



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

Management Discussion and Analysis

As of December 31, 2010

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

In the second half of 2010 the economy has a better recovered sign wherever 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 and there were deluge in several provinces around year end period. However the company could maintain the growing revenue and profit continuously at a satisfactory level, which was summarized with the following:

- Total revenue of the year 2010, according to the consolidated financial worth THB 5,171.79 million, or up 10.66%. While the total revenue, according to the separate financial worth THB 5,054.98 million, or up 8.78% from the same period last year
- Net profit of the year 2010, according to the consolidated financial worth THB 243.06 million, or up 12.23%. While the net profit, according to the separate financial worth THB 236.98 million, or up 10.56% from the same period last year
- The bookstore branches expansion of the year 2010, the Company opened 25 new branches of SE-ED Book Center. As of December 31, 2010, there were a total of 346 active branches and 33 points of sale.
- The same store sales growth rate of the year 2010 grew up 4.8% from the same period last year.

The Board of Directors considered and approved the dividend payment for the operating performance of the year 2010 at the rate of THB 0.73 per share, for the total amount of 323,921,130 shares from the separate financial statement. However, the Company already paid some interim dividend of the first three quarters at THB 0.30 per share. Thus, the additional dividend of this period will be THB 0.43 per share, for the total amount of 323,921,130 shares due to the Company's continuous profit gain and high liquidity. The names of shareholders listed for the right to receive the dividend are to be announced on May 18, 2011 and, by the section 225 in Securities and Exchange Act, the names of shareholders will be compiled by closing the shareholders register book on May 19, 2011. The payment of dividend will be made on May 27, 2011.

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 resulted in 2010 as follow:

- 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.

- Received Corporate Social Responsibility Awards 2010 (CSR awards) SE-ED was one of four companies to receive this award while it was the only one company has not been listed in SET100 index, two consecutive years.
- Received Top Corporate Governance Report Awards 2010, SE-ED was the only one company in services industry group - Media & Publishing sector of the ten companies which received this award.
- Received the "excellent" (5 stars) award for Corporate Governance Report of Thai Listed Companies 2010, 2009 and 2008, three consecutive years arranged by Thai Institute of Directors.

Besides, the company was rated as "Excellent" in the 2010, 2009, 2008 and 2007, four consecutive years 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

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 Q4/2010 the Company opened 9 new branches located in NK Phangnga, HomePro Nakhonsithammarat, Big C Amnatcharoen, Srinakharinwirot University, Louts Loei 2, Lotus jun Phayao, Big C Kamphaengphet, Carrefour Sukhapiban 3 and Lotus Na Thawee Songkhla. This led to the total of 373 branches, including 346 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., Ms. Eumporn Wongwiang, Education Mind Line Multimedia Co., Ltd., Provision Co., Ltd., Blisspublishing Co.,Ltd., Petchprakai Co.,Ltd., MIS Softtech Co., Ltd., Thammasat University press, 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 year 2010 over the same period last year (from the consolidated financial statements)

Table 1: Operating performance for year 2010 over the same period last year.

(Unit: Million Baht)				
Year 2010				
Consolidated financial statements				
	2010	2009	Change	(%)
Revenues from sales	4,999.90	4,596.00	403.90	8.79
Income from educational fee and services	108.99	25.07	83.92	334.74
Total revenue from sales	5,108.89	4,621.07	487.82	10.56
Cost of sales	3,425.21	3,138.73	286.48	9.13
Cost of services	75.66	17.40	58.26	334.83
Total cost of sales and services	3,500.87	3,156.13	344.74	10.92
Gross profit	1,608.02	1,464.93	143.09	9.77
Interest and dividend income	20.79	12.80	7.99	62.42
Other income	39.36	37.00	2.36	6.38
Selling expenses	831.98	773.36	58.62	7.58
Administrative expenses	474.55	417.76	56.79	13.59
Managements' and directors' Remunerations	33.65	31.92	1.74	5.44
Gross Margin (%)	31.47	31.70		(0.23)
EBITDA	450.57	409.26	41.31	10.09
Profit from operation accordance with	475.09	423.34	51.75	12.22
Cash Flow Statement				
NET PROFIT	243.06	216.57	26.49	12.23
EPS (Baht)	0.77	0.67	0.10	14.93

The Company and its subsidiaries' total revenues for the year 2010 are worth THB 5,171.79 million, which include the sales revenues and income from tuition fees from Plearn Pattana School. From the total revenue, THB 5,054.98 million was revenue from the separate financial statement, which grew by 8.78% the same period last year. The sales revenue was accounted for THB 4,994.33 million, which grew by 8.67%.

The growth was the result of an increase in same-store sales by 4.8% from the same period last year. The growth was a result of higher sales of nonbook product, SE-ED distributed books and SE-ED own books, combined with higher sales from new SBC branches, which opened 25 new branches in year 2010. Causing to continuous growth of 10% sales of SE-ED book center and network including the maintain continuous growth rate of wholesales business unit.

Cost of sales and service according to the consolidated financial statement for the year 2010 worth THB 3,500.86 million, or up 10.92%. While the cost of sales, according to the separate financial statement worth THB 3,421.07 million, or up 9.0% which is slightly higher in proportion to the increase of sales. This was the result from the sales of low-profit products, especially newspaper, magazine and electronics products and prepaid card in SE-ED Book Center. The gross margin for the year 2010 worth 31.50% or decreased 0.21% from the same period last year.

The Selling and Administrative expense for the year 2010 according to the consolidated financial statement worth THB 1,306.53 million, or up 9.69%. While the Selling and Administrative expense, according to the separate financial statement worth THB 1,288.61 million, or up 8.40% which is considered lower in proportion to the increase of sales. This was the result of the ability to control the selling and administrative expense, especially the growth is the result of the effectiveness of product-loss prevention measure. Most of the increasing expenses were from higher expense due to more branches opening and more sales of each branches which consisted of employees salaries, rental fees, branch services, public utilities expenses,, transportation, packaging expense that increased by the higher number of branches. Moreover, there were expense from goods and assets burned damaged of the 2 bookstores, the Big C Rajdumri, and The securities Exchange of Thailand, effected from the political turmoil situation

The Company and its subsidiaries' net profit for the year of 2010 is worth THB 243.06 million, from which THB 236.98 million was the Company's net profit, accounting for 10.56% growth from last year which resulted of

- The increasing gross margin that varied to the increasing of sales. And the ability to control the selling and administrative expense, especially the growth is the result of the effectiveness of product-loss prevention measure.
- 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.

3.2 Operating performance for Q4 (3 months) of 2010 over the same period last year (from the consolidated financial statements)

Table 2: Operating performance for Q4 (3 months) of 2010 over the same period last year.

(Unit: Million Baht)

	Q4 (3M)			
	Consolidated financial statements			
	2010	2009	Change	(%)
Revenues from sales	1,285.43	1,177.53	107.90	9.16
Income from educational fee and services	29.61	25.07	4.54	18.11
Total revenue from sales	1,315.04	1,202.60	112.44	9.35
Cost of sales	868.11	803.44	64.67	8.05
Cost of services	19.75	17.41	2.34	13.44
Total cost of sales and services	887.86	820.85	67.01	8.16
Gross profit	427.18	381.75	45.43	11.90
Interest and dividend income	8.18	4.95	3.23	65.25
Other income	13.29	16.94	(3.65)	(21.55)
Selling expenses	211.18	196.07	15.11	7.71
Administrative expenses	127.74	114.74	13.00	11.33
Managements' and directors' Remunerations	8.36	6.28	2.08	33.12
Gross Margin (%)	32.48	31.74		0.74
EBITDA	131.53	117.72	13.81	11.73
Profit from operation accordance with				
Cash Flow Statement	146.86	111.10	35.76	32.19
NET PROFIT	73.66	68.54	5.12	7.47
EPS (Baht)	0.23	0.21	0.02	9.52

The Company and its subsidiaries' total revenues of the fourth quarter of 2010 are worth THB 1,336.52 million, which include the sales revenues and income from tuition fees from Plearn Pattana School. From the total revenue, THB 1,304.62 million was the revenue from the separate financial statement, which grew by 8.68% from the same period of last year. The sales revenue was accounted for THB 1,283.87 million, which grew by 9.05%.

The driver of this sales growth rate was due to the increasing of 4.7% growth of the same-store sales, combined with higher sales from new SBC branches, which opened 9 new branches in fourth quarter of 2010. As a result, the revenue of SE-ED Book Center and its network stores increased by 11%

Cost of sales and service for the fourth quarter of 2010 according to the consolidated financial statement worth THB 887.86 million, or up 8.16%. While the cost of sales, according to the separate financial statement worth THB 867.12 million, or up 7.95% which is considered lower in proportion to the increase of sales. This was the result from the sales of high-profited products, especially books that the Company has published, and distributed both Thai and foreign books in SE-ED Book Center. The gross margin for the year 2010 worth 32.46% or increased 0.69% from the same period last year.

The Selling and Administrative expense for the fourth quarter of 2010 according to the consolidated financial statement worth THB 338.92 million, or up 9.04%. While the Selling and Administrative expense, according to the separate financial statement worth THB 336.89 million, or up 9.77% which is considered lower in proportion to the increase of sales. This was the result of the product loss prevention measure with significant decreasing loss. Most of the increasing expenses were from higher rental fees, branch services, employees' benefits that increased by the higher number of branches

The Company and its subsidiaries' net profit of the fourth quarter of 2010 is worth THB 73.66 million, of which THB 71.32 million is the Company's net profit, accounting for 3.14% growth from the same period last year. This was the resulted from the increasing gross margin and the effectiveness of product-loss measure.

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
Quarter 4	1/2011	24/02/2011	27/05/2011	0.43*	139.29
Total				0.73	236.46
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

* Calculated from the consolidated financial statement

** Dividend payment rate has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 28, 2011.

5. FINANCIAL POSITION

5.1 Asset Component

Table 4 : Asset Component

(Unit: Million Baht)

Description	Consolidated financial statements					
	Year 2010		Year 2009		Change	
	Amount	% to	Amount	% to	Amount	(%)
		Total Assets		Total Assets		
Cash and cash equivalent items	720.04	31.52	544.81	25.63	175.23	32.16
Short-term investment-net	186.48	8.16	188.94	8.89	(2.46)	(1.30)
Trade accounts receivable-net	111.59	4.88	98.69	4.64	12.90	13.07
Inventories-net	417.26	18.26	441.35	20.77	(24.09)	(5.46)
Prepaid expenses	16.27	0.71	25.36	1.19	(9.09)	(35.84)
Damage compensation receivable	-	-	17.79	0.84	(17.79)	(100.00)
Others	20.40	0.89	22.80	1.07	(2.40)	(10.53)
Total Current Assets	1,472.04	64.43	1,339.74	63.04	132.30	9.88
Investments in subsidiary and associated companies-net	27.14	1.19	26.18	1.23	0.96	3.67
Property, plant and Equipment-net	497.20	21.76	485.68	22.85	11.52	2.37
Leasehold right on land-net	7.71	0.34	8.05	0.38	(0.34)	(4.22)
Leasehold right on buildings-net	123.39	5.40	116.56	5.48	6.83	5.86
Land and land improvement not used for operation-net	33.52	1.47	33.59	1.58	(0.07)	(0.21)
Right for software usage fee-net	6.75	0.30	7.42	0.35	(0.67)	(9.03)
Copyright and translation fee paid in advance	22.38	0.98	24.05	1.13	(1.67)	(6.94)
Rental guarantee and deposit	79.57	3.48	69.32	3.26	10.25	14.79
Other non-current assets	14.85	0.65	14.80	0.70	0.05	0.34
Total Assets	2,284.55	100.00	2,125.39	100.00	159.16	16.49

Financial analyses

Total Asset As of December 31, 2010 the company and its subsidiaries had a total asset of THB 2,284.55 million increase of THB 159.16 million or 7.49% from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of December 31, 2010 for THB 720.04 million increased of THB 175.24 million or 32.17% from the increasing investment in government bond (age not more than 3 months).
- Trade accounts-net for THB 111.59 million increasing of THB 12.90 million or 13.07% because of the increase in the wholesales of Thai and foreign books to clients.
- Inventories-net for THB 417.26 million decreased from last year by THB 24.09 million or 5.46% 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 497.20 million increasing THB 11.52 million or 2.37%. Most of them were new bookstores branches investment and the investing in building of library and building for academic personnel in order to support the expansion of more students received of the associated company which would finished in 2010
- Leasehold right on buildings-net for THB 123.39 increasing THB 6.83 million or 5.86% from the lease deal of a branch in the third quarter of 2010.
- Guarantee for rental and deposit for THB 79.57 million increased by THB 10.25 million, most of which was the deposit rental payment for new branches and head office.

Total liabilities As of December 31, 2010 the Company and its subsidiaries had a total liability of THB 1,499.54 million increase of THB 117.96 million or 8.54%. Causes of changing of total liabilities:

- Account payable THB 1,153.14 million, was increased THB 121.37 million or 11.76%. Most of them were wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 41.23 million, was increased THB 9.63 million or 30.48% from increasing of profit before tax and tax benefit from investment fund with add back reserved expense from goods lost.
- Other accounts payable THB 21.40 million, was decreased THB 25.07 million or 53.95%. Most of them were the decrease of accrued cheque payment for rental and service of SE-ED book center and warehouse at the end of 2009.
- Accrued expenses THB 133.04 million, was increased THB 26.74 million or 25.16%. Most of them were the increase of the accrued expense for bonus and property tax for branches

Shareholders' equity As of December 31, 2010 the Company and its subsidiaries had a total shareholders' equity of THB 785.01 million increased of THB 41.20 million or 5.54%. Causes of changing of Shareholders' equity:

- Retained earnings increased THB 29.27 million due to
 - Net profit of shareholders' equity of parent company from operation result year of 2010 amount THB 243.06 million or 12.23%.
 - Retain earnings decreased THB 213.79 million from dividend payment in the year 2010.
- Unrealized loss-securities available for sale decreased THB 7.55 million due to the increasing market price of One-Fas Prosperity Fund.

5.2 Cash flow

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

	(Unit: Million Baht)			
	Consolidated financial statements			
	2010	2009	Change	(%)
Cash flow received (used) from operation activities	494.90	434.10	60.80	14.01
Cash flow received (used) from investing activities	(104.40)	(32.80)	(71.60)	218.29
Cash flow received (used) from financing activities	(215.26)	(193.17)	(22.09)	11.44
Cash flow increase (decrease)	175.24	208.13	(32.89)	15.80

Cash Flow Received from Operation Activities for 2010 was THB 494.90 millions increased of THB 60.80 million or 14.01% as listed below:

- Cash flow from operation increased in the amount of THB 475.09 million:
 - The Net profit before corporate income tax for 2010 in the amount of THB 326.51 million.
 - Non-monitory expenses in the amount of THB 148.57 million (Depreciation and Leasehold written-off in the amount of THB 119.82 million, Expense from donated assets and goods as THB 24.64 million, Expense from allowance for lost as THB 15.69 million, Expense from allowance for lost, dilapidated and slow-moving goods (reversal) as THB 8.21 million, adjustment of royalty fee account clearing, advanced translation fee, and accrued payment as THB 3.58 million.
 - Cash flow decreased from Trade accounts and notes receivable increased amount THB 15.14 million as due to the increasing of books supplying to debtors of the wholesales.
 - Cash flow decreased from the increasing of THB 28.52 million inventories, most of them were the increasing goods at bookstores branches.

- 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 10.25 million
- Cash flow increased amount THB 128.30 million from payable and note payable. Which resulted from the increasing of SBC creditors which related to the sales increase.
- Cash flow decreased from other accounts payable and note payable decreased THB 25.07 million.

Cash Flow Used from Investment Activities for 2010 in the amount of THB (104.40) million increased of THB (71.60) million or 218.29% as listed below:

- Cash flow decreased from purchase of assets as THB 115.74 million, mostly from the purchase of decoration items and bookshelves for SBC branches and building investment of associated company in 2009.
- Cash flow increased amount THB 22.23 million from interest and dividends.
- THB 10.01 million in cash was added from sale of temporary investments.
- Cash payment for bookstores branches space rental right as THB 19.86 million

Cash Flow Used from Financial Activities for 2010 was THB (215.26) million increased of THB (22.09) million or 11.44% due to dividend payment is worth THB (213.79)

5.3 Financial Ratios

Table 6: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae. (From the consolidated financial statements)

LIQUIDITY RATIOS		2010	2009
Current Ratio	Time	1.03	1.03
Quick Ratio	Time	0.72	0.64
Cash Flow Ratio	Time	0.36	0.33
Accounts Receivable Turnover	Time	8.16	7.72
Average Debt Collection Period	Day	44	47
Inventory Turnover	Time	6.87	6.20
Average Selling Period	Day	52	58
Debtor Turnover	Time	3.14	3.04
Debt Payment Period	Day	115	118
Cash Cycle	Day	(18)	(14)

PROFITABILITY RATIOS		2010	2009
Gross Profit Margin	%	31.48	31.70
Operating Profit	%	6.47	6.37
Other Profit	%	1.16	1.07
Cash to Earnings Ratio	%	149.63	147.40
Net Profit Margin	%	4.70	4.63
Rate of Return to Equity	%	34.36	31.41
EFFICIENCY RATIOS			
Return on Asset	%	15.00	13.86
Return on Fixed Assets	%	58.60	54.29
Asset Turnover	Time	2.35	2.20
FINANCIAL POLICY RATIO			
Debt to Equity Ratio	Time	2.07	2.00
Interest Capability Ratio	Time	136.22	420.79
Debt Service Coverage Ratio	Time	1.49	1.65
Dividend Payout Ratio**	%	97.28	98.71

*** Dividend payment rate for 2010 has been approved from the board of Directors and waiting for approval from shareholders in the annual general meeting on April 28, 2011.*



Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

IR@SE-ED.COM

<http://www.se-ed.com/ir>

02-739-8000 # 8