



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

Management Discussion and Analysis

As of September 30, 2007

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Management Discussion and Analysis: SE-ED

1. Overview

The present economic situation was still in the period of slow down continuously from several factors especially the increasing of world petroleum price, including the unstable political situation and the disorders in the deep southern part resulted in people lesser power and desire to consume. This caused the negative effect to overall business including the books business which has been the company main business also got effect.

However the company has still had the strength of business fundamental in being the bookstore chain which branches spread allover the country with the highest sales volume. Then the company could grow along with the growth of overall books business and still opened new several branches in shopping malls and several models of modern trade to support the future growth so that not suffered much from the slow down in books business and still expanded continuously in the low risk direction. This caused to the company solid financial status with enough liquidity for creating suitable value and benefit to shareholder contentedly

Operating performance for the third quarter (3 months) of 2007 compared to the second quarter of 2007. The company's total revenue for the third quarter as of September 30, 2007 rose to THB 1,008.69 million, or decreased 1.46%. The sales revenue accounted for THB 988.12 million, or decreased 2.26%. The profit after tax from operation as of September 30, 2007 was THB 60.39 million, increased of THB 24.21 million, or up 66.92% from second quarter of 2007.

Operating performance for the third quarter (3 months) as of September 30, 2007 over the same period last year. The company's total revenue rose by THB 1,008.69 million, decreased THB 12.88 million, or 1.26% from the same period last year. The sales revenue was up 2.45%. The profit after tax from operation as of September 30, 2007 was THB 60.39 million, or increased 2.83% from the same period last year.

Operating performance for nine -month as of September 30, 2007 over the same period last year. The company's total revenue rose by 2,906.18 million or growth 3.70% from the same period last year. The sales revenue accounted for THB 2,866.93 million, or up 3.48% due to the same cause as in the quarter period. The profit after tax from operation as of September 30, 2007 was THB 129.26 million, or decreased 8.82% from the same period last year.

For the first nine-month as of September 30, 2007, the company has opened more 32 new branches which was the highest number of new branches compared to the nine-month of every year. Total bookstores branches now becomes 248 branches and selling point now become 90 selling points



The company approved the dividend payment for operating performance of Q3 of 2007 from July 1, 2007 to September 30, 2007 at THB 0.10 per share from net profit after the deduction of corporate income tax calculated which showed investment by equity method.

2. Business Summary

Book Store Business

The company has still continuously expanded bookstores branches to provide more convenience for Thais to buy books and supporting for the company future in order to maintain the status of highest sales volume bookstore chain of the country. In Q3 of 2007, the company has opened more 8 new branches at Lotus Tha Bo, Lotus Fang, STC Ramintra, Lotus Nakhon Chai Si, The Mall City Walk Ngamwongwan, Lotus Krabi, Big C Samui and Lotus Det Udom Total bookstores branches now becomes 258 branches with 248 branches are still in operation including 7 branches of franchisees and selling point in Lotus Express, and Lotus now become 90 selling points. 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 Genius Creator company, MIS Softtech, Technology Promotion Association (Thai-Japan), Work point and Oxford University Press which the company has been the distributor of English learning text books (ELT) in Thailand this year 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 books production course to meet the market demand by focusing in printing books for long sales life in a sufficient market size, not concentrated in the titles quantity produced in each year. The company put emphasis on producing reference books, and the books in area need for people and country development. In the end of 2007 the company would begin the project of production English outside reading books which gave both substantial and entertainment to promote more English reading skill for the youths and general people. Besides, the company has recognized the importance of develop and install communication tools for increasing public relation channel 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

3.1 Operating performance for the third quarter (3 months) as of September 30, 2007 over the same period last year.

Table 1: Operating performance for the third quarter (3 months) as of September 30, 2007 over the same period last year.

	(Unit: Million Baht)			
	Q3		Change	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>(%)</u>
Sales	988.12	1,012.89	(24.77)	(2.45)
Other revenue	20.57	8.68	11.89	136.98
Total revenues	1,008.69	1,021.57	(12.88)	(1.26)
Cost of sales	666.79	691.63	(24.84)	(3.59)
SG&A expenses	251.09	239.90	11.19	4.66
Directors' remuneration	0.69	0.56	0.13	23.21
Participating loss in the associated companies	1.25	2.25	(1.00)	(44.44)
Gross Margin	321.33	321.26	0.07	0.02
% Gross Margin	32.52	31.72	-	0.80
EBITDA	112.81	109.80	3.01	2.74
Profit from operation				
accordance with Cash Flow Statement	91.00	104.01	(13.01)	(12.51)
NET PROFIT	60.39	58.73	1.66	2.83
EPS (Baht)	0.19	0.19	-	-

The company's total revenue for Q3 of 2007 was THB 1,008.69 million, decrease THB 12.88 million, or 1.26% from the same period last year. The sales revenue decrease 2.45% due to

- The same store growth was slightly less than last year from the effect of economy and politics which affected in decreasing of consumers behavior.
- Some bookstore branches have been affected from new branches opening nearby location of SE-ED Book Center which several of new branches in this year were located near the existing stores for future growth. This would cause decreasing in several branches sales volume and need time to recover to the same level of sales.



- In last year there were sales from printed matters and nano technology T-shirts in September on the occasion of the 60th anniversary of HM the King's accession to the throne.

The profit after tax as of September 30, 2007 was THB 60.39 million, or increased 2.83% from the same period last year while the revenue was decreased and corporate income tax increased from 25% to 30% due to

- The increasing of high gross margin products sales and decreasing of low gross margin products sales along with the improvement of procurement system efficiency.
- Other income increased THB 11.89 million, the main driver was increasing of dividend, interest income and gain on disposal of securities available for sale.
- This year the company got tax beneficial from investment promotion act and donation of slow moving goods to education institutes.

3.2 Operating performance for first nine-month as of September 30, 2007 over the same period last year

Table 2: Operating performance for first nine-month as of September 30, 2007 over the same period last year

	(Unit: Million Baht)			
	Jan.-Sep.	Jan.-Sep.	Change	
	2007	2006	Amount	(%)
Sales	2,866.92	2,770.38	96.54	3.48
Other revenue	39.26	31.98	7.28	22.76
Total revenues	2,906.18	2,802.36	103.82	3.70
Cost of sales	1,984.65	1,923.80	60.85	3.16
SG&A expenses	718.13	666.43	51.70	7.76
Directors' remuneration	4.48	3.84	0.64	16.67
Participating loss in the associated companies	2.32	3.33	(1.01)	(30.33)
Gross Margin	882.28	846.58	35.70	4.22
% Gross Margin	30.77	30.56	-	0.21
EBITDA	266.31	272.41	(6.10)	(2.24)
Profit from operation accordance with Cash				
Flow Statement	233.67	260.16	(26.49)	(10.18)
NET PROFIT	129.26	141.76	(12.50)	(8.82)
EPS (Baht)	0.40	0.46	(0.06)	(13.04)



Total Revenues for first nine-month of 2007 was THB 2,906.18 million, an increase of THB 103.81 million, or growth 3.70% from the same period last year. The sales revenue accounted for THB 2,866.93 million increase of THB 96.55 million, or up 3.49%. The main driver for such growth was from the sales growth of wholesales business unit with 34.97% growth from the sales of books which grew so much as several items of them were popular in the market and from the English Learning Text books (ELT) of Oxford University Press which the company has been its exclusive distributor since the beginning of this year.

The profit after tax for nine-month as of September 30, 2007 was THB 129.26 million, representing 4.45% of total revenue and THB 0.40 EPS or decreased 8.82% from the same period last year due to

- Gross Margin increased THB 35.70 million, while the selling and administrative expenses increased THB 51.70 million, or up 7.76% which was more than the sales growth of SE-ED Book Center new branches expansion as some part of sales volume still lagged. In the same time the same store growth sales was slightly decreased from last year, so the net margin was decreased.
- The increasing rate of corporate income tax from 25% to 30%. Which compute the corporate income tax in the same rate of last year, the corporate income tax will decrease THB 10.90 million from last year.



4. Dividend payment policy

The company declared a policy to pay dividend no less than 50% of the net profit after the deduction of corporate income tax which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year. For first nine month of 2007, the company have dividend payout ratio was 75.14% of the net profit.

Table 3: 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	32.36
Quarter 2	3/2007	09/08/2007	06/09/2007	0.10	32.37
Year 2006 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	2/2006	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

Table 4: Asset Component

	September 30, 2007		December 31, 2006		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Total Assets</u>	<u>Million</u>	<u>Total Assets</u>	<u>Million</u>	
	<u>Baht</u>		<u>Baht</u>		<u>Baht</u>	
Cash and cash equivalent items	263.53	16.87	290.69	19.67	(27.16)	(9.34)
Short-term investment-net	217.50	13.92	194.79	13.18	22.71	11.66
Account and note receivable-net	100.95	6.46	89.20	6.04	11.75	13.17
Inventories-net	301.31	19.29	231.01	15.64	70.30	30.43
Advanced copyright and translation	19.25	1.23	17.74	1.20	1.51	8.51
Other Current Assets	29.39	1.88	22.46	1.52	6.93	30.85
Total Current Assets	931.91	59.66	845.88	57.25	86.03	10.17
Investment in subsidiary and Associated companies	86.01	5.51	89.33	6.05	(3.32)	(3.72)
Property, plant and equipment-net	274.80	17.59	264.07	17.87	10.73	4.06
Leasehold on buildings-net	144.89	9.28	154.29	10.44	(9.40)	(6.09)
Guarantee for rental and deposit	53.74	3.44	49.67	3.36	4.07	8.19
TOTAL ASSETS	1,562.00	100.00	1,477.50	100.00	84.50	5.72

Total Asset As of September 30, 2007 the company had a total asset of THB 1,562.00 million, increase of THB 84.50 million from the end of last year . Causes of changing of total assets:

- Cash and cash equivalent items for THB 263.53 million decreased of THB 27.16 million from the increasing investment in government bond(age not more than 3 months).
- Short-term investment-net for THB 217.50 million, an increased THB 22.71 million from investment in government bond (age not more than 3 months).
- Accounts and notes receivable-net for THB 100.95 million, an increased 11.75 million from the selling of Oxford books.
- Inventories-net for THB 301.31 million increased THB 70.30 million from 2006, or growth 30.43% from the more purchasing of foreign books in 2007 which we were the distributor in order to expand this new market and also from the increasing of the purchase of non-book products in stock.



- Other current asset increased THB 6.93 million. Most of them was advanced rental payment of head office.

Total liabilities As of September 30, 2007 the Company had a total liability of THB 915.83 million, an increase of THB 103.35 million or 12.72%. Causes of changing of total liabilities:

- Account notes payable-net THB 750.96 million, was increased THB 101.16 million, or 15.57% due to increased inventories.
- Accrued corporate income tax decreased THB 18.70 million due to the 2006 income tax has been paid in May 2007.
- Coupon creditors increased THB 3.87 million which varied to the increasing of bookstore sales.
- House and land tax increased THB 2.72 million due to the opening of new branches.

Shareholders' equity As of September 30, 2007 amount THB 646.17 million, an decrease of THB 18.84 million represent 2.83% due to

- Paid-up share capital decreased THB 9.19 million due to
 - Capital decreased due to the writing off the company's repurchased shares which were not sold out as informed earlier of THB 19.78 million.
 - Paid-up share capital increased THB 10.59 million which increased THB 9.64 million in Q1/2007, THB 0.82 million in Q2/2007 and THB 0.13 million in Q3/2007 from the exercised of warrant to common share of ESOP
- Retained earnings due to the dividend payment as THB 161.80 million.
- Net profit from operation result nine-month of 2007 amount 129.26 million.

5.2 Cash flow

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

Description	Jan. - Sep.		Change	
	2007	2006	Amount	(%)
Cash flow received (used) from operation activities	203.24	236.48	(33.24)	(14.06)
Cash flow received (used) from investing activities	(82.84)	(69.34)	13.50	19.47
Cash flow received (used) from financing activities	(147.56)	(149.37)	1.81	1.21
Cash flow increase (decrease)	(27.16)	17.77	(44.93)	(252.84)

Cash Flow Received from Operation Activities for first nine-month as 2007 was THB 203.24 millions as listed below :

1. Cash flow from operation in the amount of THB 233.67 millions:



- The Net profit for Q3 of 2007 in the amount of THB 129.26 millions.
 - Non-monitory expenses in the amount of THB 104.42 millions (Depreciation and Leasehold written-off in the amount of THB 69.70 millions, loss from lost goods as THB 20.49 millions, and Loss from dilapidated and slow moving goods as THB 15.10 millions.)
2. Cash flow decreased amount THB 12.09 million from account receivable.
 3. Cash flow increased from account and note payable increasing as THB 103.26 millions.
 4. Cash flow decreased amount THB 111.19 million due to the increasing of inventories.
 5. Cash flow decreased amount THB 6.93 million due to the increasing of other current assets.
 6. Cash flow decreased due to the decreasing of accrued tax payment THB 18.70 million.
 7. Cash flow increased amount THB 7.87 million from the increasing of other current liabilities.

Cash Flow Used from Investment Activities for first nine-month as 2007 in the amount of THB (82.84) millions due to purchase of assets as THB 71.80 millions and short term net Investment in the amount of THB 12.05 million.

Cash Flow Used from Financial Activities for first nine-month as 2007 as THB (147.56) million due to Dividend payment as THB 161.80 million and Cash received from the exercised of warrant to common share the exercised of ESOP in the amount of THB 10.59 millions.

5.3 Financial Ratios

Table 6: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae

LIQUIDITY RATIOS		9M'07	9M'06
Current Ratio	Time	1.03	0.99
Quick Ratio	Time	0.64	0.66
PROFITABILITY RATIOS		9M'07	9M'06
Gross Profit Margin	%	30.77	30.56
Net Profit Margin	%	4.45	5.06
Return on Equity**	%	31.33	34.98
Return on Asset**	%	19.08	21.84
FINANCIAL POLICY RATIO		9M'07	9M'06
Total Debt to Equity Ratio	Time	1.42	1.34
Interest Coverage Ratio	Time	1,538.86	1,754.53
Dividend Payout Ratio*	%	75.14	67.34

* Calculated from net profit of nine month period only.

** Calculated from net profit adjusted to full year.



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 3Q/2007 and 3Q/2006. This caused the investment in associated company decreased in the amount of THB 16.48 million and THB 12.98 million and retain earning decreased THB 19.80 million and THB 17.31 million respectively.

(unit : Million Baht)

Net profit	separate financial statement	Q3	
		2007	2006
	Cost method	132,578	146,087
	Equity method	129,256	141,759
	Decrease (Million Baht)	(3,322)	(4,328)
	Baht per share	(0.40)	(0.46)

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

Truly yours,

Viboolsak Udomvanich
Deputy Managing Director and Company Secretary

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