



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

Management Discussion and Analysis

As of March 31, 2012

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Management Discussion and Analysis: SE-ED

1. OVERVIEW

The bookstore branches expansion for Q1 of 2012, the Company opened 7 new branches of SE-ED Book Center. As of March 31, 2012, there were a total of 403 active branches and 30 points of sale.

The Company's board had approved the interim dividend payment for operating performance of quarter 1/2012, from January 1, 2012 to March 31, 2012. As the company has continual profitability and high liquidity, the board of directors has agreed to pay dividend at THB 0.10 per share rate, 356,313,243 shares in total, by net profit portion from the separate financial statement. The names list of shareholders, who has the right to receive the dividend, is scheduled to be announced on May 29, 2012. And According to the section 225 in Securities and Exchange Act, the names of shareholders will be compiled by closing the shareholders register book on May 30, 2012. The payment of dividend will be made on June 8, 2012.

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 growth in the future. As a result, the Company remains the one of the top bookstores with the highest sales revenue in the country. During Q1/2012 the Company opened 7 new branches located in Big C Rama II, Lotus Punpin Suratthani, Home Pro Trung, Tanghuaseng Thonburi, Lotus Koh Po Chonburi, Lotus Klongdan Samutprakan, Lotus Hauyyod Trung. This led to the total of 430 branches, including 403 active branches, 4 franchises and 30 points of sale. Several active 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, Petchprakai Co.,Ltd., Education Mind Line Multimedia Co.,Ltd., Provision Co.,Ltd., Post Publishing Public Company Limited, Thammasat University press, Bear 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 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 Q1 of 2012 over the same period last year

Table 1 : Operating performance for Q1 of 2012 over the same period last year

	(Unit : Million Baht)			
	Q1			
	Consolidated financial statements			
	2012	2011	Change	(%)
Revenues				
Revenues from sales	1,329.18	1,270.75	58.43	4.60
Tuition fees income	25.96	23.87	2.09	8.76
Interest and dividend income	4.01	5.95	(1.94)	(32.61)
Other income	16.68	8.69	7.99	91.94
Total revenues	1,375.83	1,309.26	66.57	5.08
Expenses				
Cost of sales	914.07	880.02	34.05	3.87
Cost of tuition fees	22.16	19.88	2.28	11.47
Selling expenses	247.08	217.10	29.98	13.81
Administrative expenses	126.23	132.60	(6.37)	(4.80)
Total expenses	1,309.54	1,249.60	59.94	4.80
Gross profit	418.91	394.72	24.19	6.13
Gross Margin (%)	30.91	30.49		0.42
EBITDA	97.18	89.65	7.53	8.40
Profit from operating activities before changes in operating assets and liabilities	103.13	93.59	9.54	10.19
Equity holders of the Company	52.85	40.62	12.23	30.11
EPS (Baht)	0.16	0.13	0.03	23.08

The Company and its subsidiaries' total revenue for Q1 of 2012 according to the consolidated financial statements worth THB 1,375.83 million compare with the same period last year, grew up 5.08%. While the total revenue, according to the separate financial statements worth THB 1,347.21 million or up 5.04% compare with the same period last year. In this amount as revenues from sales 1,327.43 million, or up 4.61%.

The growth was the result of increasing sales from 44 new SE-ED Book Center branches during Q2 of 2011 to Q1 of 2012. As for sales from same store, its growth rate had changed slightly.

Cost of sales and service the consolidated financial statements for Q1 of 2012 were worth THB 936.23 million or up to 4.04%. While the cost of goods sold, according to the separate financial statements worth THB 913.78 million or up to 3.9%. The gross margin for Q1 of 2012 worth 31.16%, which was close to the same period last year. The main drivers were the increasing sales rebate from suppliers and the increasing sales of distribution books sales.

The Selling and Administrative expense for Q1 of 2012 according to the consolidated financial statements worth THB 373.31 million or up 6.75%. While the Selling and Administrative expenses, according to the separate financial statements worth THB 365.91 million, or up 6.73%. The main drivers were:

- The personnel expenses in 2012 increased more than normal, due to the salary structure adjustment in several business units, the government increasing of minimum wage policy, and the higher living cost.
- The increasing expenses of the 44 new bookstore branches, contrasted to the 32 new bookstore branches in last year, are logistic costs, rental fees, service charges, overtime pay, and packaging costs.

The Company net profit before corporate income tax for Q1 of 2012 according to the consolidated financial statements worth THB 52.85 million, compared with the same period last year, increased 30.11%. As the result of the corporate income tax had changed at a rate of 23% in 2012 instead of 30% of net income in 2011 and the Company had insured its property against the loss and the damage, and acknowledged the compensation for the great flood disaster.

The net profit according to the separate financial statements worth THB 54.22 million, compared with the same period last year, increased 31.54%.

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 2 : The dividend payment of 2012, 2011 and 2010 as follow:

Year 2012 operating result (Paid dividend by cash)					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	3/2012	10/05/2012	8/06/2012	0.10	35.63
	Total			0.10	35.63

Year 2011 operating result

1. Paid dividend by cash

	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2011	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
Quarter 4	1/2012	23/02/2012	24/05/2012	0.11112	35.99
	Total			0.41112	133.16

2. Paid dividend by ordinary shares

The Company's Board meeting 1/2012 approved and agreed to propose dividend payments in the forthcoming Annual General Meeting in order to approve paying dividend payments of 2011 **in ordinary shares**, not exceeding 32,392,113 shares in total or THB one (1) per share, and **at ratio of ten (10) current shares per one (1) dividend share** or can be calculated into THB 0.10 per share, to shareholders.

Year 2010 operating result (Paid dividend by cash)

	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

5. FINANCIAL POSITION

5.1 Asset Component

Table 3 : Asset Component

(Unit : Million Baht)

Description	Consolidated financial statements					
	March 31, 2012		December 31, 2011		Change	
	Amount	% to	Amount	% to	Amount	(%)
		Total		Total		
Assets		Assets				
Assets						
Current assets						
Cash and cash equivalents	581.40	23.36	570.31	23.19	11.09	1.94
Current investments	183.24	7.36	178.86	7.27	4.38	2.45
Trade and other receivables	109.96	4.42	132.41	5.39	(22.45)	(16.95)
Inventories	390.60	15.69	396.08	16.11	(5.48)	(1.38)
Other current assets	68.17	2.74	39.93	1.62	28.24	70.72
Total current assets	1,333.37	53.57	1,317.59	53.58	15.78	1.20
Non-current assets						
Restricted bank deposits and other						
Investments	12.39	0.50	12.39	0.50	-	-
Investments in associate	27.05	1.09	27.05	1.10	-	-
Property, plant and equipment	869.47	34.93	844.50	34.34	24.97	2.96
Leasehold right on land	7.29	0.29	7.37	0.30	(0.08)	(1.09)
Leasehold right on buildings	107.45	4.32	110.30	4.49	(2.85)	(2.58)
Intangible assets	4.79	0.19	5.34	0.22	(0.55)	(10.30)
Prepaid book copyright and translation fee	21.02	0.84	27.18	1.11	(6.16)	(22.66)
Rental guarantee and deposit	93.95	3.77	92.24	3.75	1.71	1.85
Other non-current assets	12.42	0.50	15.03	0.61	(2.61)	(17.37)
Total non-current assets	1,155.83	46.43	1,141.40	46.42	14.43	1.26
Total assets	2,489.20	100.00	2,458.99	100.00	30.21	1.23

5.2 Liabilities and shareholders' equity Component

Table 4 : *Liabilities and shareholders' equity Component*

(Unit : Million Baht)

Description	Consolidated financial statements					
	March 31, 2012		December 31, 2011		Change	
	Amount	% to Total Assets	Amount	% to Total Assets	Amount	(%)
Liabilities and shareholders' equity						
Current liabilities						
Trade and other payables	1,462.80	58.77	1,500.21	61.01	(37.41)	(2.49)
Short-term loans from other person	-	-	3.40	0.14	(3.40)	(100.00)
Income received in advance recognizable within one year	24.66	0.99	28.95	1.18	(4.29)	(14.82)
Income tax payable	46.57	1.87	34.18	1.39	12.39	36.25
Current portion of provision for long-term employee benefits	6.55	0.26	6.12	0.25	0.43	7.03
Other current liabilities	40.99	1.65	37.96	1.54	3.03	7.98
Total current liabilities	1,581.57	63.54	1,610.82	65.51	(29.25)	(1.82)
Non-current liabilities						
Income received in advance	4.37	0.18	5.30	0.21	(0.93)	(17.55)
Long-term loans	70.86	2.84	64.60	2.63	6.26	9.69
Provision for long-term employee benefits, net of current portion	37.63	1.51	39.62	1.61	(1.99)	(5.02)
Other non-current liabilities	8.65	0.35	8.51	0.35	0.14	1.65
Total non-current liabilities	121.51	4.88	118.03	4.80	3.48	2.95
Total liabilities	1,703.08	68.42	1,728.85	70.31	(25.77)	(1.49)
Shareholders' equity						
Share capital						
Registered						
323,921,130 ordinary shares of Baht 1 each	323.92	13.01	323.92	13.17	-	-
Issued and paid-up						
323,921,130 ordinary shares of Baht 1 each	323.92	13.01	323.92	13.17	-	-
Share premium	149.42	6.00	149.42	6.07	-	-
Retained earnings						
Appropriated-statutory reserve	35.63	1.43	35.63	1.45	-	-
Unappropriated	196.65	7.90	143.79	5.85	52.86	36.76
Other components of shareholders' equity	19.60	0.79	15.47	0.63	4.13	26.70
Equity attributable to owners of the Company	725.22	29.13	668.23	27.17	56.99	8.53
Non-controlling interests of the subsidiaries	60.90	2.45	61.91	2.52	(1.01)	(1.63)
Total shareholders' equity	786.12	31.58	730.14	29.69	55.98	7.67
Total liabilities and shareholders' equity	2,489.20	100.00	2,458.99	100.00	30.21	1.23

Financial analyses

Total Asset As of March 31, 2012 the company and its subsidiaries had a total asset of THB 2,489.20 million and increased by THB 30.21 million or 1.23% from the end of last year. Causes of changing total assets can be itemized as follows:

- Cash and cash equivalent items as of March 31, 2012 for THB 581.40 million had increased by THB 11.09 million or 1.94%, due to cash receiving from sales.
- Trade and other receivables for THB 109.96 million had decreased by THB 22.45 million or -16.95%, due to accrued income record of compensation for damaged merchandise and properties from flood claim in Q4/11, which received in Q1/12.
- Inventories for THB 390.60 million decreased from last year by THB 5.48 million or -1.38%, due to increasing wholesale foreign course books for the upcoming academic semester and sending back some inventory to suppliers.
- Other current assets for THB 68.17 million had increased by THB 28.25 million or 70.76%, due to the result of renewal rental of the Company's headquarters office and its warehouse.
- Property, plant and equipment for THB 869.47 million had increasing by THB 24.97 million or 2.96%, due to buying new bookshelves, the cost of branches decoration, installing new computers in the headquarters, and launching new bookstore branches.
- Leasehold right on buildings for THB 107.45 million had decreased by THB 2.85 million or -2.58% from a land leasehold amortization.
- Prepaid book copyright and translation fee for THB 21.02 million had decreased by THB 6.16 million or -22.66%, due to transferring prepaid book copyright fee into the cost of inventory.
- Rental guarantee and deposit for THB 93.95 million increased THB 1.71 million from the deposit rental payment for opening 7 new bookstore branches in Q1/2012.
- Other non-current assets for THB 12.42 million decreasing THB 2.61 million, due to cutting down the prepaid expenses.

Total liabilities As of March 31, 2012 the Company and its subsidiaries had a total liability of THB 1,703.08 million decreased of THB 25.77 million or -1.49%. Causes of changing of total liabilities can be itemized as follows:

- Trade and other payables for THB 1,462.80 million had decreased by THB 37.41 million or -2.49%, due to accrued expenses for bonus of year 2011 which would be paid in March, 2012.
- Income received in advance recognizable within one year for THB 24.66 million had decreased by THB 4.29 million or -14.82%, due to the trickle of revenue recognized as an income.
- Income tax payable for THB 46.57 million had increased by THB 12.39 million, due to net profits in Q1/2012.
- Other current liabilities for THB 40.99 million had increased by THB 3.03 million, due to account payable coupon, the increasing coupon sales, and running promotions with business alliances.
- Long-term loans were worth THB 70.86 million, an increase 6.26 million, belonging to Plearn Patt Co., Ltd. for building an additional school building.
- Provision for long-term employee benefits, net of current portion THB 37.63 million, was decreased THB 1.99 million, due to one of the senior executive has retired in the early 2012.

Shareholders' equity As of March 31, 2012 the Company and its subsidiaries had a total shareholders' equity of THB 786.12 million, which the shareholders' equity of parent company worth THB 725.22 million decreased of THB 56.99 million. Causes of changing of Shareholders' equity:

- Net profit of shareholders' equity of parent company from operation result of Q1 of 2012 amount THB 52.85 million.
- Unrealized loss-securities available for sale decreased THB 4.38 million due to the increasing of market price.

5.3 Cash flow

Table 5 : Cash flow for Q1 of 2012 over the same period last year

(Unit : Million Baht)

	Consolidated financial statements			
	Q1/2012	Q1/2011	Change	(%)
Cash flow received (used) from operation activities	56.97	114.86	(57.89)	(50.40)
Cash flow received (used) from investing activities	(48.74)	(21.51)	(27.23)	126.59
Cash flow received (used) from financing activities	2.86	(0.83)	3.69	(444.58)
Cash flow increase (decrease)	11.09	92.52	(81.43)	(88.01)

Cash Flow Received from Operation Activities for Q1 of 2012 was THB 56.97 million as listed below:

- Income from operation increased in the amount of THB 103.13 million:
 - The Net profit before corporate income tax for Q1 of 2012 in the amount of THB 65.14 million.
 - Adjustments to reconcile profit before tax in the amount of THB 37.99 million (Depreciation and amortization as THB 27.96 million, Expense from lost goods as THB 6.24 million, Expense from donation of goods as THB 4.37 million, Amortized leasehold right on land and buildings as THB 2.93 million, Provision for long-term employee benefits as THB 2.43 million, Reversal of allowance for lost of goods and stock obsolescence as THB (5.24) million and Interest income as THB (3.10) million).
- Cash flow increased from trade accounts receivable decreased by amount THB 2.82 million, due to decreasing of educational fee receivable of Plearn Pattana Co., Ltd., in which the parents had already paid for the tuition fee in Q1/2012.
- Cash flow decreased from inventories increased amount THB 1.97 million, due to transferring prepaid book copyright fee into the cost of inventory and highly increasing sales of foreign books.
- Cash flow decreased from prepaid expenses increased amount THB 28.24 million, due to the result of renewal rental of the Company's headquarters office and its warehouse.
- Cash flow increased from compensation receivable from the insurance claim decreased amount THB 19.81 million, due to receiving compensation from flood insurance claim in March, 2012.

- Cash flow increased from prepaid book copyright and translation fee decreased amount THB 6.16 million, due to transferring prepaid book copyright fee into the cost of inventory.
- Cash flow increased from other non-current assets decreased amount THB 2.61 million, due to cutting down the prepaid expenses.
- Cash flow decreased from trade accounts payable decreased amount THB 23.23 million, due to paying the debt to the major accounts payable, the victims of the great flood disaster in the end of last year, who was unable to issue invoices on the due date.
- Cash flow decreased from accrued expenses decreased amount THB 37.18 million, due to paying bonuses and incentive to employees.
- Cash flow increased from other payables increased amount THB 22.83 million. The causes mostly were rental fee, repayable service charge, and house and building tax of Lotus' branches of February, 2012, which payables would receive the cheques in April, 2012.
- Cash flow increased from other current liabilities increasing amount THB 3.03 million, due to account payable coupon, the increasing coupon sales, and running promotions with business alliances.

Cash Flow Used from Investment Activities for Q1 of 2012 was THB (48.74) million as listed below:

- Cash flow decreased from purchase of assets as THB 52.76 million, due to buying new bookshelves, the cost of branches decoration, installing new computers in the headquarters and bookstore branches.
- Cash flow increased amount THB 3.07 million from interest income.

Cash Flow Used from Financial Activities for Q1 of 2012 was THB 2.86 million as listed below:

- Cash flow increased by the subsidiary company received long-term loans amount THB 6.26 million for building an additional building.
- Cash flow decreased from paying the subsidiary company's short-term loans from other persons amount THB 3.40 million.

5.4 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		Q1/2012	Q1/2011
Current Ratio	Time	0.84	1.05
Quick Ratio	Time	0.55	0.74
PROFITABILITY RATIOS			
Gross Profit Margin	%	30.91	30.49
Net Profit Margin	%	3.84	3.10
Rate of Return to Equity	%	32.72	32.30
Return on Asset	%	13.40	14.64
FINANCIAL POLICY RATIO			
Debt to Equity Ratio	Time	2.17	2.04
Interest Capability Ratio	Time	62.04	119.47

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

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