



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

Management Discussion and Analysis

As of June 30, 2009

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Management Discussion and Analysis: SE-ED

1. OVERVIEW

In overall the company has been effected from the slow down economic situation and other internal factors clouding the unstable politics and widespread of swine flue causing wide anxiousness which effected to the decreasing of people spending and less people circulated in the shopping mall, so the company sales growth rate has decreased.

However the company can perform better sales and profit in the Q2 than Q1 of this year and better than Q2 of last year which was satisfied for this situation and showing that the company can keep a good profit making with the main operation in Q2 of 2009 as follow:

- The Company's total revenue for the second quarter as of June 30, 2009 is worth THB 1,227.45 million or increased from the same period of the previous year by 10.80%. The sales revenue is accounted for THB 1,213.83 million from the total revenue or increased by 10.90%.
- The Company's net profit for the second quarter as of June 30, 2009 is worth THB 57.16 million, which increased from the same period of the previous year by 0.56% and 12.83% higher than Q1 of 2009.
- For the seconds quarter as of June 30, 2009 the Company opened more 7 new branches of SE-ED Book Center, which results in, as of June 30, 2009 the total number of 313 operating branches and 35 operating selling units.

Besides, the board of directors has approved the interim dividend payment for operating performance of quarter 2/2009 from April 1, 2009 to June 30, 2009. 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 portion from the financial statement which the equity method calculated by which is not exempt from corporate income tax. The record date for the right to receive the interim dividend is scheduled on September 1, 2009 and the closing date of shareholders register book will be September 2, 2009. The payment of interim dividend will be made on September 11, 2009.

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 second quarter, 7 branches were opened in Carrefour Udon thani, Big C Sisaket, Carrefour Rom Klao, Central Plaza Chonburi, Big C Udon thani, Carrefour Pracha Uthit and Homeworks Ratchaphruek Total bookstores branches now becomes 337 branches with 313 branches are still in operation including 7 branches of franchisees and 35 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 play a major role as the largest books distributor in distributing books for both Thai and foreign local publishers such as Nation International Edutainment Public Company Limited, MIS Publishing Co.,Ltd, Nation Egmont Edutainment Co.,Ltd., MIS Softtech Co.,Ltd., Education Mind Line Multimedia Co., Ltd., Come On Publishing and Oxford University Press (English Language Teaching Division) for which the company has been exclusive distributor in Thailand since 2007 until now, etc. The books from various publishers are supplied to the branches of SE-ED Book Center and Book Variety, other bookshops in distributing network and educational institutions. Moreover, the company has still develops distribution system to maximize efficiency which supports 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 Q2 of 2009 over the same period last year. (from the financial statement which the equity method)

Table 1 : Operating performance for Q2 of 2009 over the same period last year.

Description	(Unit: Million Baht)			
	Q2 (3M)		Change	
	2009	2008	Amount	(%)
Sales	1,213.83	1,094.54	119.29	10.90
Cost of sales	833.13	751.86	81.27	10.81
Gross Margin	380.70	342.68	38.02	11.09
Other income	7.08	5.95	1.13	18.99
Interest and dividend income	1.77	4.08	(2.31)	(56.62)
Selling expenses	111.89	94.40	17.49	18.53
Administrative expenses	195.02	188.64	6.38	3.38
Directors' remuneration	6.51	6.22	0.29	4.66
Participating profit from investment in associated companies	4.77	3.25	1.52	46.77
Gross Margin (%)	31.36	31.31	0.05	0.16
EBITDA	108.98	92.04	16.94	18.41
Profit from operation accordance with Cash Flow Statement	117.51	107.42	10.09	9.39
NET PROFIT	57.16	56.84	0.32	0.56
EPS (Baht)	0.18	0.18	-	-

Total revenue for the second quarter as of June 30, 2009 is worth THB 1,227.45 million or increased from the same period of the previous year by 10.80%. The sales revenue is accounted for THB 1,213.83 million from the total revenue or increased by 10.90%.

The company sales increased from the increasing sales of SE-ED book center and its chain stores network at 10.33% due to the growth same store sales at 3.86% from the large amount increasing sales of newspaper, magazines, SE-ED books and other books consigned from the same period of last year. Another driver was the sales of 49 new branches of SE-ED Book Center in 2008 and new branches in 2009.

Including the company sales from the book distribution business, and the wholesales of books to other bookstores, schools and universities increased to 15.08% from the same period of last year. Due to effected from the government policy of “15 year free learning” which caused to the increasing sales of SE-ED books to 52.24% than same period last year and from the better sales of dictionary category in the opening academic term, better satisfactory sales of SE-ED distributed books especially in the category of religion books, philosophy books to secure people spirit in this situation including the company has been trusted from several publishers to assign as distributor of books in popular tide continuously.

Otherwise, the company revenue increased from the participated gain in the associated firm increased to THB 4.77 million which was more than the previous year of THB 1.52 million due to the continuously better profit performing of Plearn Pattana School under the management of Plearn Patt Company.

Net profit before corporate income tax for the second quarter as of June 30, 2009 is worth THB 80.89 million, which increased from the same period of the previous year by 21.30%. Due to the sales growth of 10.90% to the same of previous year and the company could maintained reasonable profit situation from the gross margin rate slightly increased due to the sales growth of high profit products, which were SE-ED published books in SE-ED Book Center and the book distribution business, and the wholesales of books to other bookstores, schools and universities.

However the Company's net profit for the second quarter as of June 30, 2009 is worth THB 57.16 million. Which was a little bit higher than the same period last year just 0.56% due to the company has more tax benefit from the same period last year which are the benefit from sales of assets pending for sale and efficiency improvement including the managing of depreciated and slow moving goods by donation and destroying which effected to the lower tax payment than normal and causing to the slightly increased in net profit of this year.

3.2 Operating performance for first six-month as 2009 over the same period last year. (from the financial statement which the equity method)

Table 2 : Operating performance for first six-month as 2009 over the same period last year

(Unit: Million Baht)

Description	Q2 (6M)		Change	
	2009	2008	Amount	(%)
Sales	2,289.53	2,139.25	150.28	7.02
Cost of sales	1,564.67	1,464.64	100.03	6.83
Gross Margin	724.86	674.61	50.25	7.45
Other income	15.39	12.91	2.48	19.21
Interest and dividend income	5.16	8.19	(3.03)	(37.00)
Selling expenses	216.36	186.49	29.87	16.02
Administrative expenses	363.12	348.58	14.54	4.17
Directors' remuneration	19.17	21.03	(1.86)	(8.84)
Participating profit from investment in associated companies	3.19	0.13	3.06	2,353.85
Gross Margin (%)	31.66	31.53	0.13	0.41
EBITDA	205.54	189.90	15.64	8.24
Profit from operation accordance with Cash Flow Statement	218.27	202.79	15.48	7.63
NET PROFIT	107.83	109.83	(2.00)	(1.82)
EPS (Baht)	0.33	0.34	(0.01)	(2.94)

Total revenue for six-month as of June 30, 2009 is worth THB 2,313.27 million or increased from the same period of the previous year by 7.07%. The sales revenue is accounted for THB 2,289.53 million from the total revenue or increased by 7.02%. due to the 49 new branches opened in 2008 and 10 new branches in 2009 causing sales growth of 7.45% while still maintained same store sales rate in such difficult condition including the sales growth of distribution books and wholesales at 4.69% from the same period last year with the same reason as the quarter period.

Net profit for six-month as of June 30, 2009 is worth THB 107.83 million, which decreased from the same period of last year by 1.82%. The main drivers were:

- The sales and administrative expenses increased from the same period of last year by THB 44.41 million or 8.30%, which is higher than the sales growth rate. This is the result from the following:

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- The same-store sales growth that is lower than the increasing expenses, which is the consequence of the economic, political problems stated above and widespread of swine flue.
 - The rental fee, service expenses, and employees' salaries increased because of the new branches, and the higher transportation fee due to the increased petroleum price caused to the slightly increasing of sales and administrative expense from last year.

However, The Company's net profit before corporate income tax for six-month as of June 30, 2009, which increased from the same period of the previous year by 7.30%. But the net profit for the second quarter as of June 30, 2009 is decreased from the same period of the previous year by 1.82% which are the benefit from sales of assets pending for sale.

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 2009, 2008 and 2007 as follow:

Year 2009 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	3/2009	11/05/2009	09/06/2009	0.10	32.39
Quarter 2	4/2009	14/08/2009	11/09/2009	0.10	32.39
Total				0.20	64.78
Year 2008 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	2/2008	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
Quarter 4	1/2009	29/04/2009	28/05/2009	0.29	93.94
Total				0.59	191.11
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

5. FINANCIAL POSITION

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

Table 4 : Asset Component

(Unit: Million Baht)

Description	June 30, 2009		December 31, 2008		Change	
	Amount	% to	Amount	% to	Amount	%
	Million Baht	Total Assets	Million Baht	Total Assets	Million Baht	
Cash and cash equivalent items	393.01	21.57	336.68	18.43	56.33	16.73
Short-term investment-net	175.57	9.64	167.93	9.19	7.64	4.55
Trade accounts and notes receivable-net	119.14	6.54	81.12	4.44	38.02	46.87
Loan due from associated company	-	-	11.00	0.60	(11.00)	(100)
Inventories-net	409.25	22.46	498.62	27.30	(89.37)	(17.92)
Prepaid expenses	29.50	1.62	23.71	1.30	5.79	24.42
Other current assets	14.02	0.77	14.43	0.79	(0.41)	(2.84)
Total Current Assets	1,140.49	62.60	1,133.49	62.06	7.00	0.62
Investment in subsidiary and Associated Companies	77.29	4.24	75.60	4.14	1.69	2.24
Property, plant and equipment-net	335.80	18.43	345.22	18.90	(9.42)	(2.73)
Leasehold on buildings-net	122.89	6.75	129.13	7.07	(6.24)	(4.83)
Guarantee for rental and deposit	65.52	3.60	63.68	3.49	1.84	2.89
Total Assets	1,821.90	100	1,826.49	100	(4.59)	(0.25)

Total Asset As of June 30, 2009 the Company had a total asset of THB 1,821.90 million, decrease of THB 4.59 million. Causes of changing of total assets:

- Cash and cash equivalent items as of June 30, 2009 for THB 393.01 million increased of THB 56.33 million from the increasing investment in government bond (age not more than 3 months).
- Trade accounts and notes receivable-net increased THB 38.02 million due to the increasing of books supplying to debtors of the wholesales and distribution business which would have a great sales volume in the beginning of academic opening term.

- Loan due from associated company increased THB 11 million as the return loan in Q1 of 2009 from Plearn Patt Company which can received loan with better condition from other sources.
- Inventories-net THB 409.25 million decreased THB 89.37 million from selling the end of last year reserved stock of foreign books of Oxford University Press text at the end of last year which would have a great sales volume in the beginning of academic opening term.

Total liabilities As of June 30, 2009 the Company had a total liability of THB 1,179.31 million, an increase of THB 6.77 million, represent 0.58%. Causes of changing of total liabilities:

- Account payable and note payable THB 979.17 million, was increased THB 7.06 million. Most of them was account payable of distributors which grew so much as several items of them were popular in the market.
- Accrued expense was THB 89.67 million, decreased THB 7.77 million mainly cause from bonus expense.
- Accrued corporate income tax was THB 37.99 million, increased THB 15.90 million due to the increasing 1H of year 2009 profit which lead to the increasing of Accrued corporate income tax.
- Other accounts and notes payable THB 24.84 million, was decreased THB 11.83 million. Most of them was the decreased of accrued cheque payment for prepaid rental of Distribution Center (King Kaeo Warehouse).

Shareholders' equity As of June 30, 2009 amount THB 642.60 million, an decrease of THB 11.35 million represent 1.74% due to:

- Net profit from operation result 1H of 2009 amount THB 107.83 million.
- Unrealized loss-securities available for sale decreased THB 7.64 million due to the increasing market price of Asset Plus fund.
- Retained earnings due to the dividend payment as THB 126.33 million.

5.2 Cash flow

Table 5 : Cash flow for Q2 of 2009 over the same period last year.

Description	(Unit: Million Baht)			
	Jan. - Jun.	Jan. - Jun.	Change	
	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>(%)</u>
Cash flow received (used) from operation activities	207.40	143.91	63.49	44.12
Cash flow received (used) from investing activities	(22.63)	(21.09)	(1.54)	(7.30)
Cash flow received (used) from financing activities	(128.44)	(116.45)	(11.99)	(10.30)
Cash flow increase (decrease)	56.33	6.37	49.96	784.30

Cash Flow Received from operation activities for Q2 of 2009 was THB 207.40 millions as listed below:

- Cash flow from operation increased in the amount of THB 218.27 million:
 - The Net profit before corporate income tax 1H of 2009 in the amount of THB 149.81 million.
 - Non-monitory expenses in the amount of THB 68.46 million (Depreciation and Leasehold written-off in the amount of THB 53.96 million, loss from lost goods as THB 11.14 million, and Participating profit from investment in associated companies as THB 3.19 million)
- Cash flow decreased amount THB 38.98 million from Trade accounts and notes receivable due to the increasing of books supplying to debtors of the wholesales and distribution business which would have a great sales volume in the beginning of academic opening term.
- Cash flow increased from the decrease of THB 67.78 million inventories, mainly from the sale increase of Oxford University Press text books before the beginning of academic semester.
- Cash flow decreased amount THB 11.83 million from payable and note payable.

Cash Flow Used from Investment Activities for Q2 of 2009 in the amount of THB 22.63 millions as listed below:

- Cash flow increased from cash received from associated companies (Plearn Patt Co.,Ltd.) as THB 11 million.
- Cash flow decreased from Purchase of assets as THB 37.32 million.

Cash Flow Used from Financial Activities for Q2 of 2009 as THB 128.44 million due to dividend payment of THB 126.33 million.

5.3 Financial Ratios

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

LIQUIDITY RATIOS		1H'09	1H'08
Current Ratio	Time	0.97	1.02
Quick Ratio	Time	0.59	0.55
PROFITABILITY RATIOS		1H'09	1H'08
Gross Profit Margin	%	31.66	31.53
Net Profit Margin	%	4.66	5.08
Return on Equity	%	29.63	35.16
Return on Asset	%	14.63	18.49
FINANCIAL POLICY RATIO		1H'09	1H'08
Total Debt to Equity Ratio	Time	1.84	1.70
Interest Coverage Ratio	Time	1,709.05	1,413.16

Signature.....

(Miss Aree Sae-Ung)

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