



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

Management Discussion and Analysis

As of December 31, 2007

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Management Discussion and Analysis: SE-ED

1. Overview

Due to the slow down of world economy caused by the sub-prime problem in America and the higher inflation led to the slow down of overall economy of the country. Including the higher petroleum price and instability of politics drove to the decreasing of people purchasing power and willing. As the several factors both inside and outside the country, the overall business performances have got the negative effects including the books business which were our main business.

However the company has still had the strength of business fundamental in being the bookstore chain which branches spread all over 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. The main operation in 2007 were as follow:

- The company's total revenue of the year rose by THB 3,949.59 million or growth 6.01% from the same period last year. The sales revenue accounted for THB 3,898.25 million, or up 5.91%.
- The net profit of the year 2007 was THB 183.80 million or decreased 12.14% from last year.
- For the year 2007, the company has opened more 52 new branches. Total bookstores branches now becomes 268 branches and selling point now become 91 selling points.

The Board of Directors considered and approved the dividend payment for 2007 operating performance at the rate of THB 0.56 per share, total to 181,323,419.30. However, the Company has already paid some interim dividend of first three quarter at THB 0.30 per share, total to THB 97,103,925.50, additional dividend of this period will be THB 0.26 per share, to the amount of 323,921,130 shares which were the latest registered shares on January 22, 2008 that lead to overall payment of THB 84,219,493.80 by setting date of payment to be May 28, 2008 and closing date of the Company's share register to May 15, 2008 at 12:00 a.m.

As the company has granted significance in development of good corporate governance thoroughly, the determination to do business transparently has resulted in 2007 as follow:

- The company received the "Board of The Year for Distinctive Practices" award, 2006/2007 from Thai Institute of Director or IOD co-operated with The Stock Exchange of Thailand, Board of Trade of Thailand, Federation of Thai Industries, The Thai Bankers' Association, Thai Listed Companies Association, and Federation of Thai Capital Market Organizations. The awards were granted to 19 companies for 2006/2007 (14 companies with distinctive practices award and 5 companies for Exemplary Practices award) from more than 400 listed companies. SE-ED was one of the two middle market capital Market Cap (less than 5,000 million Baht) companies that



took home the award this year. Others were large market capital companies, most of them have been in the energy and banking business sector.

- The company was rated as “Excellent” with over 100 scored in the 2007th valuation in the Annual General Meeting (AGM) of the shareholders by the Securities and Exchange Commission in cooperate with the Listed Companies Association and the Thai Investors Association to increase awareness of stockholder’s rights and good corporate governance principles. Additionally, the company has been 1 in 19 good example company of 460 listed company.

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, 20 branches were opened in Lotus Bangpo, Lotus Bor Sang, Lotus Mae Chan, Big C Chon Buri, BigC Buri Rum, Lotus Damnoen Saduak, Lotus Pa Sang, Lotus Si Maha Pho, Lotus Ban Pha, Lotus Pak Phanang, Lotus Kantharaluk, Big C Hang Dong , Lotus Bang Pa-in, Siam Paragon, Home Pro Rayong, Lotus Khok Sumrong, Lotus Sam Chuk, Big C Surat Thani, Lotus Phanom Sarakham and Lotus Pinklao (Merry King). Total bookstores branches now becomes 278 branches with 268 branches are still in operation including 8 branches of franchisees and selling point in Lotus Express, and Lotus now become 91 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 who distributed both the Thai and foreign publishers such as MIS Softtech Co,Ltd., Nation books Co,Ltd., Com on Publishing, Technology Promotion Association (Thai-Japan), Education Mind line multimedia Co,Ltd. 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 year 2007 over the same period last year. (from the financial statement which the equity method)

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

	(Unit: Million Baht)			
	Jan.-Dec.	Jan.-Dec.	Change	
	2007	2006	Amount	(%)
Sales	3,898.25	3,680.70	217.55	5.91
Other revenue	51.34	45.04	6.30	13.99
Participating gain in the associated companies	-	-	-	-
Total revenues	3,949.59	3,725.75	223.84	6.01
Cost of sales	2,683.28	2,520.71	162.57	6.45
SG&A expenses	982.35	901.60	80.75	8.96
Directors' remuneration	5.06	4.52	0.54	11.95
Participating loss in the associated companies	3.05	5.32	(2.27)	(42.67)
Gross Margin	1,214.97	1,159.99	54.98	4.74
% Gross Margin	31.17	31.52	(0.35)	(1.11)
EBITDA	369.52	383.78	(14.26)	(3.72)
Profit from operation accordance with Cash	324.87	372.23	(47.36)	(12.72)
Flow Statement				
NET PROFIT	183.80	209.19	(25.39)	(12.14)

Total revenue of the year 2007 rose by was THB 3,949.59 million, an increase of THB 223.84 million, or up 6.01%. The sales revenue was THB 3,898.25 million, an increase of THB 217.55 million, or up 5.91% while in 2007 there was the slow down economy effect caused by the increasing of petroleum price and unstable politics. This led to the drop of purchasing power and willing to consume of customers which turned to cause the same store sales of SE-ED Book Centers chain and network to be slightly decreased and tended to decrease more in the fourth quarter conforming to the overall retail business. However, as there were so many new branches of up to 52 branches of SE-ED Book Center opened in



2007 the maximum statistics of new branches opening per year especially in the fourth quarter which opened up to 20 branches including the great amount of sales of Harry Potter Book in December drove the sales value of SE-ED Book Center to be 3.22% higher than last year.

Otherwise the company sales from wholesales business unit was 26.44% higher than last year as the company has been distributor of ELT books of Oxford University Press for first year and has been trusted continuously to be distributors for other popular books publishers.

The net profit including the non-operation item as of December 31, 2007 was THB 183.80 million, representing 4.65% of total revenue and THB 0.57 EPS. (For 2006 the company's net profit including the non-operation item net profit was THB 209.19 million, representing 5.61% of total revenue and THB 0.67 EPS) The profit increased of THB 25.35 million or growth 12.14%. Causes of changing of total assets:

- The company gross margin increased THB 54.98 million from last year with ratio of 31.17% of sales revenue which less than last year ratio of 31.52%. The main driver was the portion of selling low margin goods was increased especially the increasing of magazine and newspaper sales.
- The selling and administrative expense increased THB 80.75 million from last year with ratio of 25.20% of sales which was more than last year ratio at 24.50%. The main driver was the slightly decrease of same store sales while the expenditure were increased for bookstore branches. Otherwise the opening of new branches of up to 20 branches in Q4 which was the slowing down economics period caused to sales volume could not catching up with the increasing of expenses, then the selling and administrative expenses to sales revenue ratio was increased. Otherwise the company has also reserved more for slow moving goods which were the cumulative of the out of dated books, slow moving books and other books that could not be distributed from the law arguments.
- The participated loss in the associated firm decreased of THB 3.05 million less than the previous year of THB 2.27 million due to the continuously better profit performing of Plearn Pattana School staffs of Plearn Patt Company.
- The corporate income tax was 91.84 million increased THB 7.64 million from the last year. 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 15.01 million from last year.



3.2 Operating performance for the fourth quarter (3 Months) as of December 31, 2007 over the same period last year.

Table 2: Operating performance for the fourth quarter (3 Months) as of December 31, 2007 over the same period last year

	(Unit: Million Baht)			
	Q4		Change	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>(%)</u>
Sales	1,031.33	910.32	121.01	13.29
Other revenue	12.08	13.06	(0.98)	(7.50)
Total revenues	1,043.41	923.38	120.03	13.00
Cost of sales	698.64	596.92	101.72	17.04
SG&A expenses	264.22	235.17	29.05	12.35
Directors' remuneration	0.58	0.68	(0.10)	(14.71)
Participating loss in the associated companies	0.73	1.99	(1.26)	(63.32)
Gross Margin	332.69	313.40	19.29	6.16
% Gross Margin	32.26	34.43	(2.17)	(6.30)
EBITDA	103.21	111.37	(8.16)	(7.33)
Profit from operation	91.20	90.52	(0.68)	(0.75)
accordance with Cash Flow Statement				
NET PROFIT	54.54	67.43	(12.89)	(19.12)

The company's Q4 total revenue rose to THB 1,043.41 million, increase of THB 120.03 million with same period last year, or 13%. The sales revenue accounted for THB 1,031.33 million, increase of THB 121.01 million, or 13.29% due to in the fourth quarter which opened up to 20 branches including the great amount of sales of Harry Potter Book in December drove the sales value of SE-ED Book Center to higher than same period last year.

The company's Q4 total net profit was THB 54.54 million including the non-operation items, representing 5.23% of total revenue and THB 0.17 EPS. (For 2006 the company's Q4 net profit was THB 67.43 million, representing 7.30% of total revenue and THB 0.22 EPS). The profit decreased from the same period last year of THB 12.89 million, representing 19.12%. The main driver was the portion of selling low margin goods was increased especially the increasing of magazine and newspaper sales.



3.3 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 the year 2007, the company have dividend payout ration was 98.65% 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
Quarter 3	5/2007	13/11/2007	11/12/2007	0.10	32.38
	Total			0.30	97.11
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



4. Financial Position

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

Table 4: Asset Component

	December 31, 2007		December 31, 2006		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
	(Bt mn)	Assets	(Bt mn)	Assets	(Bt mn)	
Cash and cash equivalent items	298.78	17.17	290.69	19.67	8.09	2.78
Short-term investment-net	208.16	11.96	194.79	13.18	13.37	6.86
Account and note receivable-net	92.21	5.30	89.20	6.04	3.01	3.37
Inventories-net	446.50	25.66	231.01	15.64	215.49	93.28
Advanced copyright and translation	19.42	1.12	17.73	1.20	1.69	9.53
Prepaid expense	26.03	1.50	15.81	1.07	10.22	64.64
Other Current Assets	15.07	0.87	13.75	0.93	1.32	9.06
Total Current Assets	1,106.18	63.56	852.98	57.73	253.20	29.68
Investment in subsidiary and Associated companies	85.28	4.90	89.33	6.05	(4.05)	(4.53)
Property, plant and equipment-net	288.63	16.59	264.07	17.87	24.56	9.30
Leasehold on buildings-net	141.73	8.14	154.29	10.44	(12.56)	(8.14)
Assets pending for sales-net	19.20	1.10	19.20	1.30	0.00	0.00
Land not used for operation-net	33.72	1.94	33.78	2.29	(0.06)	(0.18)
Guarantee for rental and deposit	55.63	3.20	49.67	3.36	5.96	12.00
Other non-current assets	9.93	0.57	14.18	0.96	(4.25)	(29.97)
TOTAL ASSETS	1,740.30	100.00	1,477.50	100.00	262.80	17.79

Total Asset As of December 31, 2007 the company had a total asset of THB 1,740.30 million, increase of THB 262.80 million from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items for THB 298.78 million increased of THB 8.09 million



- Short-term investment-net for THB 208.16 million increased THB 13.37 million due to the redemption of government bond (age over than 3 months)
- Inventories-net for THB 446.50 million increased THB 215.49 million due to the company has just been the distributor of English learning text books (ELT) of Oxford University Press in Thailand this year, so it is necessary to stock more books enough to distribute to bookstores suitable amount and as this was the first year of being distributor along with the fact that most of these books were composite books for learning and teaching in schools, so the providing of adequate books for the opening academic school term was necessary in order not to lose the sales opportunity.
- Prepaid expense increased of THB 10.22 million. Most of them was prepaid expense rents for new bookstores branches and warehouse.
- Property, plant and equipment-net asset increased THB 24.56 million due to opening of new branches which was the maximum statistics of new branches opening per year in 2007.

Total liabilities As of December 31, 2007 the company had a total liability of THB 1,073.19 million, an increase of THB 260.70 million. Increase in liabilities resulted from Account payable and note payable THB 858.78 million as of 2007 increased THB 208.98 million from outstanding debt of consignment creditors and wholesales creditors.

Shareholders' equity As of December 31, 2007 amount THB 667.11 million, an increased of THB 2.10 million represent 0.32% 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 10.65 million from the exercised of warrant to common share of ESOP.
- Retained earnings due to the dividend payment as THB 194.18 million.
- Net profit from operation result year of 2007 amount 183.80 million.

4.2 Cash flow

Table 5: Cash flow for first nine-month as 2007 over the same period last year

Description	Jan. - Dec		(Unit: Million Baht)	
	2007	2006	Received	(used)
			Amount	(%)
Cash flow received (used) from operation activities	301.55	327.01	(25.46)	(7.79)
Cash flow received (used) from investing activities	(107.92)	(124.70)	16.78	(13.46)
Cash flow received (used) from financing activities	(185.54)	(181.39)	(4.15)	2.29
Cash flow increase (decrease) from financing activities	8.09	20.91	(12.82)	(61.31)



Cash Flow Received from operation activities in 2007 was THB 301.55 millions as listed below :

1. Cash flow from operation in the amount of THB 324.87 millions:
 - The net profit of the year 2007 in the amount of THB 183.80 millions.
 - Non-monitory expenses in the amount of THB 141.07 millions (Depreciation and Leasehold written-off in the amount of THB 93.67 millions, loss from lost goods as THB 28.92 millions, Loss from dilapidated and slow moving goods as THB 11.29 millions and Loss from goods donation as THB 4.75 millions.)
2. Cash flow decreased from trade accounts increasing as THB 10.30 millions.
3. Cash flow increased from trade account and note payable increasing as THB 212.23 millions.
4. Cash flow decreased amount THB 264.03 million due to the increasing of inventories of foreign books. Which the company has just been the distributor of English learning text books (ELT) in Thailand this year as the first year.
5. Cash flow increased from accrued expense THB 23.08 million. Most of them were accrued expense for new branches rental and service charges which depended on the increasing of new branches.
6. Cash flow increased due to the increasing of other current liabilities THB 23.56 million as some of them were the increasing of selling gift coupon using to buy goods in SE-ED Book Center stores.

Cash Flow Used from Investment Activities for 2007 in the amount of THB (124.70) millions :

Purchase of assets as THB 106.67 millions.

Cash Flow Used from Financial Activities in 2007 as THB (185.54) million as listed below:

1. Cash used from bank overdrafts was THB 2.01 million.
2. Cash used in dividend payment was THB 194.18 million.
3. Cash received from the warrant exercises was THB 10.65 million.

Financial Ratios

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

LIQUIDITY RATIOS		2007	2006
Current Ratio	Time	1.04	1.05
Quick Ratio	Time	0.56	0.71
Cash Flow Ratio	Time	0.32	0.41
Accounts Receivable Turnover	Time	7.07	6.06
Average Debt Collection Period	Time	51	59
Inventory Turnover	Time	6.93	9.16



Average Selling Period	Day	52	39
Debtor Turnover	Time	3.56	3.88
Debt Payment Period	Day	101	93
Cash Cycle	Day	2	6
PROFITABILITY RATIOS		2007	2006
Gross Profit Margin	%	31.17	31.52
Operating Profit	%	7.08	7.98
Other Profit	%	1.30	1.21
Cash to Earnings Ratio	%	109.32	111.38
Net Profit Margin	%	4.65	5.61
Rate of Return to Equity	%	27.60	32.73
EFFICIENCY RATIOS		2007	2006
Return on Asset	%	17.15	20.43
Return on Fixed Assets	%	65.39	71.22
Asset Turnover	Time	2.45	2.59
FINANCIAL POLICY RATIO		2007	2006
Debt to Equity Ratio	Time	1.61	1.22
Interest Capability Ratio	Time	1,842.50	2,091.06
Debt Service Coverage Ratio	Time	1.00	1.27
Dividend Payout Ratio**	%	98.65	93.81

**Dividend payment rate for 2007 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 29, 2008 and calculate from the amount of common shares counted on January 22, 2008.

Truly yours,

Viboolsak Udomvanich
Deputy Managing Director and Company Secretary

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