

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

## **Management Discussion and Analysis**

*As of March 31, 2011*

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*Published Date : May 18, 2011*

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

At the end of first quarter of 2011, there were deluge in several southern provinces which lead to transportation problem to SE-ED Book center and other bookstores but these caused not serious effect.

The bookstore branches expansion for the first quarter of 2011, the Company opened 12 new branches of SE-ED Book Center. As of March 31, 2011, there were a total of 360 active branches and 32 points of sale.

As the still good expansion of the country economy and the continuous improvement of product mixed in SE-ED Book Center, the same store sales growth for first quarter of 2011 was increased 5.3% compared to the same period last year. Then, the company could maintain the growing revenue and operation profit before corporate income tax continuously at a satisfactory level. The net profit before corporate income tax for the first quarter according to the separate financial statements worth THB 59.76 million, compare with the same period last year, grew up 6.76%.

To approve the interim dividend payment for operating performance of quarter 1/2011 from January 1, 2011 to March 31, 2011. 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 separate financial statement calculated by which is not exempt from corporate income tax. The names of shareholders listed for the right to receive the dividend is scheduled to be announced on June 1, 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 June 2, 2011. The payment of dividend will be made on June 10, 2011.

**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 Q1/2011 the Company opened 12 new branches located in Lotus Nong Jauk, Lotus Prachuab Khirikhan, Lotus Na kae Nakhon Phanom, Lotus Lan Krabue Kampangpetch, Lotus Tha Makhua kampangpetch, Lotus Chumpae Khonkhan, Lotus Bangpakong Chacheungsao, Lotus Tha uthen Nakhon phanom, Home pro Chacheungsao, Lotus Pua Nan, Central Chiangrai and Lotus Bangbuathong Nonthaburi. This led to the total of 385 branches, including 360 active branches, 6 franchises and 32 points of sale. Several existing branches were also renovated and modernized to boost the sales and profits.

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### **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 Softtech Co., Ltd., Nation Egmont Edutainment Co.,Ltd., Ms. Eumporn Wongwiang, Education Mind Line Multimedia Co., Ltd., Petchprakai Co.,Ltd., Provision Co., Ltd., Aksornsart Publishing Co.,Ltd., Thammasat University press, Bliss Publishing 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, 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 Q1 of 2011 over the same period last year

Table 1 : Operating performance for Q1 of 2011 over the same period last year.

(Unit : Million Baht)				
Q1				
Consolidated financial statements				
Revenues	2011	2010	Change	(%)
Revenues from sales	1,270.75	1,152.60	118.15	10.25
Income from tuition fees and services	23.88	25.64	(1.76)	(6.86)
Interest and dividend income	5.95	5.16	0.79	15.31
Other income	8.68	12.15	(3.47)	(28.56)
<b>Total revenues</b>	<b>1,309.26</b>	<b>1,195.55</b>	<b>113.71</b>	<b>9.51</b>
Expenses				
Cost of sales	880.03	801.73	78.30	9.77
Cost of services	19.88	17.87	2.01	11.25
Selling expenses	217.09	203.07	14.02	6.90
Administrative expenses	132.60	114.00	18.60	16.32
<b>Total expenses</b>	<b>1,249.60</b>	<b>1,136.67</b>	<b>112.93</b>	<b>9.94</b>
<b>Gross profit</b>	<b>394.73</b>	<b>358.64</b>	<b>36.10</b>	<b>10.07</b>
<b>Gross Margin (%)</b>	<b>30.49</b>	<b>30.44</b>		<b>0.05</b>
EBITDA	86.26	85.98	0.28	0.33
Profit from operation accordance with				
Cash Flow Statement	93.59	82.22	11.37	13.83
<b>Net profit of shareholders' equity of</b>				
parent company	<b>40.62</b>	<b>47.13</b>	<b>(6.51)</b>	<b>(13.81)</b>
<b>EPS (Baht)</b>	<b>0.13</b>	<b>0.15</b>	<b>(0.02)</b>	<b>(13.33)</b>

**The Company and its subsidiaries' total revenues for the first quarter as of March 31, 2011** according to the consolidated financial statements worth THB 1,309.26 million, compare with the same period last year, grew up 9.51%. While the total revenue, according to the separate financial statements worth THB 1,282.56 million, or up 9.71% compare with the same period last year. In this amount as revenues from sales 1,268.99 million, or up 10.11%

The growth was the result of an increase in same store sales by 5.3% from the same period last year due to the product mixed improvement in SE-ED Book Center combined with higher sales from new SBC branches, which opened 12 new branches in Q1 of 2011. Causing to continuous growth of 11.1% sales of SE-ED book center and network including the continuous maintain growth rate of wholesales business unit.

**Cost of sales and service** according to the consolidated financial statements for the first quarter as of March 31, 2011 worth THB 899.91 million, or up 9.80%. While the cost of sales, according to the separate financial statements worth THB 879.86 million, or up 9.75%. This was the result from the sales of high-profit products, especially books that the Company has published, and distributed both Thai and foreign books. The gross margin for the first quarter of 2011 worth 30.66%, which slightly increased from the same period last year.

**The Selling and Administrative expense** for the first quarter of 2011 according to the consolidated financial statement worth THB 349.69 million, or up 10.29%. While the Selling and Administrative expense, according to the separate financial statement worth THB 342.84 million, or up 10.13%. The main drivers were:

- The personnel expense in 2011 increased than normal due to the salary structure adjustment in several business units according to the increasing of lowest wage adjustment rate and the higher cost of living. Otherwise the company also recognizing expense for employees benefit in long term future according with Thai Accounting Standard adopted in 2011.
- The expansion of SE-ED Book Center and the increasing expense for improvement of information technology system efficiency and distribution center to support for expansion causing to the lag of sales growth to sales and administration expense growth so ratio growth of expense to sales growth was higher.

**The Company and its subsidiaries' net profit before corporate income tax for the first quarter as of March 31, 2011** according to the separate financial statements worth THB 59.76 million, compare with the same period last year, grew up 6.76%.

However, when calculating corporate income tax, the net profit of the separate financial statements worth THB 41.22 million, compare with the same period last year, decreased 10.78%. The Company's net profit according to the consolidated financial statements worth THB 40.62 million, compare with the same period last year, decreased 13.81%.

The main drivers were:

- The corporate income tax of Q1 of 2011 increased from 25% to be 30%.
- In Q1 of 2010 the company has gained tax benefit from recording back the lost goods reserved expense which was much higher than actual, so the net profit of Q1 last year was higher than normal.
- In Q1 of 2011 there was the policy change in acknowledged of revenue from cash support for school development of Plearn Pattana school which was spreaded over the year to be recorded at receiving, regularly this amount would be received in Q3 and Q4 of the year, so this caused to showed lost in Q1 of 2011 of The Plearnpatt company.
- **Sales and Administration expense** increased than normal due to the higher personnel expense, the expansion of SE-ED Book Center and the increasing expense for improvement of information technology system efficiency and distribution center to support for expansion as explained above.

#### 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 2 : The dividend payment of 2011, 2010 and 2009 as follow:*

<b>Year 2011 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	2/2011	13/05/2011	10/06/2011	0.10	32.39
<b>Total</b>				<b>0.10</b>	<b>32.39</b>
<b>Year 2010 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	2/2010	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	28/04/2011	27/05/2011	0.43	139.29
<b>Total</b>				<b>0.73</b>	<b>236.46</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>

**5. FINANCIAL POSITION****5.1 Asset Component***Table 3 : Asset Component*

(Unit : Million Baht)

Description	Consolidated financial statements					
	March 31, 2011		December 31, 2010		Change	
	Amount	% to	Amount	% to	Amount	Amount
		Total Assets		Total Assets		(%)
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	812.57	34.08	720.04	31.52	92.53	12.85
Current investments	184.16	7.72	186.48	8.16	(2.32)	(1.24)
Trade accounts receivable	107.07	4.49	111.60	4.88	(4.53)	(4.06)
Inventories - net	398.66	16.72	417.26	18.26	(18.60)	(4.46)
Prepaid expenses	31.94	1.34	16.27	0.71	15.67	96.31
Other current assets	24.67	1.03	20.39	0.89	4.28	20.99
<b>Total current assets</b>	<b>1,559.07</b>	<b>65.39</b>	<b>1,472.04</b>	<b>64.43</b>	<b>87.03</b>	<b>5.91</b>
<b>Non-current assets</b>						
Restricted bank deposit and other investments	10.70	0.45	10.88	0.48	(0.18)	(1.65)
Investments in associate - net	27.04	1.13	27.04	1.18	-	-
Property, plant and equipment - net	499.45	20.95	497.20	21.76	2.25	0.45
Leasehold right on land - net	7.62	0.32	7.71	0.34	(0.09)	(1.17)
Leasehold right on Buildings - net	120.04	5.03	123.39	5.40	(3.35)	(2.71)
Investment property	33.50	1.40	33.52	1.47	(0.02)	(0.06)
Right for software usage fee - net	6.50	0.27	6.75	0.30	(0.25)	(3.70)
Prepaid book copyright and translation fee	24.18	1.01	22.38	0.98	1.80	8.04
Rental guarantee and deposit	81.41	3.41	79.57	3.48	1.84	2.31
Other non-current assets	14.86	0.62	4.07	0.18	10.79	265.11
<b>Total non-current assets</b>	<b>825.30</b>	<b>34.61</b>	<b>812.51</b>	<b>35.57</b>	<b>12.79</b>	<b>1.57</b>
<b>Total assets</b>	<b>2,384.37</b>	<b>100.00</b>	<b>2,284.55</b>	<b>100.00</b>	<b>99.82</b>	<b>4.37</b>

## **Financial analyses**

**Total Asset** As of March 31, 2011 the company and its subsidiaries had a total asset of THB 2,384.37 million increase of THB 99.82 million or 4.37% from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of March 31, 2011 for THB 812.57 million increased of THB 92.53 million or 12.85% from the increasing investment in government bond (age not more than 3 months).
- Trade accounts receivable and receivable notes net for THB 107.07 million decreased of THB 4.53 million or 4.06% due to payment from main suppliers about consignment goods clearing.
- Inventories-net for THB 398.66 million decreased from last year by THB 18.60 million or 4.46% because of better managing for foreign goods purchase orders and decreasing of works in process, as there were several printing works in process in the Q4 of 2010.
- Prepaid expenses for THB 31.94 million increasing of THB 15.67 million or 96.31% due to advanced payment of rental for warehouse and some bookstores branches to get more discount.
- Property, plant and equipment-net for THB 499.45 million increasing THB 2.25 million or 0.45%. Most of them were new bookstores branches investment.
- Guarantee for rental and deposit for THB 81.41 million increased THB 1.84 million, most of which was the deposit rental payment for new branches.
- Other non-current assets for THB 14.86 million increasing THB 10.79 million which mainly from advanced rental payment of bookstores branches over one year.

**Total liabilities** As of March 31, 2011 the Company and its subsidiaries had a total liability of THB 1,599.74 million increase of THB 100.20 million or 6.68%. Causes of changing of total liabilities:

- Account payable THB 1,225.81 million, was increased THB 72.67 million or 6.30%. Most of them were wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 58.65 million, was increased THB 17.43 million because the corporate income tax of 2011 increased from 25% to be 30% and the company has gained tax benefit decreased from the same period last year.
- Provision for long-term employee benefits THB 40.88 million, was increased THB 39.40 million according with Thai Accounting Standard adopted in 2011.
- Other accounts and notes payable THB 27.97 million, was increased THB 6.57 million. Most of them were the accrued cheque payment for rental and other expenses.

- Accrued expenses THB 102.96 million, was decreased THB 28.61 million, mainly cause from accrued expense for bonus of 2010 which would be paid in March, 2011.

**Shareholders' equity** As of March 31, 2011 the Company and its subsidiaries had a total shareholders' equity of THB 784.63 million, which the shareholders' equity of parent company worth THB 726.15 million decreased of THB 0.76 million. Causes of changing of Shareholders' equity:

- Retained earnings decreased THB 3.30 million due to
  - Net profit of shareholders' equity of parent company from operation result Q1 of 2011 amount THB 40.62 million.
  - Retained earnings decreased THB 37.28 million from recognizing expense for employees benefit in long term future according with Thai Accounting Standard adopted in 2011.
  - Retained earnings decreased THB 6.64 million from recognizing discount on capital resulting from change in shareholding ratio in subsidiary.
- Other components of shareholders' equity increased THB 4.07 million due to
  - Increased from recognizing discount on capital resulting from change in shareholding ratio in subsidiary with retained earnings amount THB 6.64 million.
  - Decreased from unrealized loss-securities available for sale increased THB 2.33 million due to the changing market price.

## 5.2 Cash flow

Table 4 : Cash flow for Q1 of 2011 over the same period last year

(Unit : Million Baht)				
Consolidated financial statements				
	Q1/2011	Q1/2010	Change	(%)
Cash flow received (used) from operation activities	114.86	72.86	42.00	57.64
Cash flow received (used) from investing activities	(21.51)	(28.89)	7.38	25.55
Cash flow received (used) from financing activities	(0.82)	0.06	(0.88)	(1,466.67)
<b>Cash flow increase (decrease)</b>	<b>92.53</b>	<b>44.03</b>	<b>48.50</b>	<b>110.15</b>

**Cash Flow Received from Operation Activities for Q1 of 2011 was THB 114.86 million as listed below:**

- Cash flow from operation increased in the amount of THB 93.59 million:
  - The Net profit before corporate income tax for Q1 of 2011 in the amount of THB 58.54 million.
  - Non-monitory expenses in the amount of THB 35.06 million (Depreciation and amortization as THB 26.59 million, Expense from lost goods as THB 4.19 million, Expense from donated goods as THB 6.31 million and Amortized leasehold right on land and buildings as THB 3.43 million).
- Cash flow increased from trade accounts payable increased amount THB 72.67 million, most of them were the increasing goods at bookstores branches according the increasing of sales amount and number of branches.
- Cash flow increased from inventories decreased amount THB 9.69 million, most of them were the decreasing foreign goods with the better controlling stock.
- Cash flow increased from other payables increased amount THB 6.57 million.
- Cash flow increased from trade accounts receivable decrease amount THB 4.87 million from receiving payment of main debtor after clearing consignment stocks.
- Cash flow decreased from accrued expenses decreased amount THB 28.61 million from the payment of bonuses in the year 2010 to be paid Q1 of 2011.
- Cash flow decreased from prepaid expenses increased amount THB 15.67 million from the advanced rental payment of warehouse and some bookstore branches.
- Cash flow decreased from other non-current assets increased amount THB 10.80 million from advanced rental payment over one year of some bookstore branches.
- Cash flow decreased from guarantee for rental and deposit by THB 1.84 million.

**Cash Flow Used from Investment Activities for Q1 of 2011 was THB (21.51) million as listed below:**

- Cash flow decreased from purchase of assets as THB 27.52 million, mostly from the purchase of decoration items, bookshelves and computer for new SBC branches.
- Cash flow increased amount THB 5.93 million from interest and dividends.

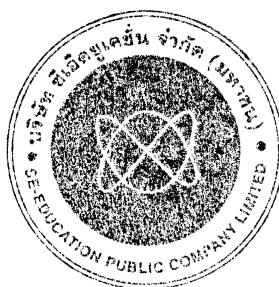
**Cash Flow Used from Financial Activities for Q1 of 2011 was THB (0.82) million mostly from the interest payment of Subsidiary company.**



### 5.3 Financial Ratios

*Table 5 : Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae. (From the consolidated financial statements)*

LIQUIDITY RATIOS		Q1/2011	Q1/2010
Current Ratio	Time	1.05	1.07
Quick Ratio	Time	0.74	0.70
PROFITABILITY RATIOS			
Gross Profit Margin	%	30.49	30.44
Net Profit Margin	%	3.10	3.94
Rate of Return to Equity	%	32.30	28.85
Return on Asset	%	14.64	13.26
FINANCIAL POLICY RATIO			
Debt to Equity Ratio	Time	2.04	1.70
Interest Capability Ratio	Time	119.47	76.42



Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

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