



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of December 31, 2014

Overview

In 2014, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, increasing household debt, and technological changes, especially in digital device, consumers were more cautious in their spending and changed their buying behavior. It had resulted in the decline of the Company's sales all over the country, complying with the conditions of retail business in general.

To alleviate the situation, the Company decided to close down 40 small unprofitable branches in 2014 and canceled the rental contract of the old warehouse, which usually raised rental fees every year. To reduce the financial burden in the long run, the Company had the new warehouse constructed. It officially opened in 2014. The Company had to made interest payment on its long term loans for construction of this warehouse. However, the Company was able to gain slightly higher profit because of an increase of trade discount from new books in the Company's distribution business and loss reduction from closing down unprofitable bookstore.

In 2014 the Company had opened new eight braches of SE-ED Book Center. Total number of the active braches as of December 31, 2014 was 412 branches, included nine counter services.

Moreover the Company had branched out in to educational franchises in English language, mathematics, and science through SE-ED Learning Center. In 2014, there were new 10 branches of SE-ED Learning Center. Total number of branches was 24 branches, included three branches that the Company operated.

In operation and management, the Company emphasized on good governance policies together with social and environmental responsibilities. Since the Company was the exemplar in many aspects, it was gaining honorable awards as follows:

- Received 'SET Award of Honor' of Corporate Governance Report for the four times (5 consecutive years of Top Corporate Governance Report Awards) from the SET Awards 2014 organized by the Stock Exchange of Thailand and Money & Banking Magazine. The Company is the only listed company outside SET100 to receive this award.
- The IOD has appraised SE-ED to be excellent (5 stars) level in Corporate Governance Report of Thai Listed Companies 2014, 2013, 2012, 2011, 2010, 2009 and 2008 appraisal for 7 consecutive years. The Company is the only company from the publishing business category in the service industry to be evaluated 'excellent' for 7 consecutive years.
- The Company was assessed by the Securities and Exchange Commission, Thai Listed Companies Association, and Thai Investors Association, in the organization of the Annual General Shareholders Meeting (AGM) 2014 in the level '5 TIA' with the perfect 100 scores for 6 consecutive years (2009-2014). There was a total of 528 listed companies participated in the assessment of the year 2014.
- Received Investors' Choice Award for receiving 100% scores from the evaluation of Annual General Shareholders Meeting for 6 consecutive years (2009 - 2014) by the Thai Investors Association. This is the honorable award for the registered company that emphasizes on the importance of the Annual General Shareholders Meeting and the right and equality of the shareholders. The Company is the only one in the printing and media business to receive this honorable award.

SE-ED's profit in 2014 is THB 86.02 million.

According to consolidated financial statements, net profit of the Company is THB 86.02 million, increasing THB 14.50 million, which accounted for 20.28%. The Company's performance in 2014 can be summarized as follows:

- The subsidiaries and associates' profit recognition was up THB 6.24 million from last year. Mainly it was because of the increasing tuition fees that rises every year and revenue from organizing an extra curriculum.
- The net profit in separate financial statements is THB 78.41 million, increasing THB 5.02 million, which accounted for 6.84%.
 - Sales and Management expenses were reduce by 4.75%, since the rent fee, service fee, and employees' expenses were decreased. The Inventory turnover rate was getting better, resulting in the decrease of the slow-moving inventory reserve.

- The rent fee and service fee of the Headquarter and branches decreased by THB 40.32 million, accounting for 7.52%. There was a decrease of THB 16.91 million from cancelling the rental contract for the old warehouse located on Kingkeaw district. The rental fee and service fee of branches decreased because the lease contract was changed from a fixed term to a percentage of sales.
- Employees' expenses decreased by THB 12.54 million, accounting for 2.53%.
- Interest charges increased by THB 11.81 million on long term loans for construction of the new warehouse.

Net profit for the major shareholders

According the consolidated financial statements in 2014, the Company had net profit for the major shareholders in the number of THB 81.27 million, increased by THB 8.98 million or 12.42% from last year.

- Received more trade discount in both retail market and new books from distribution business.
- Sales and Management expenses decreased, for example, reducing operation cost, rental fee, service fee, facility fee from shutting down the small unprofitable braches. Employees' expenses reduced in accordance with the decreased number of closures.

Dividend of 2014 at the rate of THB 0.18 per share

The Company's board meeting had agreed to propose dividend for the operation result in 2014 to the annual general meeting of shareholders for approval. Dividend of 2014 will be paid at the rate of THB 0.18 per share, but not exceeded THB 70.55 million or 391,944,418 shares from net income after tax expenses, according to separate financial statements.

The list of shareholders that are entitled to receive dividend payments will be established on Wednesday, May 6, 2015. According to Section 225 of the Securities and Exchange Act, the name list of shareholders will be defined by closing the share register book, suspending transfer of shares on Wednesday, May 7, 2015. The dividend payment is due on Tuesday, May 21, 2015.

However, at the end of the accounting year 2014, the Company has provided the full allocation to reserve under the laws and regulations of the Company.

Table 1 : Operation results of 2014 and 2013

	Consolidated financial statement			
	2014	2013	Increase (decrease)	%
Revenue from sales of goods	4,912.65	5,308.41	(395.75)	(7.46%)
Cost of sales	3,236.50	3,580.44	(343.94)	(9.61%)
Gross profit	1,676.15	1,727.97	(51.82)	(3.00%)
Gross profit margin	34.12%	32.55%		1.57%
EBITDA	269.15	227.80	41.35	18.15%
Net profit for major shareholders	81.27	72.29	8.98	12.42%
Net earnings per share	0.21	0.18	0.02	12.42%

Note: EBITDA is earnings before Interest and Tax, plus Depreciation & Amortization.

Higher margin in 2014 In 2014, gross income was THB 1,676.15 million, decreased by THB 51.81 million or 3.00%. However, gross profit margin in 2014 was THB 34.12 million, increased by 1.57% from last year.

- Gross profit decreased by THB 51.81 million according to the decreased sales of 7.46% from last year, due to a decrease of 10.01% in retail sales.
- However gross profit margin in 2014 was 34.12%, increased by 1.57% from last year, due to an increase of 10.80% in foreign books sales and an increase in book distribution, especially course books for institutions.

In 2014, cost of sales and services decreased by THB 343.94 million Cost of sales and services according to consolidated financial statements is THB 3,236.50 million, decreased by THB 343.94 million or 9.61%, which related to a decrease of 8.01% in sales.

EBITDA increased by THB 41.35 million or 18.15% EBITDA increased by THB 41.35 million because of better operation results from closing down small unprofitable branches and gaining more trade discount. This resulted in higher gross profit margin, even though the Company was affected by adjusting the formula for employees' long term benefits and loss profit from disposal of assets in defunct branches.

Table 2 : Operation results of 2014 and 2013

	Consolidated financial statement			
	2014	2013	Increase (decrease)	%
Current assets	926.30	698.12	228.17	32.68%
Non-current assets	1,875.48	1,901.34	(25.86)	(1.36%)
Total assets	2,801.78	2,599.46	202.31	7.78%
Current liability	1,264.13	1,498.75	(234.62)	(15.65%)
Non-current liability	551.74	130.21	421.53	323.73%
Total liability	1,815.87	1,628.96	186.91	11.47%
Total shareholder's equity	985.90	970.50	15.40	1.59%
Total liability and shareholder's equity	2,801.77	2,599.46	202.31	7.78%

Assets increased by THB 202.31 million or 7.78%

Assets increased by THB 202.31 million, due to an increase of THB 304.17 million or 13.83% in investment capital. This was the result of investing the final long term loans in the amount of THB 250 million, which was due according to the contract.

Non-current assets decreased by THB 25.86 million or 1.36%.

Non-current assets decreased by THB 25.86 million, due to a decrease of THB 12.82 million in leasehold by amortizing leasehold and decreasing rental guarantee and deposit from shutting down unprofitable branches by THB 6.87 million.

Current liability decreased by THB 234.62 million or 15.65%

Current liability decreased by THB 234.62 million as follows:

- Short term loans from financial institutions decreased by THB 100 million, due to settlement for financial institutions were paid.
- Trade accounts payable and other Payables decreased by THB 175.16 million, which related to a decrease of sales and the settlement that was due.
- Long term loans that were due in one year increased by THB 60.73 million.

Non-current liability increased by THB 421.53 million or 323.73%

Net long term loans to the due payment increased by THB 421.53 million. This was the loan from the financial institution for construction of the new warehouse.

Shareholder's equity increased by THB 15.40 million or 1.59% Shareholder's equity increased by THB 15.40 million because the Company's profit increased.

table 3 : Statement of cash flows of 2014 and 2013

	Consolidated financial statement			
	2014	2013	Increase (decrease)	%
Cash flows from (used in) operation activities	53.93	61.25	(7.32)	(11.95%)
Cash flows from (used in) investing activities	(425.71)	(330.28)	(95.43)	28.89%
Cash flows from (used in) financing activities	314.21	82.28	231.93	281.90%
Cash flows increase (decreased)	(57.57)	(186.75)	129.18	(69.17%)

Cash flows from operation activities in 2014 was THB 53.93 million

- Profit from operation that was cash equaled THB 329.40 million.
 - Net profit before income tax in 2014 was THB 107.21 million.
 - Adjustments to reconcile profit before tax totals THB 222.19 million including depreciation and amortization of THB 129.78 million; allowance of THB 26.24 million for lost goods, dilapidated goods, and slow-moving goods; amortization for land leasehold right of THB 13.15 million; interest payment of THB 18.97 million; expense from lost of inventories of THB 12.24 million; provision for long-term employee benefits of THB 12.28 million; loss of THB 9.54 million from amortizing for equipment; loss of THB 5.57 million from destruction of goods; loss of THB 5.14 million from donation of goods and equipment; allowance for impairment of THB 2.43 million; interest income of THB 1.22 million; profit of THB 1.48 million from selling temporary investments; allowance of THB 2.47 million for doubtful debt and returned goods; adjustment from un-utilized coupon payable of THB 5.51 million.

- Cash increased by THB 19.37 million from trade receivable and other receivable. Most of them were from distribution receivable and some were from reversal bad debt receivable.
- Cash decreased by THB 52.67 million from inventories in the SE-ED branded books, for example, the manual of Windows 8.1 & office 2013, English-Thai Dictionaries, Rich Dad Books.
- Cash decreased by THB 193.29 million from a decrease of trade payable, corresponding to the decreased sales and unprofitable bookstore closures.
- Cash decreased by THB 15.97 million from decreased current liabilities, due to construction works insurance deduction for construction payable.
- Cash decreased by THB 14.59 million from provision of employee long term benefits, cash awards, and retirement funds.
- Cash decreased by THB 18.92 million from interest paid from long term loans.
- Cash decreased by THB 23.29 million from income tax deduction from operation results of 2013 and 2014.

Cash flows used in investing activities in 2014 was THB 425.71 million.

- Cash decreased by THB 301.25 million from purchase of temporary investments and buying investments in funds.
- Cash decreased by THB 126.98 million from purchase of additional equipment and installing shelves, conveyor, decoration, and other equipment in the new ware house.

Cash flows from financing activities in 2014 was THB 314.21 million

- Cash received by THB 500 million from a financial institution. Subsidiaries loaned from the parents of students in the amount of THB 29.50 million.
- Cash decreased by THB 100 million from paying short term settlement to financial institutions.
- Dividend payoff from operation result in 2013 was paid in May, 2014 in the amount of THB 70.55 million.

table 4 : Financial ratio of 2014

Financial ratios		Consolidated financial statement	
		2014	2013
Return On Equity (ROE)	%	8.88	8.10
Return on Asset (ROA)	%	4.67	3.58
Debt to Equity Ratio	times	1.84	1.68
Interest Coverage Ratio	times	4.97	13.00
Dividend Payout**	%	86.81	97.59

Note:

- ROE (Return on Equity) = Net profit (Parent Company only) divided by shareholder's equity (averaged) from Parent Company only
- ROA (Return on Assets) = Net profit before financial and tax expenses divided by total assets (averaged)
- Debt to Equity ratio = total debts divided by shareholder's equity (minor shareholder's equity included)
- Debt service Coverage Ration = Net cash flows from operation activities + interest + income tax expenses divided by interest from operation and investment
- Return On Equity = Net profit (Parent Company only) divided by shareholder's equity (averaged) from Parent Company only
- Dividend payout ** = dividend by net profit

**Dividend payout in 2014 was proposed by the Company's board committee, waiting for approval from the 2015 Annual General Meeting on April 23, 2015.

ROE was 8.88%
increased by 0.78%
while
ROA was 4.67%
increased by 1.09%

Return on Equity (ROE) was 8.88%, increased by 0.78% while Return on Assets (ROA) was 4.67%, increased by 1.09% according to better operation results, gaining higher margin from course books and other goods from retailing and wholesale businesses.

Debt to Equity Ratio was 1.84 times, increased by 0.16 times

Debt to Equity Ratio increased by 0.16 times, due to long term loans from financial institutions for construction of the new warehouse.

Interest Coverage Ratio was 4.97 times, decreased by 8.03 times

Interest Coverage Ratio decreased by 8.03 times because the Company had used the final credit from long term loans in 2014/Q4 according to terms and conditions in the contract. This had resulted in higher interest charges.

Signature.....

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Deputy Managing Director and Company Secretary

INVESTOR RELATION

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