	5.49
Other revenue	8.39	9.89	(1.50)	(15.17)
Total Revenue	876.28	832.58	43.70	5.25
Cost of sales	594.82	578.81	16.01	2.77
SG&A expenses	225.26	201.91	23.35	11.56
Participating loss in the associated companies	3.48	3.10	0.38	12.26
Gross Profit	273.07	243.88	29.19	11.97
Gross Margin (%)	31.46	29.64	-	1.82
EBITDA	74.69	70.83	3.86	5.45
Profit from operation accordance with Cash Flow Statement	72.75	67.58	5.17	7.65
NET PROFIT	32.69	33.36	(0.67)	(2.01)
EPS (Baht)	0.10	0.11	(0.01)	(9.09)

The company's total revenue for Q1 of 2007 The company's total revenue rose by THB 43.70 million to THB 876.28 million or 5.25%. The sales revenue accounted for THB 867.89 million, increasing by THB 45.20 million or 5.49%. The main driver for such growth was from the sales growth of wholesales books which several items of them were popular in the market and from the foreign language books which the company was their distributor. As this quarter, there were 13 more new branches; there are existing operation 229 branches.

The profit after tax for first quarter from operation was THB 32.55 million, or growth 13.85% with the same period of previous year. The main driver was the growing rate of gross margin which is higher than the growth rate of sales and administration expense.

The net profit portion from the financial statement which the equity method as of March 31, 2007 was THB 32.69 million, representing 3.73% of total revenue or THB 0.10 EPS. (For 2006 the company's Q1, the net profit was THB 33.36 million, representing 4.01% of total revenue or THB 0.11 EPS). The profit of this quarter decreased from same period last year of 2.02% due to the increasing rate of corporate income tax from 25% to 30%.



4. 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 three month of 2007, the company have dividend payout ration was 99.10%.

Table 2: The dividend payment of 2007, 2006 and 2005 as follow:

Year 2007 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	2/2007	10/05/2007	08/06/2007	0.10	32.40
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	3/2006	11/08/2006	11/09/2006	0.10	31.16
Quarter 3	4/2006	10/11/2006	08/12/2006	0.10	31.19
Quarter 4	1/2007	25/04/2007	23/05/2007	0.30	97.07
	Total			0.60	190.55
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



5. Financial Position

5.1 Asset Component (from the financial statement which the equity method)

Table 3: Asset Component

Description	March 31, 2007		December 31, 2006		Change	
	Amount	% to	Amount	% to	Amount	%
	Million Baht	Baht Total Assets	Million Baht	Baht Total Assets	Million Baht	
Cash and cash equivalent items	339.28	21.89	290.69	19.67	48.59	16.72
Short-term investment-net	180.58	11.65	194.79	13.18	(14.21)	7.30
Account and note receivable-net	87.28	5.63	89.20	6.04	(1.92)	2.15
Inventories-net	268.22	17.30	231.01	15.64	37.21	16.11
Other current assets	30.37	1.96	22.46	1.52	7.91	35.22
Total Current Assets	923.23	59.56	845.88	57.25	77.35	9.14
Investment in subsidiary and Associated Companies	85.85	5.54	89.33	6.05	(3.48)	3.90
Property, plant and equipment-net	265.73	17.14	264.07	17.87	1.66	0.63
Leasehold on buildings-net	151.20	9.75	154.29	10.44	(3.09)	2.00
Other non-current assets	50.35	3.25	49.67	3.36	0.68	1.37
TOTAL ASSETS	1,549.98	100.00	1,477.50	100.00	72.48	4.90

Total Asset As of March 31, 2007 the Company had a total asset of THB 1,549.98 million, an increase of THB 72.48 million. Causes of changing of total assets:

- Cash and bank deposit for THB 339.28 million increased of THB 48.59 million from the increasing investment in government bond(age not more than 3 months)
- Short-term investment-net for THB 180.58 million decreased THB 14.21 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 1.92 million as there were several main debtors of the wholesales and distribution business unit in Q1 of 2007
- Inventories-net for THB 268.22 million increased THB 37.21 million from the non-returnable products orders of SE-ED Book Center such as telephone cards, books in food category, premium goods and foreign language book in a large quantity.
- Other current asset increased THB 7.91 million. Most of them was advanced rental payment of warehouse.



Total liabilities As of March 31, 2007 the Company had a total liability of THB 841.96 million, an increase of THB 29.47 million. Causes of changing of total liabilities:

- Account payable and note payable THB 669.08 million, was increased THB 19.28 million. Most of them was wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 64.50 million, increased THB 18.41 million due to the increasing of year 2006 profit which lead to the increasing of Accrued corporate income tax for 2007 with due payment in May 2007.
- Other current liabilities decreased THB 14.96 million mainly cause from accrued expense for bonus was decreased THB 15.91 million.

Shareholders' equity As of March 31, 2007 amount THB 708.03 million, an increase of THB 43.01 million represent 6.47% due to

- paid-up share capital increased THB 9.64 million from the exercised of warrant to common share the exercised of ESOP
- Net profit from operation result Q1 of 2007 amount 32.69 million.

5.2 Cash flow

Table 4: Cash flow for Q1 of 2007 over the same period last year

Description			(Unit: Million Baht)	
	Jan. - Mar. 2007	Jan. - Mar. 2006	Change Amount	(%)
Cash flow received (used) from operation activities	47.31	30.91	16.40	53.06
Cash flow received (used) from investing activities	(6.35)	(27.41)	21.06	76.83
Cash flow received (used) from financing activities	7.63	(39.41)	47.04	119.36
Cash flow increase (decrease)	48.59	(35.91)	84.50	235.31

Cash Flow Received from operation activities for Q1 of 2007 was THB 47.31 millions as listed below :

- Cash flow from operation increased in the amount of THB 72.75 millions :
 - The Net profit for Q1 of 2007 in the amount of THB 32.69 millions.
 - Non-monitory expenses in the amount of THB 40.06 millions (Depreciation and Leasehold written-off in the amount of THB 22.52 millions, loss from lost goods as THB 4.25 millions, and loss from dilapidated and slow moving goods as THB 6.85 millions.)
- Cash flow increased amount THB 19.28 million from account payable and note payable.
- Cash flow decreased from remaining goods THB 48.31 million.
- Cash flow increased from accrued tax payment THB 18.41 million.

Cash Flow Used from Investment Activities for Q1 of 2007 in the amount of THB 6.35 millions :

- From short term net Investment as THB 15 millions.
- Purchase of assets as THB 21.34 millions.



Cash Flow Used from Financial Activities for Q1 of 2007 as THB 7.63 million :

- Bank overdrafts as THB 2.01 million.
- Cash received from the warrant exercised for Q1 of 2007 in the amount of THB 9.64 millions.

5.3 Financial Ratios

Table 5: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae

LIQUIDITY RATIOS		1Q'07	1Q'06
Current Ratio	Time	1.11	1.05
Quick Ratio	Time	0.73	0.71
PROFITABILITY RATIOS		1Q'07	1Q'06
Gross Profit Margin	%	31.46	29.64
Net Profit Margin	%	3.73	4.01
Return on Equity**	%	4.76	5.06
Return on Asset**	%	3.45	2.32
FINANCIAL POLICY RATIO		1Q'07	1Q'06
Total Debt to Equity Ratio	Time	1.19	1.22
Interest Coverage Ratio	Time	425.39	302.15
Dividend Payout Ratio**	%	99.10	93.32

**Calculated from net profit of three month period only

The company would like to clarify in addition about the change of accounting policy regarding investment in subsidiaries so that the separate financial statement, which formerly reported investment using the equity method, now reports using the cost method to comply with the announcement no. 32/2549 of the Federation of Accounting Profession in the issue of TAS No.44 definition of consolidated and separate financial statements about investment in subsidiaries company (paragraph 27 and TAS No. 45 definition of consolidated and separate financial statements about investment in associates company (paragraph 11) dated October 11, 2006. The company has also adjusted back to the former year for comparing)

This adjustment caused the net profit on the separate financial statement which using the cost method to differ from the reported in the consolidated financial statement. Which using equity method for the period of Q1/2007 and Q/2006. This caused the investment in associated company decreased in the amount of THB 16.32 million and THB 14.21 million and retain earning decreased THB 19.80 million and THB 17.31 million respectively.



Net profit	separate financial statement	Q1	
		2007	2006
	Cost method	36,169	36,462
	Equity method	32,691	33,363
	Decrease (Million Baht)	(3,478)	(3,099)
	Baht per share	(0.01)	(0.01)

Nevertheless, these differing amounts merely reflect changes in accounting policy, not in any fundamental factor affecting the business.

Signature.....

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