



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

## **Management Discussion and Analysis**

*As of September 30, 2011*

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## Management Discussion and Analysis: SE-ED

### 1. OVERVIEW

The bookstore branches expansion for the third quarter of 2011, the Company opened 17 new branches of SE-ED Book Center. As of September 30, 2011, there were a total of 383 active branches and 30 points of sale.

As there was an improvement in the ability to generate profits by continually adjusting the variety of products available at SE-ED Book Center, the same store sales growth for the third quarter of 2011 was increased 5.7% compared to the same period last year. Causing the Company net profit before corporate income tax for the third quarter of 2011 according to the separate financial statements worth THB 78.83 million, compare with the same period last year, grew up 11.49%. In the third quarter of 2011, the Company had been slightly affected by the severe flood disaster.

To approve the interim dividend payment for operating performance of quarter 3/2011 from July 1, 2011 to September 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 November 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 November 28, 2011. The payment of dividend will be made on December 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 Q3/2011 the Company opened 17 new branches located in Lotus Khamtakla Sakonnakhon, Lotus Yantakao Trang, Home Pro Suphanburi, Lotus Panthong Chonburi, Lotus Bang Saphan Prachuapkhirikhan, Lotus Rattaphum Songkhla etc. This led to the total of 409 branches, including 383 active branches, 6 franchises and 30 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, Ms. Eumporn Wongwiang, Nation Egmont Edutainment Co.,Ltd., Petchprakai Co.,Ltd., Education Mind Line Multimedia Co.,Ltd., Provision Co.,Ltd., Thammasat University press, Aksornsart Publication 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

#### 3.1 Operating performance for Q3 (3 months) of 2011 over the same period last year

Table 1 : Operating performance for Q3 (3 months) of 2011 over the same period last year.

(Unit : Million Baht)

	<b>Q3 (3M)</b>			
	<b>Consolidated financial statements</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>(%)</b>
<b>Revenues</b>				
Revenues from sales	1,372.11	1,258.47	113.64	9.03
Income from tuition fees	26.67	26.79	(0.12)	(0.45)
Interest and dividend income	5.51	4.40	1.11	25.23
Other income	8.18	8.16	0.02	0.25
<b>Total revenues</b>	<b>1,412.47</b>	<b>1,297.82</b>	<b>114.65</b>	<b>8.83</b>
<b>Expenses</b>				
Cost of sales	945.70	866.71	78.99	9.11
Cost of services	23.68	20.10	3.58	17.81
Selling expenses	239.56	209.61	29.95	14.29
Administrative expenses	126.42	128.66	(2.24)	(1.74)
<b>Total expenses</b>	<b>1,335.36</b>	<b>1,225.08</b>	<b>110.28</b>	<b>9.00</b>
<b>Gross profit</b>	<b>429.40</b>	<b>398.45</b>	<b>30.95</b>	<b>7.77</b>
<b>Gross Margin (%)</b>	<b>30.70</b>	<b>31.00</b>		<b>(0.30)</b>
EBITDA	107.94	102.61	5.33	5.19
Profit from operation accordance with Cash Flow Statement	104.35	107.36	(3.01)	(2.80)
<b>Net profit of shareholders' equity of parent company</b>	<b>58.18</b>	<b>51.85</b>	<b>6.33</b>	<b>12.21</b>
<b>EPS (Baht)</b>	<b>0.18</b>	<b>0.16</b>	<b>0.02</b>	<b>12.50</b>

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

according to the consolidated financial statements worth THB 1,412.47 million compare with the same period last year, grew up 8.83%. While the total revenue, according to the separate financial statements worth THB 1,382.96 million, or up 8.99% compare with the same period last year. In this amount as revenues from sales 1,370.34 million, or up 9.05%.

The growth was the result of an increase in same store sales by 5.7% 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 17 new branches in Q3 of 2011. Causing to continuous growth of 11.11% sales of SE-ED book center and network including the continuous maintain growth rate of wholesales business unit.

**Cost of sales and service** The consolidated financial statements of the third quarter as of September 30, 2011 was worth THB 969.38 million, an increase of 9.31%. Meanwhile, the cost of sales, according to the separate financial statements, was worth THB 945.51 million, an increase of 9.28%. The gross margin in the Q3 of 2011 was accounted for 31%, which was a decrease of 0.14%. The main driver was the sales ratio of high-profit products have slightly decreased from the same period last year.

**The Selling and Administrative expense for the third quarter (3 months) of 2011** according to the consolidated financial statements worth THB 365.98 million, or up 8.19%. While the Selling and Administrative expense, according to the separate financial statements worth THB 358.61 million, or up 7.72%. 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 expenses which increased according to the growth of the bookstore branches are, for example: rental fee, service charge, logistic cost.
- The expansion of SE-ED Book Center and the increasing expense comes from replacing the computer sets in the branches and the distribution center to support for expansion.

**The Company net profit before corporate income tax for the third quarter (3 months) of 2011** according to the separate financial statements worth THB 78.83 million, compare with the same period last year, grew up 11.49%.

However, when calculated income tax changed at a rate of 30 percent in 2011 instead of 25 percent of net income in 2010. The net profit for the third quarter to 2011 according to the separate financial statements worth THB 59.52 million, compare with the same period last year, grew up 15.83%. As the result of Q3 of 2011, the Company's tax benefits from donation and disposing of the degenerate, obsolete products has increased more than the same period of last year.

The net profit belonging to shareholder's equity of parent company according to the consolidated financial statements worth THB 58.18 million, compare with the same period last year, grew up 12.19%.

### 3.2 Operating performance for first nine-month as 2011 over the same period last year

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

(Unit : Million Baht)

	<b>Q3 (9M)</b>			
	<b>Consolidated financial statements</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>(%)</b>
<b>Revenues</b>				
Revenues from sales	4,075.02	3,714.46	360.56	9.71
Income from tuition fees	85.13	79.38	5.75	7.24
Interest and dividend income	17.37	12.61	4.76	37.75
Other income	26.91	26.06	0.85	3.26
<b>Total revenues</b>	<b>4,204.43</b>	<b>3,832.51</b>	<b>371.92</b>	<b>9.70</b>
<b>Expenses</b>				
Cost of sales	2,786.29	2,557.10	229.19	8.96
Cost of services	63.54	55.91	7.63	13.65
Selling expenses	695.14	620.80	74.34	11.97
Administrative expenses	402.71	372.10	30.61	8.23
<b>Total expenses</b>	<b>3,947.68</b>	<b>3,605.91</b>	<b>341.77</b>	<b>9.48</b>
<b>Gross profit</b>	<b>1,310.32</b>	<b>1,180.83</b>	<b>129.49</b>	<b>10.97</b>
<b>Gross Margin (%)</b>	<b>31.50</b>	<b>31.12</b>		<b>0.37</b>
EBITDA	350.49	319.04	31.45	9.86
Profit from operation accordance with Cash Flow Statement	359.44	334.27	25.17	7.53
<b>Net profit of shareholders' equity of parent company</b>				
	<b>183.19</b>	<b>169.40</b>	<b>13.79</b>	<b>8.14</b>
<b>EPS (Baht)</b>	<b>0.57</b>	<b>0.52</b>	<b>0.05</b>	<b>9.62</b>

The Company and its subsidiaries' total revenues of the first nine months of 2011 according to the consolidated financial statements worth THB 4,204.43 million compare with the same period last year, grew up 9.70%. While the total revenue, according to the separate financial statements worth THB 4,112.67 million, or up 9.66% compare with the same period last year. In this amount as revenues from sales 4,069.45 million, or up 9.68%. The growth was the result of an increase in same store sales by 4.8% including the continuous maintain growth rate of wholesales business unit.

**Cost of sales and service** according to the consolidated financial statements for the first nine months of September 30, 2011 worth THB 2,849.83 million, or up 9.06%. While the cost of sales, according to the separate financial statements worth THB 2,784.99 million, or up 9.05%. The gross margin for the first nine months of September 30, 2011 worth 31.56%, or up 0.39%. 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 first nine months of September 30, 2011**

according to the consolidated financial statements worth THB 1,097.85 million, or up 10.57%. While the Selling and Administrative expense, according to the separate financial statements worth THB 1,077.16 million, or up 10.25% as stated in the report of operating performance for the third quarter (three months).

**The net profit before corporate income tax for the first nine months of September 30, 2011**

according to the separate financial statements worth THB 250.42 million, compare with the same period last year, grew up 14.18%. 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 180.67 million, compare with the same period last year, grew up 9.06%.

The net profit belonging to shareholder's equity of parent company according to the consolidated financial statements worth THB 183.19 million, compare with the same period last year, grew up 8.14%.

#### 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:

<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
Quarter 2	3/2011	09/08/2011	08/09/2011	0.10	32.39
Quarter 3	4/2011	09/11/2011	08/12/2011	0.10	32.39
<b>Total</b>				<b>0.30</b>	<b>97.17</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 4 : Asset Component

(Unit : Million Baht)

Description	Consolidated financial statements					
	September 30, 2011		December 31, 2010		Change	
	Amount	% to	Amount	% to	Amount	(%)
		Assets		Assets		
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	499.17	21.46	720.05	31.52	(220.88)	(30.68)
Current investments	176.82	7.60	186.48	8.16	(9.66)	(5.18)
Trade accounts receivable - net	94.28	4.05	111.59	4.88	(17.31)	(15.51)
Inventories - net	380.05	16.34	417.26	18.26	(37.21)	(8.92)
Prepaid expenses	33.54	1.44	16.27	0.71	17.27	106.15
Other current assets	20.45	0.88	20.39	0.89	0.06	0.29
<b>Total current assets</b>	<b>1,204.31</b>	<b>51.77</b>	<b>1,472.04</b>	<b>64.43</b>	<b>(267.73)</b>	<b>(18.19)</b>
<b>Non-current assets</b>						
Restricted bank deposits and other investments	6.72	0.29	6.93	0.30	(0.21)	(3.03)
Investments in associate - net	27.04	1.16	27.04	1.18	0.00	0.00
Property, plant and equipment - net	789.81	33.95	497.20	21.76	292.61	58.85
Leasehold right on land - net	7.54	0.32	7.71	0.34	(0.17)	(2.20)
Leasehold right on buildings - net	113.34	4.87	123.39	5.40	(10.05)	(8.14)
Investment property	33.48	1.44	33.52	1.47	(0.04)	(0.12)
Right for software usage fee - net	5.81	0.25	6.75	0.30	(0.94)	(13.93)
Prepaid book copyright and translation fee	26.16	1.12	22.38	0.98	3.78	16.89
Rental guarantee and deposit	88.46	3.80	79.57	3.48	8.89	11.17
Other non-current assets	23.44	1.01	8.02	0.35	15.42	192.27
<b>Total non-current assets</b>	<b>1,121.80</b>	<b>48.23</b>	<b>812.51</b>	<b>35.57</b>	<b>309.29</b>	<b>38.07</b>
<b>Total assets</b>	<b>2,326.11</b>	<b>100.00</b>	<b>2,284.55</b>	<b>100.00</b>	<b>41.56</b>	<b>1.82</b>

## **Financial analyses**

**Total Asset** As of September 30, 2011 the company and its subsidiaries had a total asset of THB 2,326.11 million increase of THB 41.56 million or 1.82% from the end of last year. Causes of changing of total assets:

- Cash and cash equivalent items as of September 30, 2011 for THB 499.17 million decreased of THB 220.88 million or -30.68% from buying land to build distribution center in future.
- Trade accounts receivable and receivable notes net for THB 94.28 million which was decreased by THB 17.31 million or -15.51%. This is the result of the receipt of debts back from major debtors who were the suspended debtors from the end of the year 2010 because of the clearing of the consignment stock.
- Inventories-net for THB 380.05 million decreased from last year by THB 37.21 million or -8.92% because a great sales foreign book in the beginning of academic opening term.
- Prepaid expenses for THB 33.54 million increasing of THB 17.27 million or 106.15% due to advanced payment of rental for head office and software maintenance service charge.
- Property, plant and equipment-net for THB 789.81 million increasing THB 292.61 million or 58.85% due to buying land at Bangna-Trad road km.21 to build distribution.
- Guarantee for rental and deposit for THB 88.46 million increased THB 8.89 million, most of which was the deposit rental payment for new branches.
- Other non-current assets for THB 23.44 million increasing THB 15.42 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 September 30, 2011 the Company and its subsidiaries had a total liability of THB 1,607.55 million increased of THB 108 million or 7.20%. Causes of changing of total liabilities:

- Account payable THB 1,247.35 million, an increase by THB 94.21 million or 8.17%. Most of them were wholesales creditors of SE-ED Book Center. It was also the improvement of sales figures and the expansion of branches.
- Income received in advance recognizable within one year was worth THB 9.42 million, a decrease by THB 23.52 million. This is the result of the change in the accounting policy of Plearnpatt Co.,Ltd. from the year-round gradual recognition to immediate recognition in the period the payment was received.

- Accrued expenses were worth THB 145.56 million, an increase by THB 14 million. This is the result of the set up of accrued payment for royalties and land tax of SE-ED Book Center branches.
- Accrued corporate income tax was worth THB 17.29 million, a decrease of THB 23.94 million. This is mostly the result of paying the corporate income tax of the year 2010.
- Other accounts and notes payable THB 30.25 million, was increased THB 8.85 million. Most of them were the accrued payment for rental and other expenses service for bookstore branches.
- Provision for long-term employee benefits THB 40.79 million, was increased THB 39.31 million according with Thai Accounting Standard adopted in 2011.

**Shareholders' equity** As of September 30, 2011 the Company and its subsidiaries had a total shareholders' equity of THB 718.57 million, which the shareholders' equity of parent company worth THB 656.83 million decreased of THB 68.56 million. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result Q3 of 2011 (9 months) amount THB 183.19 million.
- Unrealized loss-securities available for sale increased THB 9.65 million due to the changing market price.
- Retained earnings decreased due to the dividend payment as THB 204.07 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.
  - Operation result of Q2/2011 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 Retained earnings in the amount of THB 6.64 million.

## 5.2 Cash flow

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

(Unit : Million Baht)

	<b>Consolidated financial statements</b>			
	<b>9M/2011</b>	<b>9M/2010</b>	<b>Change</b>	<b>(%)</b>
Cash flow received (used) from operation activities	337.97	370.73	(32.76)	(8.84)
Cash flow received (used) from investing activities	(352.59)	(72.62)	(279.97)	385.53
Cash flow received (used) from financing activities	(206.26)	(181.61)	(24.65)	13.57
<b>Cash flow increase (decrease)</b>	<b>(220.88)</b>	<b>116.50</b>	<b>(337.38)</b>	<b>(289.60)</b>

**Cash Flow Received from Operation Activities for 9M of 2011 was THB 337.97 million as listed below:**

- Income from operation increased in the amount of THB 359.44 million:
  - The Net profit before corporate income tax 9M of 2011 in the amount of THB 255.57 million.
  - Adjustments to reconcile profit before tax in the amount of THB 103.87 million (Depreciation and amortization as THB 81.42 million, Expense from donated goods as THB 18.43 million, Expense from lost goods as THB 11.09 million, Amortized leasehold right on land and buildings as THB 10.31 million, Dividend income as THB (8.12) million, Reversal of allowance for stock obsolescence as THB (9.83) million and Interest income as THB (9.26) million).
- Cash flow increased from trade accounts payable increased amount THB 94.21 million. Most of them were wholesales creditors of SE-ED Book Center.
- Cash flow increased from trade accounts receivable decreased amount THB 17.79 million because the company receive the debts from major debtors who were the suspended debtors from the end of the year 2010 because of the clearing of the consignment stock.
- Cash flow increased from accrued expenses increased amount THB 14 million because of the set up of the accrued royalty and land tax of SE-ED Book Center branches.
- Cash flow increased from other payables increased amount THB 8.85 million. Most of them were the accrued payment for transportation cost, rental fee and other service expenses of SE-ED Book Center branches.

- Cash flow increased from inventories decreased amount THB 11.72 million, because a great sales foreign book in the beginning of academic opening term.
- Cash flow decreased because Income received in advance decreased amount THB 26.85 million, as the result of the revenue recognition as the income from Plearnpatt Co.,Ltd.
- Cash flow decreased from prepaid expenses increased amount THB 17.27 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 15.42 million, mainly from software maintenance fee and advanced rental payment of Tuk Com group (the portion which give benefit more than one year).
- Cash flow decreased from rental guarantee and deposit increased amount THB 8.89 million.

**Cash Flow Used from Investment Activities for 9M of 2011 was THB (352.59) million as listed below:**

- Cash flow decreased from purchase of assets as THB 372.68 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 10.12 million from dividends.
- Cash flow increased amount THB 9.28 million from interest.

**Cash Flow Used from Financial Activities for 9M of 2011 was THB (206.27) million** due to dividend payment for Q4 of 2010 which would be paid in May, 2011 and interim dividend payment for operation result of Q1 and Q2 of 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)*

<b>LIQUIDITY RATIOS</b>		<b>9M/2011</b>	<b>9M/2010</b>
Current Ratio	Time	0.81	1.01
Quick Ratio	Time	0.52	0.69
<b>PROFITABILITY RATIOS</b>			
Gross Profit Margin	%	31.50	31.13
Net Profit Margin	%	4.36	4.42
Rate of Return to Equity	%	38.25	35.52
Return on Asset	%	15.87	15.72
<b>FINANCIAL POLICY RATIO</b>			
Debt to Equity Ratio	Time	2.24	1.98
Interest Capability Ratio	Time	128.93	134.12

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