



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

Management Discussion and Analysis

As of September 30 ,2008

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Management Discussion and Analysis: SE-ED**1. OVERVIEW**

In the first nine-month of the year, the company faced up to the slow down economy from much raising petroleum price in the first half year and the financial crisis in U.S. which affected to all over the world economy Addition to negative factor in politic situation which tended to be more violence continuously and no sign to end easily, causing widespread tension in people purchasing and consuming and sent warning signal to people to change behavior in more awareness of their consume including turn to deposit more which caused the same store sales growth to be just slightly increased.

As the company has firmly believed in the potential of the book business, it continuously opened new branches of its bookstore both in shopping malls and in various forms of modern trade businesses, of which branches increased in number in order to support the business's future growth as well. Therefore, in the first nine-month sales increased from the effect of opening 20 new bookstore branches in the fourth quarter last year and the 39 new branches in this year including the increasing of sales from distribution wholesales business unit at the satisfactory growth rate.

Operating performance for first nine-month of 2008 were as follow:

- The company's total revenue for nine-month of 2008 was THB 3,309.53 million or growth 13.89% from the same period of previous year. The sales revenue accounted for THB 3,269.37 million or up 14.04%.
- The net profit for the nine-month as of September 30, 2008 was THB 156.44 million or growth 21.03% from the same period of previous year due to the sales growth of 14.04% to the same of previous year.
- For nine-month as of September 30, 2008, the company has opened more 39 new branches which was the maximum new branches opening compared to the period of first nine-months of every years. Total bookstores branches now becomes 305 branches and selling point now become 39 selling points.

Operating performance for three-month as of September 30, 2008 were as follow :

- The company's total revenue for the third quarter as of September 30, 2008 by THB 1,149.19 million or growth 13.95% from the same period of previous year. The sales revenue accounted for THB 1,130.12 million or up 14.37%.
- The net profit for three-month as of September 30, 2008 was THB 46.61 million, or decreased 22.82% from the same period last year due to the Gross profit increased THB 15.93 million while selling and administrative expense increased THB 41.52 million or up 16.55%.

To approve the interim dividend payment for operating performance of quarter 3/2008 from July 1, 2008 to September 30, 2008. As the company has been continual profitability and high liquidity, the board of directors has agreed to pay dividend at THB 0.10 per share, to the amount of 323,921,130 shares from net profit after the deduction to corporate income tax from the financial statement which the equity method. The record date for the right to receive the interim dividend is scheduled on November 27, 2008 and the closing date of shareholders register book will be November 28, 2008. The payment of interim dividend will be made on December 11, 2008.

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 third quarter, 11 branches were opened in Lotus Map Ta Phut, Chamchuri Square, Lotus Si Sa Ket, Lotus Uthumphon Phisai, Big C Navanakorn, Big C Rangsit Khlong 6 , Lotus Pran Buri, Coliseum Cineplex Phatthalung, Subsin Plaza Songkhla, Big C Yasothon and Pure Place Sammakorn Khlong 2 Total bookstores branches now becomes 317 branches with 305 branches are still in operation including 9 branches of franchisees and 39 points of sales currently in operation. 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 Education Mind Line Multimedia Co., Ltd., Wadsin Co., Ltd., Nation books International Co.,Ltd, MIS Softtech Co.,Ltd, Rak-look Family Group Co.,Ltd, Come On Publishing 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 first nine-month as of September 30, 2008 over the same period last year

Table 1: Operating performance for first nine-month as of September 30, 2008 over the same period last year

(Unit: Million Baht)

	Jan.-Sep.		Change	
	2008	2007	Amount	(%)
Revenues from sales	3,269.37	2,866.93	402.44	14.04
Cost of sales	2,257.51	1,984.65	272.86	13.75
Gross Margin	1,011.86	882.28	129.58	14.69
Other income	26.92	25.98	0.94	3.62
Interest and dividend income	13.24	13.10	0.14	1.07
Total Revenue	3,309.53	2,906.01	403.52	13.89
SG&A expenses	841.95	717.95	124.00	17.27
Directors' remuneration	8.16	4.48	3.68	82.14
Participating loss from investment in associated companies	(0.86)	(2.32)	(1.46)	62.93
Gross Margin (%)	30.95	30.77	-	0.18
EBITDA	277.97	266.31	11.66	4.38
Profit from operation accordance with Cash Flow Statement	295.63	287.94	7.69	2.67
NET PROFIT	156.44	129.26	27.18	21.03
EPS (Baht)	0.48	0.40	0.08	20.00

Total revenue for nine-month of 2008 was rose by THB 3,309.53 million or growth 13.89% from the same period last year. The sales revenue accounted for THB 3,269.37 million, or up 14.04%. The main driver for increasing revenue contrary to the slowing down world economy was the effect of opening 20 new bookstore branches in the fourth quarter last year and the 39 new branches in this year causing to the increase of sales volume compared to the same period last year.

Including the growth of same stores sales due to the slightly increasing sales of newspapers and magazines and books which the company has been exclusively been distributor have sales volume much better than the same period last year, with additional sales of new branches, so the revenue of SE-ED Book Center and network was increased up to 14.22%.

Otherwise the company sales from wholesales business unit was 12.16% higher than same period of previous year as the company has been distributor of ELT books of Oxford University Press

with 46.38% increased and has been trusted continuously to be distributors for other popular books publishers.

The net profit for nine - month as of September 30, 2008 was THB 156.44 million, or increased 21.03% from the same period last year. Due to the sales growth of 14.04% to the same of previous year. For net profit calculation, the company still based on 30% income tax rate which was higher than other company in SET which based on 25%, this was according to the announcement of the Royal Decree No. 460 and 475 with some unclear condition for reducing tax rater in practice, the company has sent a letter requesting clarification to the Revenue Department since middle of 2008. However the company has still net received any official synopsis from the Revenue Department, so the 30% tax rate has still be used in calculation.

The selling and administrative expense increased THB 124 million, or increased 17.27% with higher growth ratio than sales growth of SE-ED books center expansion because some sales portion could not catch up the expansion. The main driver due to the increasing of rental and service rate and employees incentives according with the growth of new branches including the raising of minimum wage rate and higher cost of living rate. Besides, the main driver of higher expense to sales ratio was the same store sales growth rate of 9 months period less than expense growth rate due to the slow down economy and more tense in politics situation.

3.2 Operating performance for the third quarter (3 months) as of September 30, 2008 over the same period last year.

Table 2 : Operating performance for the third quarter (3 months) as of September 30, 2008 over the same period last year.

(Unit: Million Baht)

	Q3		Change	
	<u>2008</u>	<u>2007</u>	<u>Amount</u>	<u>(%)</u>
Revenues from sales	1,130.12	988.12	142.00	14.37
Cost of sales	792.86	666.79	126.07	18.91
Gross Margin	337.26	321.33	15.93	4.96
Other income	14.01	17.07	(3.06)	(17.93)
Interest and dividend income	5.06	3.33	1.73	51.95
Total Revenue	1,149.19	1,008.52	140.67	13.95
SG&A expenses	292.43	250.91	41.52	16.55
Directors' remuneration	1.57	0.69	0.88	127.54
Participating loss from investment in associated companies	0.99	1.25	(0.26)	(20.80)
Gross Margin (%)	29.84	32.52	-	(2.68)
EBITDA	88.07	112.80	(24.73)	(21.92)
Profit from operation accordance with Cash	92.84	116.15	23.31	20.07
Flow Statement				
NET PROFIT	46.61	60.39	(13.78)	(22.82)
EPS (Baht)	0.14	0.19	(0.05)	(26.32)

Total revenue for the third quarter as of September 30, 2008 rose to THB 1,149.19 million, or up 13.95%. The sales revenue accounted for THB 1,130.12 million, or up 14.37%. The main driver for such growth was from the sales growth of SE-ED Book Center new branches which increased from the growth of newspaper and magazines sales including the sales from a few of distribution books which were in popular tide and an increasing in book publishing service.

The net profit for three-month as of September 30, 2008 was THB 46.61 million, or decreased 22.82% from the same period last year. Due to the gross margin increased THB 15.93 million while selling and administrative expense increased THB 41.52 million or up 16.55 % which was higher than sales growth rate. 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 41.52 million from the same period of previous with ratio of 16.55% due to the same cause as in the 9 months period.

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 from the financial statement which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year.

Table 3: The dividend payment of 2008, 2007 and 2006 as follow:

Year 2008 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	2/2008	09/05/2008	06/06/2008	0.10	32.39
Quarter 2	3/2008	08/08/2008	05/09/2008	0.10	32.39
Quarter 3	4/2008	12/11/2008	11/12/2008	0.10	32.39
Year 2007 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	2/2007	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
Quarter 4	1/2008	29/04/2008	28/05/2008	0.26	84.22
Total				0.56	181.33
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

5. Financial Position

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

Table 4: Asset Component

(Unit: Million Baht)

Description	September 30, 2008		December 31, 2007		Change	
	Amount	% to	Amount	% to	Amount	%
	Million	Total	Million	Total	Million	
	Baht	Assets	Baht	Assets	Baht	
Cash and cash equivalent items	276.54	15.70	298.78	17.17	(22.24)	(7.44)
Short-term investment-net	177.38	10.07	207.30	11.91	(29.92)	(14.43)
Trade accounts and note receivable-net	101.65	5.77	92.21	5.30	9.44	10.24
Loan due from associated company	16.00	0.91	-	-	16.00	100.00
Inventories-net	470.79	26.73	446.50	25.66	24.29	5.44
Other current assets	19.49	1.11	21.38	1.23	(1.89)	8.84
Total Current Assets	1,079.19	61.28	1,092.62	62.78	(13.43)	(1.23)
Property, plant and equipment-net	327.19	18.58	271.55	15.60	55.64	20.49
Leasehold on buildings-net	132.29	7.51	141.73	8.14	(9.44)	(6.66)
Assets pending for sale-net	-	-	19.20	1.10	(19.20)	(100.00)
Guarantee for rental and deposit	65.19	3.70	55.63	3.20	9.56	17.18
Total Assets	1,761.20	100.00	1,740.31	100.00	20.89	1.20

Total Asset As of September 30, 2008 the company had a total asset of THB 1,761.20 million, increase of THB 20.89 million from the end of last year. Causes of changing of total assets :

- Cash and cash equivalent items for THB 276.54 million decreased of THB 22.24 million
- Short-term investment-net for THB 177.38 million decreased THB 29.92 million from investment in government bond (age over than 3 months).
- Trade accounts and notes receivable-net for THB 101.65 million, an increased 9.44 million from being the hiring of printing dictionary in the third quarter of 2008.
- Loan due from associated company increased 16 million from the loan to Plearn Patt Co.,Ltd.

- Inventories-net for THB 470.79 million increased THB 24.29 million from the publishing of dictionaries series and English language outside reading series which was the first year publishing.
- Property, plant and equipment-net for THB 327.19 million increased THB 55.64 million from in the first nine-month opening of more 39 new branches.
- Assets pending for sale-net decreased THB 19.20 million from sales of five four-storied buildings in Din Dang district.

Total liabilities As of September 30, 2008 the Company had a total liability of THB 1,096.60 million, an increase of THB 23.40 million or 2.18%. Causes of changing of total liabilities :

- Accrued corporate income tax decreased THB 41.49 million due to the 2007 income tax has been paid in May 2008.
- Account payable and note payable THB 911.99 million, was increased THB 53.21 million. Most of them was wholesales creditors of SE-ED Book Center and account payable of distributors.
- Accrued expenses THB 98.87 million, was increased THB 3.75 million. Most of them were Accrued Bonus and House and land tax.
- Other current liabilities THB 31.35 million, was increased THB 3.68 million. Most of them were Accrued Rents.

Shareholders' equity As of September 30, 2008 amount THB 664.59 million, an decrease of THB 2.52 million represent 0.38% due to:

- Paid-up share capital increased THB 0.16 million from the exercised of warrant to common share the exercised of ESOP. (Since rights to exercise warrants was expired on January 14, 2008.)
- Retained earnings decreased due to the dividend payment as THB 149 million.
- Net profit from operation result for nine-month of 2008 amount 156.44 million.
- Unrealized loss from investment available for sales increased THB 9.36 million from due to the financial crisis in the U.S. which affected to Thai capital market and monetary market with additional of prolonged politics problem causing to the decline of Thai Securities exchange.

5.2 Cash flow

Table 5: Cash flow for first nine-month as 2008 over the same period last year

(Unit : Million Baht)

Description	Jan. - Sep.		Change	
	<u>2008</u>	<u>2007</u>	<u>Amount</u>	<u>(%)</u>
Cash flow received (used) from operation activities	209.05	190.10	18.95	9.97
Cash flow received (used) from investing activities	(80.28)	(66.36)	(13.92)	(20.98)
Cash flow received (used) from financing activities	(151.02)	(150.90)	(0.12)	(0.08)
Cash flow increase (decrease)	(22.25)	(27.16)	4.91	18.08

Cash Flow Received from Operation Activities for first nine-month as 2008 was THB 209.05 millions as listed below:

- Cash flow from operation increased in the amount of THB 295.63 millions:
 - The Net profit before corporate income tax for first nine-month of 2008 in the amount of THB 200.93 millions.
 - Non-monitory expenses in the amount of THB 94.70 millions (Depreciation and Leasehold written-off in the amount of THB 74.22 millions, Loss from lost goods as THB 11.75 millions, and Loss from dilapidated and slow moving goods as THB 11.68 millions.)
- Cash flow increased from trade accounts and notes payable THB 53.21 million.
- Cash flow decreased amount THB 67.46 million from inventories.
- Cash flow increased amount THB 8.42 million from other current assets.
- Cash flow decreased from tax payment THB 85.98 million.

Cash Flow Used from Investment Activities for first nine-month of 2008 in the amount of THB (80.28) millions as listed below:

- Cash flow decreased from Purchase of assets as THB 118.97 millions due to investment for new branches expansion.
- Cash flow increased from selling of short-term investments in government bond (age over than 3 months) at the value of THB 21.60 million.
- Cash flow increased amount THB 20 millions from sales of assets pending for sale of five four-storied buildings.
- Cash flow decreased from Loan due from associated company as THB 16 millions.

Cash Flow Used from Financial Activities for first nine-month as 2008 was THB (151.02) million due to Dividend payment as THB 149 million.

5.3 Financial Ratios

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

LIQUIDITY RATIOS		9M'08	9M'07
Current Ratio	Time	0.99	1.03
Quick Ratio	Time	0.51	0.56
PROFITABILITY RATIOS		9M'08	9M'07
Gross Profit Margin	%	30.95	30.77
Net Profit Margin	%	4.73	4.45
Return on Equity*	%	32.19	30.82
Return on Asset*	%	16.87	19.08
FINANCIAL POLICY RATIO		9M'08	9M'07
Total Debt to Equity Ratio	Time	1.65	1.42
Interest Coverage Ratio	Time	1,851.64	1,439.37

*Calculated from net profit adjusted to full year.

Signature.....

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