
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 but was still be satisfied compared to overall retail business of the country which were rather extremely effected. Operating performance for first nine-month of 2009 were as follow:

- The Company's total revenue for nine-month as of September 30, 2009 is worth THB 3,449.19 million or increased from the same period of the previous year by 4.25%. The sales revenue is accounted for THB 3,418.47 million from the total revenue or increased by 4.56%.
- The Company's net profit for the nine-month as of September 30, 2009 is worth THB 148.03 million, which decreased from the same period of the previous year by 5.38%.
- For the nine-month as of September 30, 2009 the Company opened more 13 new branches of SE-ED Book Center, which results in, as of September 30, 2009, the total number of 316 operating branches and 33 operating selling units.

To approve the interim dividend payment for operating performance of quarter 3/2009 from July 1, 2009 to September 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 December 1, 2009 and the closing date of shareholders register book will be December 2, 2009. The payment of interim dividend will be made on December 11, 2009.

As the company has granted significance in development of good corporate governance and run business with transparency thoroughly, with the determination to do business conforming to the social benefit and along with environment care causing to receiving 2 honors award in SET Award 2009 arranged by The Stock Exchange of Thailand and The Finance and Banking Magazine announced on November 13, 2009 as follow:

- Received Top Corporate Governance Report Awards 2009, SE-ED was the only one company of the ten companies which received this award that was not listed in the SET100 index firms

- Received Corporate Social Responsibility Awards 2009 (CSR awards), SE-ED was one of four companies to received this award while it was the only company has not been listed in SET100 index.

Besides, the company was rated as “Excellent” in the 2009, 2008 and 2007 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. The company has been in the group of over 100 points which has been praised as good example from SEC. The objective of this appraisal was to increase awareness of stockholders’ rights and good corporate governance principles.

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, 3 branches were opened in Coliseum Suratthani, Major Cineplex Sukumvit and Carrefour Lopburi Total bookstores branches now becomes 340 branches with 316 branches are still in operation including 7 branches of franchisees and 33 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 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., Petchprakai 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, 2009 over the same period last year

Table 1: Operating performance for first nine-month as of September 30, 2009 over the same period last year

Description	(Unit: Million Baht)			
	Q3 (9M)		Change	
	2009	2008	Amount	(%)
Sales	3,418.47	3,269.37	149.10	4.56
Cost of sales	2,335.29	2,257.51	77.78	3.45
Gross Margin	1,083.18	1,011.86	71.32	7.05
Other income	20.05	26.92	(6.87)	(25.52)
Interest and dividend income	7.85	13.24	(5.39)	(40.71)
Selling expenses	577.29	519.28	58.01	11.17
Administrative expenses	303.02	303.54	(0.52)	(0.17)
Directors' remuneration	25.63	27.28	(1.65)	(6.05)
Participating profit (loss) from investment in associated companies	2.82	(0.86)	3.68	(427.91)
Gross Margin (%)	31.69	30.95	0.74	2.39
EBITDA	291.54	277.97	13.57	4.88
Profit from operation accordance with Cash Flow Statement	312.24	295.63	16.61	5.62
NET PROFIT	148.03	156.44	(8.41)	(5.38)
EPS (Baht)	0.46	0.48	(0.02)	(4.17)

Total revenue for nine-month as of September 30, 2009 is worth THB 3,449.19 million or increased from the same period of the previous year by 4.25%. The sales revenue is accounted for THB 3,418.47 million from the total revenue or increased by 4.56%. Due to the 49 new branches opened in 2008 and 13 new branches in 2009 causing sales growth of 5.49%. Moreover the company sales from the book distribution business, and the wholesales of books to other bookstores, schools and universities increased 3.68% 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 32.81% 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.

Operation profit for nine-month as of September 30, 2009 is worth THB 149.80 million, which increased THB 11.46 million from the same period of last year by 8.29%. The main drivers were 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.

Net profit for nine-month as of September 30,2009 is worth THB 148.03 million, which decreased from the same period last year by 5.38 % due to the last year tax benefit from recording of loss from selling pending asset as tax expense and expense for investment or asset expansion according to the royal decree number 475. This year the company had no tax benefit from investment but applied for the right of 25% juristic person income tax payment instead of 30% causing the last year income tax less than normal. Other incomes also decreased by THB 12.26 million as the amount of interest and dividend income and income form compensation to renovation in branch area decreased.

3.2 Operating performance for the third quarter (3 months) as of September 30, 2009 over the same period last year.

Table 2: Operating performance for the third quarter (3 months) as of September 30, 2009 over the same period last year.

Description	(Unit: Million Baht)			
	Q3 (3M)		Change	
	2009	2008	Amount	(%)
Sales	1,128.94	1,130.12	(1.18)	(0.10)
Cost of sales	770.62	792.86	(22.24)	(2.81)
Gross Margin	358.32	337.26	21.06	6.24
Other income	4.83	14.64	(9.81)	(67.01)
Interest and dividend income	2.69	5.06	(2.37)	(46.84)
Selling expenses	189.75	178.28	11.47	6.43
Administrative expenses	111.24	110.09	1.15	1.04
Directors' remuneration	6.46	6.25	0.21	3.36
Participating loss from investment in associated companies	(0.37)	(0.99)	(0.62)	(62.63)
Gross Margin (%)	31.74	29.84	1.90	6.37
EBITDA	86.00	88.07	(2.07)	(2.35)
Profit from operation accordance with Cash Flow Statement	93.97	92.84	1.13	1.22
NET PROFIT	40.20	46.61	(6.41)	(13.75)
EPS (Baht)	0.12	0.14	(0.02)	(14.29)

Total revenue for the third quarter as of September 30, 2009 is worth THB 1,136.09 million or decreased from the same period of the previous year by 1.11%. The sales revenue is accounted for THB 1,128.94 million from the total revenue or decreased by 0.10%. Sales volume of SE-ED Book Center and its network have been effected from the decreasing amount of customers shopping in the shopping center due to the slow down economy and declining consume habit and the concerning of 2009 flu which may be more serious in this quarter. This lead to the sales growth rate of only 1.76% even if the more branches of bookstore have been opened and wholesale growth at 1.56% but advertising sales has much decreased as most of companies reduced their adverting budget and the company has cancelled to arrange the Thailand electronics exhibition causing to the slightly decreasing revenue, otherwise other income decreased THB 12.18 million from the less income from short term investment.

Operation profit the third quarter as of September 30, 2009 is worth THB 41.91 million, which increased from the same period of last year by 6.91%. The main drivers were 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.

Net profit for the third quarter as of September 30, 2009 is worth THB 40.20 million, which decreased THB 6.41 million from last year accounted to 13.75% due to having the last year tax benefit from recording of loss from selling pending asset as tax expense and expense for investment or asset expansion according to the royal decree number 475. This year the company had no tax benefit from investment but applied for the right of 25% juristic person income tax payment instead of 30% causing the last year income tax less than normal. Other incomes also decreased by THB 12.18 million as the amount of interest and dividend income and income form compensation to renovation in branch area decreased.

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
Quarter 3	6/2009	12/11/2009	11/12/2009	0.10	32.39
Total				0.30	97.17
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 which the equity method)

Table 4: Asset Component

(Unit: Million Baht)

Description	September 30, 2009		December 31, 2008		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Total</u>	<u>Million</u>	<u>Total</u>	<u>Million</u>	
	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	
Cash and cash equivalent items	386.95	21.42	336.68	18.43	50.27	14.93
Short-term investment-net	189.10	10.47	167.93	9.19	21.17	12.61
Trade accounts and notes receivable-net	92.31	5.11	81.12	4.44	11.19	13.79
Loan due from associated company	-	-	11.00	0.60	(11.00)	(100.00)
Inventories-net	420.33	23.27	498.63	27.30	(78.30)	(15.70)
Damage compensation receivable	12.71	0.70	-	-	12.71	100
Total Current Assets	1,139.15	63.06	1,133.49	62.06	5.66	0.50
Investment in subsidiary and Associated Companies	76.92	4.26	75.60	4.14	1.32	1.75
Property, plant and equipment-net	321.82	17.82	345.22	18.90	(23.40)	(6.78)
Leasehold on buildings-net	119.73	6.63	129.13	7.07	(9.40)	(7.28)
Guarantee for rental and deposit	67.37	3.73	63.68	3.49	3.69	5.79
Total Assets	1,806.42	100.00	1,826.49	100.00	(20.07)	(1.10)

Total Asset As of September 30, 2009 the company had a total asset of THB 1,806.42 million, decrease of THB 20.07 million from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items for THB 386.95 million increased of THB 50.27 million from the increasing investment in government bond (age not more than 3 months).
- Short-term investment-net for THB 189.10 million increased THB 21.17 million due to increasing adjustment from last year of seven-month fixed account and the market price of securities available for sale.
- Trade accounts and notes receivable-net for THB 92.31 million, an increased 11.19 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 decreased 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 for THB 420.33 million decreased THB 78.30 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.
- Damage compensation receivable increased THB 12.71 million from waiting payment for insurance fire damage claim of one bookstore
- Property, plant and equipment-net for THB 321.82 million decreased THB 23.40 million Most of them was the increased of Depreciation for nine-month of 2009.

Total liabilities As of September 30, 2009 the Company had a total liability of THB 1,152.72 million, an decrease of THB 19.82 million or 1.69%. Causes of changing of total liabilities:

- Accrued corporate income tax decreased THB 5.33 million due to the decreasing of profit for first nine-month of 2009.
- Other accounts and notes payable was decreased THB 19.79 million. Most of them was the decreased of accrued cheque payment for prepaid rental of Distribution Center (King Kaeo Warehouse).
- Other current liabilities was increased THB 4.96 million. Most of them was the increased of Account payable coupon.

Shareholders' equity As of September 30, 2009 amount THB 653.70 million, an decrease of THB 0.25 million represent 0.04% due to:

- Net profit from operation result for nine-month of 2009 amount 148.03 million.
- Unrealized loss on securities available for sale decreased THB 11.18 million due to the increasing market price of Asset Plus fund.
- Retained earnings decreased due to the dividend payment as THB 158.72 million.

5.2 Cash flow

Table 5 : Cash flow for first nine-month as 2009 over the same period last year

Description	(Unit : Million Baht)			
	Jan. - Sep.		Change	
	2009	2008	Amount	(%)
Cash flow received (used) from operation activities	251.01	209.05	41.96	20.07
Cash flow received (used) from investing activities	(39.90)	(80.28)	40.38	50.30
Cash flow received (used) from financing activities	(160.84)	(151.02)	(9.82)	(6.50)
Cash flow increase (decrease)	50.27	(22.25)	72.52	325.93

Cash Flow Received from Operation Activities for first nine-month as 2009 was THB 251.01 millions as listed below:

- Cash flow from operation increased in the amount of THB 312.24 millions:
 - The Net profit before corporate income tax for first nine-month of 2009 in the amount of THB 207.80 millions.
 - Non-monitory expenses in the amount of THB 104.44 millions (Depreciation and Leasehold written-off in the amount of THB 81.27 millions, Loss from lost goods as THB 16.61 millions, Loss from allowance for lost as THB 7.01 millions, Loss from donated goods as THB 8.36 millions, Participating profit from investment in associated companies as THB 2.82 millions.)
- Cash flow decreased from Trade accounts and notes receivable THB 9.77 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.
- Cash flow increased from the decrease of THB 30.95 million inventories, mainly from the sale increase of Oxford University Press text books before the beginning of academic semester.
- Cash flow decreased amount THB 19.79 million from payable and note payable. Most of them was the decreased of accrued cheque payment for prepaid rental of Distribution Center (King Kaeo Warehouse) and accrued branch rental.

Cash Flow Used from Investment Activities for first nine-month of 2009 in the amount of THB (39.90) millions as listed below:

- Cash flow decreased from Purchase of assets as THB 48.05 millions due to investment for new branches expansion.

- Cash flow increased from cash received from associated companies (Plearn Patt Co.,Ltd.) as THB 14.00 million.
- Cash flow decreased from seven-month fixed account as THB 10.00 millions.

Cash Flow Used from Financial Activities for first nine-month as 2009 was THB (160.84) million due to Dividend payment as THB 158.72 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'52	9M'51
Current Ratio	Time	1.00	0.97
Quick Ratio	Time	0.58	0.50
PROFITABILITY RATIOS		9M'52	9M'51
Gross Profit Margin	%	31.69	30.95
Net Profit Margin	%	4.29	4.73
Return on Equity*	%	28.25	32.19
Return on Asset*	%	14.56	16.87
FINANCIAL POLICY RATIO		9M'52	9M'51
Total Debt to Equity Ratio	Time	1.76	1.79
Interest Coverage Ratio	Time	1,980.47	1,851.64

*Calculated from net profit adjusted to full year.

Signature.....

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