



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

Management Discussion and Analysis

As of June 30, 2011

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Management Discussion and Analysis: SE-ED

1. OVERVIEW

The bookstore branches expansion for the second quarter of 2011, the Company opened 7 new branches of SE-ED Book Center. As of June 30, 2011, there were a total of 366 active branches and 31 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 the second quarter of 2011 was increased 3.8% compared to the same period last year. Causing the Company net profit before corporate income tax for the second quarter (3 months) of 2011 according to the separate financial statements worth THB 111.83 million, compare with the same period last year, grew up 20.71%.

To approve the interim dividend payment for operating performance of quarter 2/2011 from April 1, 2011 to June 30, 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. The names of shareholders listed for the right to receive the dividend is scheduled to be announced on August 25, 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 August 26, 2011. The payment of dividend will be made on September 8, 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 Q2/2011 the Company opened 7 new branches located in Laemthong Rayong third floor, Lotus Ban Mor Saraburi, Home Pro Roi Ed, Lotus Taladkhet Karnchanaburi, Lotus Khueng Nai Ubonratchathani, Lotus Pa tew Yasothorn and Lotus Kudchum Yasothorn. This led to the total of 392 branches, including 366 active branches, 6 franchises and 31 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., Ms. Eumporn Wongwiang, Nation Egmont Edutainment Co.,Ltd., Petchprakai Co.,Ltd., Education Mind Line Multimedia Co.,Ltd., Aksornsart Publication Co.,Ltd., Provision Co.,Ltd., Thammasat University press, 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

3.1 Operating performance for Q2 (3 months) of 2011 over the same period last year

Table 1 : Operating performance for Q2 (3 months) of 2011 over the same period last year.

(Unit : Million Baht)

	Q2 (3M)			
	Consolidated financial statements			
Revenues	2011	2010	Change	(%)
Revenues from sales	1,432.15	1,303.39	128.76	9.88
Income from tuition fees	34.58	26.50	8.08	30.49
Interest and dividend income	5.92	2.97	2.95	99.33
Other income	10.05	6.93	3.12	45.02
Total revenues	1,482.70	1,339.79	142.91	10.67
Expenses				
Cost of sales	960.58	888.60	71.98	8.10
Cost of services	19.98	17.49	2.49	14.24
Selling expenses	238.48	207.75	30.73	14.79
Administrative expenses	143.69	130.95	12.74	9.73
Total expenses	1,362.73	1,244.79	117.94	9.47
Gross profit	486.17	423.80	62.37	14.72
Gross Margin (%)	33.15	31.87		1.28
EBITDA	155.85	127.28	28.57	22.45
Profit from operation accordance with				
Cash Flow Statement	161.49	144.69	16.80	11.61
Net profit of shareholders' equity of				
parent company	84.39	70.42	13.97	19.85
EPS (Baht)	0.26	0.22	0.04	18.18

The Company and its subsidiaries' total revenue for the second quarter (3 months) of 2011

according to the consolidated financial statements worth THB 1,482.70 million compare with the same period last year, grew up 10.67%. While the total revenue, according to the separate financial statements worth THB 1,447.16 million, or up 10.22% compare with the same period last year. In this amount as revenues from sales 1,430.12 million, or up 9.90%.

The growth was the result of an increase in same store sales by 3.8% 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 7 new branches in Q2 of 2011. Causing to continuous growth of 9.21% 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 second quarter as of June 30, 2011 worth THB 980.55 million, or up 8.22%. While the cost of sales, according to the separate financial statements worth THB 959.61 million, or up 8.19%. The gross margin for the second quarter of 2011 worth 32.90%, or up 1.06%. The main drivers were:

- The increasing sales rebate from suppliers as target sales reached according to the sales increasing of more bookstore branches.
- The sales ratio of high profit products such as books that the company has published, the books distributed by the company and nonbook products have increased from the same period last year.

The Selling and Administrative expense for the second quarter (3 months) of 2011 according to the consolidated financial statements worth THB 382.18 million, or up 12.84%. While the Selling and Administrative expense, according to the separate financial statements worth THB 375.71 million, or up 12.71%. 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 net profit before corporate income tax for the second quarter (3 months) of 2011 according to the separate financial statements worth THB 111.83 million, compare with the same period last year, grew up 20.71%.

However, when calculated income tax changed at a rate of 30 percent in 2011 instead of 25 percent of net income in 2010 as the company has exercised to reduce income tax rates for three fiscal years in accordance with the provisions regarding the reduction of income tax rates No. 475 dated 6 August 2008. The net profit for the second quarter to 2011 according to the separate financial statements worth THB 79.94 million, compare with the same period last year, grew up 17.49%.

The net profit belonging to shareholder's equity of parent company according to the consolidated financial statements worth THB 84.39 million, compare with the same period last year, grew up 19.85%.

3.2 Operating performance for first six month as 2011 over the same period last year

Table 2 : Operating performance for first six month as 2011 over the same period last year.

(Unit : Million Baht)

	Q2 (6M)			
	Consolidated financial statements			
	2011	2010	Change	(%)
Revenues				
Revenues from sales	2,702.90	2,455.99	246.91	10.05
Income from tuition fees	58.46	52.58	5.88	11.18
Interest and dividend income	11.87	8.21	3.66	44.58
Other income	18.73	18.56	0.17	0.92
Total revenues	2,791.96	2,535.34	256.62	10.12
Expenses				
Cost of sales	1,840.60	1,690.33	150.27	8.89
Cost of services	39.86	35.82	4.04	11.28
Selling expenses	455.58	411.19	44.39	10.80
Administrative expenses	276.28	244.13	32.15	13.17
Total expenses	2,612.32	2,381.47	230.85	9.69
Gross profit	880.90	782.42	98.48	12.59
Gross Margin (%)	31.90	31.19		0.71
EBITDA	245.54	216.44	29.10	13.44
Profit from operation accordance with Cash Flow Statement	255.09	226.91	28.18	12.42
Net profit of shareholders' equity of parent company	125.02	117.55	7.47	6.35
EPS (Baht)	0.39	0.36	0.03	8.33

The Company and its subsidiaries' total revenues of the first six months of 2011 according to the consolidated financial statements worth THB 2,791.96 million compare with the same period last year, grew up 10.12%. While the total revenue, according to the separate financial statements worth THB 2,729.72 million, or up 9.98% compare with the same period last year. In this amount as revenues from sales 2,699.11 million, or up 9.99%. The growth was the result of an increase in same store sales by 4.5% including the continuous maintain growth rate of wholesales business unit.

Cost of sales and service according to the consolidated financial statements for the first six months of June 30, 2011 worth THB 1,880.46 million, or up 8.94%. While the cost of sales, according to the separate financial statements worth THB 1,839.47 million, or up 8.93%. The gross margin for the first six months of June 30, 2011 worth 31.85%, or up 0.67%.

The Selling and Administrative expense for the first six months of June 30, 2011 according to the consolidated financial statements worth THB 731.87 million, or up 11.68%. While the Selling and Administrative expense, according to the separate financial statements worth THB 718.55 million, or up 11.46% as stated in the report of operating performance for the third quarter (three months).

The net profit before corporate income tax for the first six months of June 30, 2011 according to the separate financial statements worth THB 171.59 million, compare with the same period last year, grew up 15.46%. When calculated income tax in 30% which increase from 25% from the last year resulted the net profit according to the separate financial statements worth THB 121.16 million, compare with the same period last year, grew up 6.01%.

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 statements. The payment will be made in the annual general meeting of the year immediately following the operating year.

Table 3 : The dividend payment of 2011, 2010 and 2009 as follow:

Year 2011 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	2/2011	13/05/2011	10/06/2011	0.10	32.39
Quarter 2	3/2011	09/08/2011	08/09/2011	0.10	32.39
	Total			0.20	64.78
Year 2010 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	2/2010	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
	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

5. FINANCIAL POSITION

5.1 Asset Component

Table 4 : Asset Component

(Unit : Million Baht)

Description	Consolidated financial statements					
	June 30, 2011		December 31, 2010		Change	
	Amount	% to Total Assets	Amount	% to Total Assets	Amount	(%)
Assets						
Current assets						
Cash and cash equivalents	508.27	21.36	720.05	31.52	(211.78)	(29.41)
Current investments	183.02	7.69	186.48	8.16	(3.46)	(1.86)
Trade accounts receivable - net	143.89	6.05	111.59	4.88	32.30	28.95
Inventories - net	379.63	15.95	417.26	18.26	(37.63)	(9.02)
Prepaid expenses	39.71	1.67	16.27	0.71	23.44	144.07
Other current assets	19.41	0.82	20.39	0.89	(0.98)	(4.81)
Total current assets	1,273.93	53.53	1,472.04	64.43	(198.11)	(13.46)
Non-current assets						
Restricted bank deposits and other investments	15.33	0.64	10.87	0.48	4.46	41.03
Investments in associate - net	27.04	1.14	27.04	1.18	-	-
Property, plant and equipment - net	775.67	32.60	497.20	21.76	278.47	56.01
Leasehold right on land - net	7.54	0.32	7.71	0.34	(0.17)	(2.20)
Leasehold right on buildings - net	116.66	4.90	123.39	5.40	(6.73)	(5.45)
Investment property	33.49	1.41	33.52	1.47	(0.03)	(0.09)
Right for software usage fee - net	5.94	0.25	6.76	0.30	(0.82)	(12.13)
Prepaid book copyright and translation fee	22.69	0.95	22.38	0.98	0.31	1.39
Rental guarantee and deposit	82.92	3.48	79.57	3.48	3.35	4.21
Other non-current assets	18.50	0.78	4.07	0.18	14.43	354.55
Total non-current assets	1,105.78	46.47	812.51	35.57	293.27	36.09
Total assets	2,379.71	100.00	2,284.55	100.00	95.16	4.17

Financial analyses

Total Asset As of June 30, 2011 the company and its subsidiaries had a total asset of THB 2,379.71 million increase of THB 95.16 million or 4.17% from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of June 30, 2011 for THB 508.27 million decreased of THB 211.78 million or -29.41% from buying land to build distribution center in future in the amount of THB 267 million.
- Trade accounts receivable and receivable notes net for THB 143.89 million increased of THB 32.30 million or 28.95% from a great sales volume of wholesales in the beginning of academic opening term.
- Inventories-net for THB 379.63 million decreased from last year by THB 37.63 million or -9.02% because a great sales foreign book in the beginning of academic opening term and decreasing of works in process, as there were several printing works in process finished in the beginning of 2011.
- Prepaid expenses for THB 39.71 million increasing of THB 23.44 million or 144.07% due to advanced payment of rental for head office and software maintenance service charge.
- Property, plant and equipment-net for THB 775.67 million increasing THB 278.47 million or 56.01% due to buying land at Bangna-Trad road km.21 to build distribution.
- Guarantee for rental and deposit for THB 82.92 million increased THB 3.35 million, most of which was the deposit rental payment for new branches.
- Other non-current assets for THB 18.50 million increasing THB 14.43 million mainly from software maintenance fee and advanced rental payment of Tuk Com group (the portion which give benefit more than one year).

Total liabilities As of June 30, 2011 the Company and its subsidiaries had a total liability of THB 1,679.49 million increased of THB 179.95 million or 12%. Causes of changing of total liabilities:

- Account payable THB 1,290.83 million, was increased THB 137.69 million or 11.94%. Most of them were wholesales creditors of SE-ED Book Center.
- Accrued expenses THB 115.07 million, was decreased THB 16.50 million, mainly cause from accrued expense for bonus of 2010 which would be paid in March, 2011.
- Accrued corporate income tax THB 48.30 million, was increased THB 7.07 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.

- Other accounts and notes payable THB 27.63 million, was increased THB 6.23 million. Most of them were the accrued payment for rental and other expenses service for bookstore branches.
- Other current liabilities THB 49.22 million, was increased 9.51 million from extend software maintenance contract.
- Provision for long-term employee benefits THB 39.58 million, was increased THB 38.10 million according with Thai Accounting Standard adopted in 2011.

Shareholders' equity As of June 30, 2011 the Company and its subsidiaries had a total shareholders' equity of THB 700.22 million, which the shareholders' equity of parent company worth THB 637.08 million decreased of THB 88.31 million. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result Q2 of 2011 amount THB 125.02 million.
- Unrealized loss-securities available for sale increased THB 3.88 million due to the changing market price.
- Retained earnings decreased due to the dividend payment as THB 171.68 million.
 - Operation result of Q4/2010 THB 0.43 per share as THB 139.29 million.
 - Operation result of Q1/2011 THB 0.10 per share as THB 32.39 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.
- There was the record of transfer capital decreased from the changing of share ratio in affiliated company to be retain earning in the amount of THB 6.64 million.

5.2 Cash flow

Table 5 : Cash flow for first six month of 2011 over the same period last year

(Unit : Million Baht)

	Consolidated financial statements			
	6M/2011	6M/2010	Change	(%)
Cash flow received (used) from operation activities	271.94	242.47	29.47	12.15
Cash flow received (used) from investing activities	(306.48)	(29.88)	(276.60)	(925.70)
Cash flow received (used) from financing activities	(177.23)	(149.21)	(28.02)	(18.78)
Cash flow increase (decrease)	(211.77)	63.38	(275.15)	(434.13)

Cash Flow Received from Operation Activities for 6M of 2011 was THB 271.94 million as listed below:

- Income from operation increased in the amount of THB 255.09 million:
 - The Net profit before corporate income tax 6M of 2011 in the amount of THB 179.49 million.
 - Adjustments to reconcile profit before tax in the amount of THB 75.60 million (Depreciation and amortization as THB 54 million, Expense from lost goods as THB 6.80 million, Expense from donated goods as THB 13.36 million, Amortized leasehold right on land and buildings as THB 6.90 million, Interest income as THB (6.30) million and Dividend income as THB (5.56) million).
- Cash flow decreased from trade accounts receivable increased amount THB 31.17 million due to the increasing of books supplying to educational institutions in the beginning of academic opening term.
- Cash flow increased from inventories decreased amount THB 12.26 million, because a great sales foreign book in the beginning of academic opening term and decreasing of works in process, as there were several printing works in process finished in the beginning of 2011.
- Cash flow decreased from prepaid expenses increased amount THB 23.44 million. Most of them were the advanced payment for rental of head office and software maintenance fee.
- Cash flow decreased from other non-current assets increased amount THB 14.43 million from mainly from software maintenance fee and advanced rental payment of Tuk Com group (the portion which give benefit more than one year).

- Cash flow increased from trade accounts payable increased amount THB 137.69 million. Most of them were wholesales creditors of SE-ED Book Center.
- Cash flow decreased from accrued expenses decreased amount THB 16.50 million mainly cause from accrued expense for bonus of 2010 which would be paid in March, 2011.
- Cash flow increased from other payables increased amount THB 6.23 million. Most of them were the accrued payment for rental and other expenses service for bookstore branches.

Cash Flow Used from Investment Activities for 6M of 2011 was THB (309.48) million as listed below:

- Cash flow decreased from purchase of assets as THB 321.13 million due to buying land to build distribution center in future and the purchase of decoration items, bookshelves and computer for new SBC branches.
- Cash flow increased amount THB 6.38 million from interest.
- Cash flow increased amount THB 7.56 million from dividends.

Cash Flow Used from Financial Activities for 6M of 2011 was THB (177.23) million due to dividend payment for Q4 of 2010 which would be paid in May, 2011.

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		6M/2011	6M/2010
Current Ratio	Time	0.81	1.01
Quick Ratio	Time	0.53	0.69
PROFITABILITY RATIOS			
Gross Profit Margin	%	33.15	31.19
Net Profit Margin	%	5.69	4.64
Rate of Return to Equity	%	32.32	33.25
Return on Asset	%	15.69	15.14
FINANCIAL POLICY RATIO			
Debt to Equity Ratio	Time	2.40	2.00
Interest Capability Ratio	Time	150.45	130.65

Signature.....

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