



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

## **Management Discussion and Analysis**

*As of June 30, 2010*

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## Management Discussion and Analysis: SE-ED

### 1. OVERVIEW

During the second quarter of 2010, the Company suffered the effect of the economic depression and anti-government demonstration that led to political unrest and arson, resulting in the execution of a State of Emergency decree in many provinces. Two branches of SE-ED Book Center were directly affected by arson. Many branches on the demonstration grounds had to be closed for a long period of time while a number of branches in the area of State of Emergency had to close early.

Nonetheless, the Company was able to maintain the growing revenue and profit at a satisfactory level, which can be summarized with the following:

- In the second quarter of 2010 (three months), the Company opened 5 new branches of SE-ED Book Center. As of June 30, 2010, there were a total of 333 active branches and 33 points of sale.
- The gross revenue in the second quarter of 2010 (three months), according to the separate financial statement, grew by 7.25% from the same period last year. With that, 7.21% came from the sales revenue.
- The net profit in the second quarter of 2010 (three months), according to the separate financial statement, grew by 26.25% from the same period last year.

As the Company has been able to yield profits continuously and maintain high liquidity, the Board of Directors agreed to pay the interim dividends from the net profit of the separate financial statement of Q2/2010 by the rate of THB 0.10 per share, for the total of 323,921,130 shares. The names of shareholders to receive the dividends will be announced on August 25, 2010 and, according to Section 225 in the Securities and Exchange act, the names will be compiled by closing the shareholders register book on August 25, 2010. The interim dividends will be paid on September 8, 2010.

In addition, in 2010 the Company entered the 2<sup>nd</sup> Sufficiency Economy Contest organized by The Chaipattana Foundation, Bureau of Budget, Ministry of Interior of Thailand, Royal Thai Armed Forces, Office of the Royal Development Projects Board (RDPB) and Institution of National Research and Development by the Philosophy of Sufficiency Economy and won the Royal Trophy from Her Royal Highness Princess Maha Chakri Sirindhorn in the big corporate category. The award was the result of the Company's commitment to adopt the sufficiency philosophy in its corporate management by investing in unique and moderately big businesses within the Company's area of expertise that still has market share available. The Company also invested from its own sufficient fluidity of circulating funds without having to loan or request unnecessary funding from shareholders.

## **2. BUSINESS SUMMARY**

### **Bookstore Business**

The company has still expanded its bookstore business by continuously opening new SBC branches to provide more convenient access to books for Thai people and to support for the business's future growth. As a result, the Company remains the bookstore with the highest sales revenue in the country. During Q2/2010 the Company opened 5 new branches located in Big C Mahachai, Big C Chachoengsao, Carrefour Kheha Romklao, UD Town Udon Thani, and Carrefour Saimai. This led to the total of 357 branches, including 333 active branches, 7 franchises and 33 points of sale. Several existing branches were also renovated and modernized to boost the sales and profits.

### **Distribution Business**

The company has put more emphasis in the role of the biggest book distributor in the country by representing both Thai and foreign publishers such as MIS Publishing Co.,Ltd., Nation International Edutainment Public Company Limited, Provision Co.,Ltd., Aksornsart Publication Co., Ltd., Ms. Eumporn Wongwiang, Technology Promotion Association (Thai-Japan), Provision Co., Ltd, Success Media Co., Ltd., Education Mind Line Multimedia Co., Ltd., Rak-look Group Co.,Ltd., Post Publishing Public Company Limited and Oxford University Press (English Language Teaching Division) for which the company has been the exclusive distributor in Thailand since 2007. The books from various publishers are supplied to the SE-ED Book Center and Book Variety branches, other bookshops in the Company's distributing network and educational institutions. Moreover, the company is developing its distribution system to be more efficient in order to support the future growth of this business.

### **Publishing Business**

The Company always plans its book publications to meet the market demand and focuses mainly on steady-selling materials with sufficient market share without the concern in the number of titles published annually. The Company's publications are mostly reference books and books needed for the development of Thai people and the country. In the end of 2007 the Company started to publish English extensive reading materials that are fun and easy to read and designed to suit readers' different levels of English skills. The objective of this publication is to help English learners improve their English proficiency by reading. The Company has still continued its extensive reading publications. Up until now the Company has published more than 100 titles that offer varieties to readers from primary to university level to improve all listening, speaking, reading and writing skills.

Moreover, the Company sees the importance of developing and installing various types of communication tools to add more PR channels and distribute products to target groups more suitably, giving the Company more chances to be successful.

### 3. OPERATING RESULTS

Operating performance for Q2 (3 months) of 2010 over the same period last year (from the separate financial statement)

Table 1: Operating performance for Q2 (3 months) of 2010 over the same period last year.

(Unit: Million Baht)

	Q2 (3M)			Change	
	Consolidated financial statements	Separate financial statements		Separate financial statements	
		2010	2010	2009	Change
Revenues from sales	1,303.39	1,301.35	1,213.83	87.52	7.21
Income from educational fee and services	26.50	-	-	-	-
Total revenue from sales	1,329.89	1,301.35	1,213.83	87.52	7.21
Cost of sales	888.60	886.95	833.13	53.82	6.46
Cost of services	17.49	-	-	-	-
Total cost of sales and services	906.09	886.95	833.13	53.82	6.46
Gross profit	423.80	414.40	380.70	33.70	8.85
Other income	6.94	6.83	7.08	(0.25)	(3.53)
Interest and dividend income	2.97	4.77	3.27	1.50	45.87
Selling expenses	207.75	207.75	196.93	10.82	5.49
Administrative expenses	121.64	117.16	108.42	8.74	8.06
Managements' and directors' remunerations	9.31	8.44	8.08	0.36	4.46
Gross Margin (%)	31.87	31.84	31.36	0.48	
EBITDA	127.28	119.37	105.71	13.66	12.92
Profit from operation accordance with Cash Flow Statement	144.69	137.39	117.51	19.88	16.92
NET PROFIT	70.42	68.04	53.89	14.15	26.26
EPS (Baht)	0.22	0.21	0.17	0.04	23.53

**The Company and its subsidiaries' total revenue for the seconds quarter (3 months) of 2010** are worth THB 1,339.79 million, which include the sales revenues and income from tuition fees. From the total revenue, THB 1,312.95 million was the revenue from the separate financial statement, which grew by 7.25% from last year. The sales revenue was accounted for THB 1,301.35 million, which grew by 7.21%.

The Company's total revenue grew 3.6% due to the increase of the same-store sales. The growth was a result of higher sales of books that the Company has distributed, books from other publishers, technology products and books that the Company has published. Moreover, the sales of ELT products from Oxford University Press to schools and educational institutions during the beginning of the semester increased from the same period last year. As a result, the revenue of SE-ED Book Center and its network stores increased by 10.11%.

**The Company's and its subsidiaries net profit of parent company for the seconds quarter as of 2010** is worth THB 70.42 million, of which THB 68.04 million is the Company's net profit, accounting for 26.25% growth from the same period last year. The growth of the Company's profit despite the overall economic situation was a result of the following:

- The initial profit of the Company slightly increased from the sales of high-profit products, especially non-book products in SE-ED Book Center and its network stores.
- The tax benefit from donating slow-moving and depreciated products led to the decrease of corporate income tax from the same period last year. In addition, the additional expenses set for product losses decreased to correspond with the current situation.
- The sales and administrative expenses increased from the same period of last year by only 6.4%, which is considered lower in proportion to the increase of sales. This was the result of the product loss measure, which led to the significant decrease of product loss value. Most of the increasing expenses were from higher rental fees, branch services, employees' salaries that increased by the higher number of branches.

**Operating performance for first six-month as 2010 over the same period last year (from the separate financial statement)**

*Table 2: Operating performance for first six-month as 2010 over the same period last year.*

(Unit: Million Baht)

	Q2 (6M)			Change	
	Consolidated financial statements	Separate financial statements		Separate financial statements	
		2010	2010	2009	Change
Revenues from sales	2,455.99	2,453.87	2,289.53	164.34	7.18
Income from educational fee and services	52.58	-	-	-	-
Total revenue from sales	2,508.57	2,453.87	2,289.53	164.34	7.18
Cost of sales	1,690.33	1,688.66	1,564.67	123.99	7.92
Cost of services	35.82	-	-	-	-
Total cost of sales and services	1,726.15	1,688.66	1,564.67	123.99	7.92
Gross profit	782.42	765.21	724.86	40.35	5.57
Other income	18.56	18.22	15.39	2.83	18.39
Interest and dividend income	8.21	9.93	6.66	3.27	49.10
Selling expenses	411.19	411.19	382.95	28.24	7.37
Administrative expenses	225.62	216.61	199.67	16.94	8.48
Managements' and directors' remunerations	18.51	16.87	16.04	0.83	5.17
Gross Margin (%)	31.19	31.18	31.66	(0.48)	
EBITDA	216.44	202.06	203.85	(1.79)	(0.88)
Profit from operation accordance with Cash Flow Statement	226.91	213.14	218.27	(5.13)	(2.35)
NET PROFIT of parent company	117.55	114.29	106.14	8.15	7.68
EPS (Baht)	0.37	0.35	0.33	0.02	6.06

**The Company and its subsidiaries' total revenues of the first six months of 2010** are worth THB 2,535.34 million, which include the sales revenues and income from tuition fees. From the total revenue, THB 2,482.01 million was revenue from the separate financial statement, which grew by 7.37% from last year. The sales revenue was accounted for THB 2,453.87 million, which grew by 7.18%.

The growth was the result of an increase in same-store sales by 3.65% from the same period last year, combined with higher sales from new SBC branches. Due to these factors, the income of SE-ED Book Center and its network stores continuously increased by 8.80%. In addition, maintaining the market share of the book distribution business at the same level of last year contributed to the growth.

**The Company's and its subsidiaries' net profit of parent company for the first six months of 2010** is worth THB 117.55 million, from which THB 114.29 million was the Company's net profit, accounting for 7.68% growth from last year. The growth is the result of the effectiveness of product-loss measure and tax benefits as stated in the report of operating performance for the second quarter (three months).



#### 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 separate financial statement. The payment will be made in the annual general meeting of the year immediately following the operating year.

Table 3: The dividend payment of 2010, 2009 and 2008 as follow :

<b>Year 2010 operating result</b>					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2010	12/05/2010	11/06/2010	0.10	32.39
Quarter 2	3/2010	09/08/2010	08/09/2010	0.10	32.39
	<b>Total</b>			<b>0.20</b>	<b>64.78</b>
<b>Year 2009 operating result</b>					
	Resolutions of the Company's Board/ Shareholder 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
Quarter 4	1/2010	29/04/2010	27/05/2010	0.36	116.61
	<b>Total</b>			<b>0.66</b>	<b>213.78</b>
<b>Year 2008 operating result</b>					
	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
	<b>Total</b>			<b>0.59</b>	<b>191.11</b>

## 5. FINANCIAL POSITION

### 5.1 Asset Component

Table 4 : Asset Component

(Unit: Million Baht)

Description	Consolidated financial statements		Separate financial statements				Separate financial statements	
	June 30, 2010		June 30, 2010		December 31, 2009		Change	
	Amount	% to Total Assets	Amount	% to Total Assets	Amount	% to Total Assets	Amount	(%)
Cash and cash equivalent items	608.19	28.21	568.62	28.81	506.61	26.03	62.01	12.24
Short-term investment-net	183.10	8.49	183.10	9.28	188.95	9.71	(5.85)	(3.09)
Trade accounts receivable-net	142.21	6.60	140.66	7.13	96.80	4.97	43.86	45.31
Inventories-net	384.05	17.81	381.84	19.35	438.84	22.55	(57.00)	(12.99)
Damage compensation receivable	-	-	-	-	17.79	0.91	(17.79)	(100.00)
<b>Total Current Assets</b>	<b>1,370.81</b>	<b>63.58</b>	<b>1,324.58</b>	<b>67.11</b>	<b>1,292.40</b>	<b>66.41</b>	<b>32.19</b>	<b>2.49</b>
Investments in subsidiary and associated companies-net	27.14	1.26	69.53	3.52	69.53	3.57	-	-
Property, plant and Equipment-net	482.43	22.38	312.26	15.82	318.87	16.38	(6.61)	(2.07)
Leasehold right on buildings-net	110.33	5.12	110.33	5.59	116.56	5.99	(6.23)	(5.35)
Guarantee for rental and deposit	79.16	3.67	79.16	4.01	69.32	3.56	9.84	14.19
<b>Total Assets</b>	<b>2,155.89</b>	<b>100.00</b>	<b>1,973.69</b>	<b>100.00</b>	<b>1,946.13</b>	<b>100.00</b>	<b>27.56</b>	<b>1.42</b>

## **Financial analyses**

**Total Asset** As of June 30, 2010 the company and its subsidiaries had a total asset of THB 2,155.89 million. The Company's total asset of separate financial statements is worth THB 1,973.69 million increase of THB 27.56 million from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of June 30, 2010 for THB 568.62 million increased of THB 62.01 million from the increasing investment in government bond (age not more than 3 months).
- Short-term and net investments are worth THB 183.10 million, decreasing from last year by THB 5.85 million because of the due date of Q2/2010's fixed deposit with special deposit interest rate.
- Trade accounts-net, an increased THB 43.86 million due to the increasing of books supplying to debtors of the distribution business which would have a great sales volume in the beginning of academic opening term.
- Inventories-net for THB 381.84 million decreased from last year by THB 57.00 million because the sales of Oxford University Press course books to schools and international academic institution and the inventory management have been improved.
- Damage compensation receivable decreased THB 17.79 million from receive for insurance fire damage claim of one.
- Property, plant and equipment-net for THB 312.26 million decreased THB 6.61 million, Most of them was the increased of Depreciation.
- Leasehold right on buildings-net for THB 110.33 decreased THB 6.23 million from the amortized leasehold.
- Guarantee for rental and deposit for THB 79.16 million increased by THB 9.84 million, most of which was the deposit rental payment and safety margin for new branches.

**Total liabilities** As of June 30, 2010 the Company and its subsidiaries had a total liability of THB 1,437.24 million, The Company's total liabilities of separate financial statements is worth THB 1,323.58 million an decrease of THB 58.61 million or 4.63%. Causes of changing of total liabilities:

- Account payable THB 1,108.59 million, was increased THB 77.24 million. Most of them was wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 32.24 million, was increased THB 0.64 million due to the increasing Q1 and Q2 of year 2010 profit which lead to the increasing of Accrued corporate income tax.
- Accrued expenses THB 96.48 million, was decreased THB 9.82 million mainly cause from accrued expense for bonus which would be paid in March.

- Other accounts payable THB 34.89 million, was decreased THB 11.58 million. Most of them were the decrease of accrued cheque payment for rental and service of warehouse and SE-ED book center at the end of 2009.

**Shareholders' equity** As of June 30, 2010 the Company and its had a total shareholders' equity of THB 718.65 million, The Company's shareholders' equity of separate financial statements is worth THB 650.11 million an decrease of THB 31.05 million represent 4.56% due to:

- Net profit of shareholders' equity of parent company from operation result Q2 of 2010 amount THB 117.55 million.
- Unrealized loss-securities available for sale decreased THB 4.15 million due to the increasing market price of Asset Plus Fixed Fund.
- Retained earnings decreased due to the dividend payment as THB 149 million.

## 5.2 Cash flow

Table 5: Cash flow for Q2 of 2010 over the same period last year

(Unit: Million Baht)

	Q2 (6M)		Change		
	Consolidate	Separate		Separate	
	financial	financial	2009	Change	(%)
	2010	2010	2009	Change	(%)
Cash flow received (used) from operation activities	242.47	231.78	207.40	24.38	11.76
Cash flow received (used) from investing activities	(28.61)	(19.50)	(22.63)	3.13	13.83
Cash flow received (used) from financing activities	(150.48)	(150.27)	(128.45)	(21.82)	(16.99)
<b>Cash flow increase (decrease)</b>	<b>63.38</b>	<b>62.01</b>	<b>56.32</b>	<b>5.69</b>	<b>(10.10)</b>

**Cash Flow Received from Operation Activities for Q2 of 2010 was THB 242.47 millions, The Company's Operation Activities of separate financial statements is worth THB 231.78 million as listed below:**

- Cash flow from operation increased in the amount of THB 213.14 million:
  - The Net profit before corporate income tax Q2 of 2010 in the amount of THB 148.62 million.
  - Non-monitory expenses in the amount of THB 64.53 million (Depreciation and Leasehold written-off in the amount of THB 52.04 million, Expense from donated goods as THB 11.61 million, Expense from allowance for lost, dilapidated and slow-moving goods as THB 5.92 million, and Expense from goods damaged by fire incident as THB 2.92 million.)

- Cash flow decreased from Trade accounts and notes receivable increased amount THB 43.94 million as due to the increasing of books supplying to debtors of the wholesales and educational institutions in the beginning of academic opening term.
- Cash flow increased from the decrease of THB 36.57 million inventories, mainly from the sale increase of Oxford University Press text books before the beginning of academic semester.
- Cash flow increased from the decrease of damage compensation by THB 17.79 million from the full receipt of damage claim in February of 2010 from the insurance company.
- Cash flow increased amount THB 77.24 million from payable and note payable. Most of them was wholesales creditors of SE-ED Book Center.
- Cash flow decreased from other accounts payable decreased THB 11.58 million.

**Cash Flow Used from Investment Activities for Q2 of 2010 in the amount of THB (28.61) million The Company's Investment Activities of separate financial statements is worth THB (19.50) million as listed below:**

- Cash flow decreased from purchase of assets as THB 40.01 million due to investment for new branches expansion.
- THB 10 million in cash was added from the due of the fixed deposit with special interest rate.

**Cash Flow Used from Financial Activities for Q2 of 2010 was THB (150.48) million The Company's Financial Activities of separate financial statements is worth THB (150.27) million due to dividend payment.**

### 5.3 Financial Ratios

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

		Consolidated financial statements	Separate financial statements	
			1H'10	1H'09
<b>LIQUIDITY RATIOS</b>				
Current Ratio	Time	1.01	1.01	1.03
Quick Ratio	Time	0.69	0.68	0.63
<b>PROFITABILITY RATIOS</b>				
Gross Profit Margin	%	31.19	31.18	31.66
Net Profit Margin	%	4.73	4.60	4.59
Return on Equity*	%	33.25	34.63	28.97
Return on Asset*	%	15.14	15.35	13.96
<b>FINANCIAL POLICY RATIO</b>				
Total Debt to Equity Ratio	Time	2.00	2.04	1.86
Interest Coverage Ratio	Time	130.65	3,972.76	1,709.05

\* Calculated from net profit adjusted to full year.

Signature.....

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