



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

Management Discussion and Analysis

As of September 30, 2010

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Management Discussion and Analysis: SE-ED

1. OVERVIEW

In the past Q3 of 2010 the economy has a better recovered sign which caused the company to be as able to maintain the growing revenue and profit continuously at a satisfactory level, which can be summarized with the following:

- In the third quarter of 2010 (three months), the Company opened 7 new branches of SE-ED Book Center. As of September 30, 2010, there were a total of 337 active branches and 33 points of sale.
- The gross revenue in the third quarter of 2010 (three months), according to the separate financial statement, grew by 11.65% from the same period last year. With that, 11.31% came from the sales revenue.
- The net profit in the third quarter of 2010 (three months), according to the separate financial statement, grew by 26.64% 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 Q3/2010 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 November 26, 2010 and, according to Section 225 in the Securities and Exchange act, the names will be compiled by closing the shareholders register book on November 29, 2010. The interim dividends will be paid on December 9, 2010.

As the company has emphasized on the good corporate governance and always run its business with transparency, and for the benefit of society and environment, the company was honored to receive the Royal Trophy from Her Royal Highness Princess Maha Chakri Sirindhorn from the 2nd Sufficiency Economy Contest 2010 in the big business category. Out of the five companies that received the award, SE-ED was the only company outside SET 50 group.

Besides, the company was evaluated "Excellent" in organizing the Annual General Meeting (AGM) of the year 2010, 2009, 2008 and 2007 by the Securities and Exchange Commission (SEC) and the Listed Companies Association and the Thai Investors Association. The company has been in the group that receive over 100 points and which has been recognized as being a good example from SEC. The objective of this evaluation is to increase the awareness of stockholders' rights and good corporate governance principles.

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 Q3/2010 the Company opened 7 new branches located in Louts Klang Rayong, Paradise Park, 3rd Floor., Home Pro Nakhon Ratchasima, Big C Phitsanulok, Future Park Rangsit, 1st Floor, HomePro Lam Lukka, and Supreme Samsen. This led to the total of 364 branches, including 337 active branches, 6 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 Nation International Edutainment Public Company Limited, MIS Publishing Co., Ltd., Nation Egmont Edutainment Co., Ltd., Education Mind Line Multimedia Co., Ltd., Ms. Eumporn Wongwiang, MIS Softech Co., Ltd., Provision Co., Ltd., Aksornsart Publication Co., Ltd., Petchprakai Co., Ltd., Rak-look Group Co., Ltd. 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

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

Table 1: Operating performance for first nine-month as 2010 over the same period last year.

(Unit: Million Baht)

	Q3 (9M)			Change	
	Consolidated	Separate		Separate	
	financial	financial statements		financial	
statements	2010	2010	2009	Change	(%)
Revenues from sales	3,714.46	3,710.46	3,418.47	291.99	8.54
Income from educational fee and services	79.38	-	-	-	-
Total revenue from sales	3,793.84	3,710.46	3,418.47	291.99	8.54
Cost of sales	2,557.09	2,553.95	2,335.29	218.66	9.36
Cost of services	55.91	-	-	-	-
Total cost of sales and services	2,613.00	2,553.95	2,335.29	218.66	9.36
Gross profit	1,180.84	1,156.51	1,083.18	73.33	6.77
Interest and dividend income	12.61	14.33	9.35	4.98	53.26
Other income	26.06	25.57	20.05	5.52	27.53
Selling expenses	620.80	620.80	577.71	43.09	7.46
Administrative expenses	346.81	330.92	304.17	26.75	8.79
Managements' and directors' Remunerations	25.29	25.29	24.06	1.23	5.11
Gross Margin (%)	31.13	31.17	31.69		(0.52)
EBITDA	319.04	299.84	290.22	9.62	3.31
Profit from operation accordance with Cash Flow Statement	328.23	309.77	312.24	(2.47)	-0.79
NET PROFIT	169.40	165.67	146.71	18.96	12.92
EPS (Baht)	0.53	0.51	0.45	0.06	13.33

The Company and its subsidiaries' total revenues for nine months of 2010 are worth THB 3,832.51 million, which include the sales revenues and income from tuition fees. From the total revenue, THB 3,750.36 million was revenue from the separate financial statement, which grew by 8.77% the same period last year. The sales revenue was accounted for THB 3,710.46 million, which grew by 8.54%.

The growth was the result of an increase in same-store sales by 4.93% from the same period last year, combined with higher sales from new SBC branches. Causing to continuous growth of 9.90% sales of SE-ED book center and network including the maintain continuous growth rate of wholesales business unit.

The Company and its subsidiaries' net profit for nine months of 2010 is worth THB 169.40 million, from which THB 165.67 million was the Company's net profit, accounting for 12.92% growth from last year which resulted from the increasing gross margin that varied to the increasing of sales. and 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 third quarter (three months).

3.2 Operating performance for Q3 (3 months) of 2010 over the same period last year (from the separate financial statement)

Table 2: Operating performance for Q3 (3 months) of 2010 over the same period last year.

(Unit: Million Baht)

	Consolidated financial statements	Q3 (3M)		Change	
		Separate		Separate	
		2010	2009	Change	(%)
Revenues from sales	1,258.48	1,256.59	1,128.94	127.65	11.31
Income from educational fee and services	26.79	-	-		
Total revenue from sales	1,285.27	1,256.59	1,128.94	127.65	11.31
Cost of sales	866.71	865.24	770.62	94.62	12.28
Cost of services	20.09	-	-		
Total cost of sales and services	886.80	865.24	770.62	94.62	12.28
Gross profit	398.47	391.35	358.32	33.03	9.22
Interest and dividend income	8.16	4.40	2.69	1.71	63.57
Other income	4.40	7.86	4.83	3.03	62.73
Selling expenses	209.61	209.61	189.75	19.86	10.47
Administrative expenses	120.24	114.87	109.67	5.20	4.74
Managements' and directors' remunerations	8.42	8.42	8.03	0.39	4.86
Gross Margin (%)	31.00	31.14	31.74		(0.60)
EBITDA	102.63	97.78	86.37	11.41	13.21
Profit from operation accordance with Cash Flow Statement	101.32	96.63	93.97	2.66	2.83
NET PROFIT of parent company	51.85	51.38	40.57	10.81	26.65
EPS (Baht)	0.16	0.16	0.13	0.03	23.08

The Company and its subsidiaries' total revenues of the third quarter of 2010 are worth THB 1,297.82 million, which include the sales revenues and income from tuition fees. From the total revenue, THB 1,268.85 million was the revenue from the separate financial statement, which grew by 11.65% from the same period of last year. The sales revenue was accounted for THB 1,256.59 million, which grew by 11.31%.

The driver of this sales growth rate was due to the increasing of 7.01% growth of the same-store sales. The growth was a result of higher sales of books of other publishers which not distributed by the company and books that the Company has published. As a result, the revenue of SE-ED Book Center and its network stores increased by 12.12%.

Otherwise, the company sales from the book distribution business, and the wholesales of books to other bookstores, schools and universities increased to 11.82% from the same period of last year while the sales of books distributed by the company increased 17.39%.

The Company and its subsidiaries' net profit of the third quarter of 2010 is worth THB 51.85 million, of which THB 51.38 million is the Company's net profit, accounting for 26.64% growth from the same period last year. The growth of the Company's profit was a result of the following:

- The increasing of gross margin varying to the increasing of sales.
- The Company's other revenue grew 63.08% from the same period of last year from the increasing of interest receive and dividend and profit from exchange rate due to the strong value of THB currency.
- The sales and administrative expenses increased from the same period of last year by only 8.28%, 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.
- 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.

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 :

Year 2010 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	2/2010	12/05/2010	11/06/2010	0.10	32.39
Quarter 2	3/2010	09/08/2010	08/09/2010	0.10	32.39
Quarter 3	4/2010	10/11/2010	09/12/2010	0.10	32.39
	Total			0.30	97.17
Year 2009 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	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
	Total			0.66	213.78
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

5. FINANCIAL POSITION

5.1 Asset Component

Table 4 : Asset Component

(Unit: Million Baht)

Description	Consolidated financial statements		Separate financial statements				Separate financial statements	
	September 30, 2010		September 30, 2010		September 30, 2009		Change	
	Amount	% to Total Assets	Amount	% to Total Assets	Amount	% to Total Assets	Amount	(%)
Cash and cash equivalent items	661.31	29.89	638.88	31.21	506.61	26.03	132.27	26.11
Short-term investment-net	188.12	8.50	188.12	9.19	188.95	9.71	(0.83)	(0.44)
Trade accounts receivable-net	109.31	4.94	108.00	5.28	96.80	4.97	11.20	11.57
Inventories-net	403.83	18.25	401.66	19.62	438.84	22.55	(37.18)	(8.47)
Prepaid expenses	26.26	1.19	25.27	1.23	25.36	1.30	(0.09)	(0.35)
Damage compensation receivable	-	-	-	-	17.79	0.91	(17.79)	(100.00)
Others	16.96	0.77	15.07	0.74	18.05	0.93	(2.98)	(16.51)
Total Current Assets	1,405.79	63.54	1,377.00	67.27	1,292.40	66.41	84.60	6.55
Investments in subsidiary and associated companies-net	27.14	1.23	69.53	3.40	69.53	3.57	-	-
Property, plant and Equipment-net	488.18	22.07	317.24	15.50	318.86	16.38	(1.62)	(0.51)
Leasehold right on land-net	7.79	0.35	-	-	-	-	-	-
Leasehold right on buildings-net	126.56	5.72	126.56	6.18	116.56	5.99	10.00	8.58
Land and land improvement not used for operation-net	33.54	1.52	33.54	1.64	33.59	1.73	(0.05)	(0.15)
Intangible assets-net	7.01	0.32	6.74	0.33	7.11	0.37	(0.37)	(5.20)
Copyright and translation fee paid in advance	22.87	1.03	22.87	1.12	24.05	1.24	(1.18)	(4.91)
Rental guarantee and deposit	78.15	3.53	78.15	3.82	69.32	3.56	8.83	12.74
Other non-current assets	15.36	0.69	15.32	0.75	14.71	0.76	0.61	4.15
Total Assets	2,212.39	100.00	2,046.95	100.00	1,946.13	100.00	100.82	5.18

Financial analyses

Total Asset As of September 30, 2010 the company and its subsidiaries had a total asset of THB 2,212.39 million. The Company's total asset of separate financial statements is worth THB 2,046.95 million increase of THB 100.82 million from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of September 30, 2010 for THB 638.88 million increased of THB 132.27 million from the increasing investment in government bond (age not more than 3 months).
- Trade accounts-net for THB 108 million increased of THB 11.20 million because of because of the increase in the wholesales of Thai and foreign books to clients.
- Inventories-net for THB 401.66 million decreased from last year by THB 37.18 million because the sales of Oxford University Press course books to schools and academic institutions have increased during the beginning of the academic year.
- Damage compensation receivable decreased THB 17.79 million from receive for insurance fire damage claim of one.
- Property, plant and equipment-net for THB 317.24 million decreased THB 1.63 million, Most of them was the increased of Depreciation.
- Leasehold right on buildings-net for THB 126.56 increasing THB 10.00 million from the lease deal of a branch in the third quarter of 2010.
- Guarantee for rental and deposit for THB 78.15 million increased by THB 8.83 million, most of which was the deposit rental payment for new branches and head office.

Total liabilities As of September 30, 2010 the Company and its subsidiaries had a total liability of THB 1,469.01 million, The Company's total liabilities of separate financial statements is worth THB 1,373.08 million an increased of THB 108.11 million or 8.55%. Causes of changing of total liabilities:

- Account payable THB 1,164.95 million, was increased THB 133.59 million. Most of them was wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 18.03 million, was decreased THB 13.57 million due to the corporate income tax for year 2009 that is due in May of every year.
- Other accounts payable THB 25.73 million, was decreased THB 20.74 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.
- Accrued expenses THB 115.79 million, was increased THB 9.50 million, Most of them was the increase of the accrued expense for bonus and property tax for branches.

Shareholders' equity As of September 30, 2010 the Company and its subsidiaries had a total shareholders' equity of THB 743.37 million, The Company's shareholders' equity of separate financial statements is worth THB 673.87 million an decrease of THB 7.29 million represent 1.07%. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result for nine months of 2010 amount THB 169.40 million.
- Unrealized loss-securities available for sale decreased THB 9.18 million due to the increasing market price of One Fas Prosperity Fund.
- Retained earnings decreased due to the dividend payment as THB 181.40 million.

5.2 Cash flow

Table 5: Cash flow for Q3 of 2010 over the same period last year

(Unit: Million Baht)

	Q3 (9M)		Change		
	Consolidate	Separate	Separate		
	financial	financial	financial	financial	financial
	statements	statements	statements	statements	statements
	2010	2010	2009	Change	(%)
Cash flow received (used) from operation activities	370.73	373.94	251.01	122.93	48.97
Cash flow received (used) from investing activities	(71.36)	(59.01)	(39.90)	(19.11)	47.89
Cash flow received (used) from financing activities	(182.87)	(182.66)	(160.84)	(21.82)	13.57
Cash flow increase (decrease)	116.50	132.27	50.27	82.00	163.12

Cash Flow Received from Operation Activities for Q3 of 2010 was THB 370.73 millions, The Company's Operation Activities of separate financial statements is worth THB 373.94 million as listed below:

- Cash flow from operation increased in the amount of THB 309.77 million:
 - The Net profit before corporate income tax for nine months of 2010 in the amount of THB 219.33 million.
 - Non-monitory expenses in the amount of THB 90.45 million (Depreciation and Leasehold written-off in the amount of THB 80.45 million, Expense from donated assets and goods as THB 21.74 million, Expense from allowance for lost as THB 2.42 million, and Expenses from damaged goods by arsons during the political upheaval in the amount of THB 2.92 million.)

- Cash flow decreased from Trade accounts and notes receivable increased amount THB 11.38 million as due to the increasing of books supplying to debtors of the wholesales.
- Cash flow increased from the decrease of THB 9.37 million inventories, mainly because the number of foreign book to manage as the remaining inventory has decreased while the purchasing orders were more precise.
- Cash flow increased from the decrease of damage compensation by THB 17.79 million
- Cash flow decreased from guarantee for rental and deposit by THB 8.83 million
- Cash flow increased amount THB 133.59 million from payable and note payable. which is in relation with the sales increase.
- Cash flow decreased from other accounts payable and note payable decreased THB 20.74 million.

Cash Flow Used from Investment Activities for Q3 of 2010 in the amount of THB (71.36) million

The Company's Investment Activities of separate financial statements is worth THB (59.01) million as listed below:

- Cash flow decreased from purchase of assets as THB 62.69 million, mostly from the purchase of decoration items and bookshelves for SBC branches.
- THB 10 million in cash was added from sale of temporary investments.
- THB 14.02 million in cash was added from interest and dividend income.

Cash Flow Used from Financial Activities for Q3 of 2010 was THB (182.87) million The Company's Financial Activities of separate financial statements is worth THB (182.66) million due to dividend payment is worth THB (181.40)

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	
			9M'53	9M'52
LIQUIDITY RATIOS				
Current Ratio	Time	1.01	1.01	1.03
Quick Ratio	Time	0.69	0.69	0.63
PROFITABILITY RATIOS				
Gross Profit Margin	%	31.13	31.17	31.69
Net Profit Margin	%	4.42	4.42	4.26
Return on Equity*	%	34.06	35.35	27.91
Return on Asset*	%	15.72	15.76	13.75
FINANCIAL POLICY RATIO				
Total Debt to Equity Ratio	Time	1.98	2.04	1.86
Interest Coverage Ratio	Time	134.12	5,939.82	1,980.47

* Calculated from net profit adjusted to full year.

Signature.....

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