



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31, 2015

Overview

In Q1/2015, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, and increasing household debt, it resulted in the decline of the Company's sales all over the country, complying with the conditions of retail business in general. Further, due to changes in technology, consumers became to spend less time reading.

To alleviate the situation, the Company has improved the performance of the branches. The Company closed the five small unprofitable branches in Q1/2015 and 40 branches in 2014. In addition, the Company 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 higher profit because of an increase of trade discount from new books in the Company's distribution business, loss reduction from closing down unprofitable bookstore, and an increase of sales of books to educational institutions; though total net sales of the Company decreased.

In Q1/2015 the Company had no new branches of SE-ED Book Center. Total number of the active braches as of March 31, 2015 was 404 branches, included nine counter services.

SE-ED's profit in Q1/2015 is THB 35.05 million.

According to consolidated financial statements in Q1/2015, net profit of the Company is THB 35.05 million, increasing THB 24.04 million, which accounted for 218.19%. The net profit in separate financial statements is THB 32.99 million, increasing THB 21.16 million, which accounted for 178.83%, can be summarized as follows:

- The Company has successfully improved the performance of branches, resulting in a decrease of the expenses of sell and management by 8.35%, which is lesser than a decrease of sales ratio.
- Because the Company has successfully improved product proportion, the turnover rate had improved. It resulted in a decrease of the allowance for dilapidated slow moving of inventories.

Net profit for the major shareholders

According the consolidated financial statements in Q1/2015, the Company had net profit for the major shareholders in the number of THB 34.87 million, increased by THB 23.44 million or 205.07% as follows:

- The expenses of sell and management decreased by 8.83% because of improving the performance of branches, resulting in a decrease of rental, service, and facilities costs. By closing the small unprofitable branches, the employee expenses had decreased in accordance with the number of the closed branches.
- Received more trade discount in new books from distribution business and both retail market.

Table 1 : Operation results for the three-month period ended 31 March 2015 and 31 March 2014

(Unit : Million Baht)

	Consolidated financial statement			
	Q1/2015	Q1/2014	Increase (decrease)	%
Revenue from sales of goods	1,154.42	1,214.98	(60.56)	(4.98%)
Cost of sales	765.08	816.17	(51.10)	(6.26%)
Gross profit	389.34	398.80	(9.46)	(2.37%)
Gross profit margin	33.73%	32.82%		0.91%
EBITDA	86.37	50.47	35.90	71.13%
Equity holders of the Company	34.87	11.43	23.44	205.07%
Net earnings per share	0.09	0.03	0.06	200.00%

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

Higher margin Q1/2015 In Q1/2015, gross profit was THB 389.34 million, decreased to the same period last year by THB 9.46 million or 2.37%. However, gross margin in Q1/2015 was 33.73%, increased by 0.91% from the same period last year.

- Gross profit decreased by THB 9.46 million according to the decreased sales of 4.98% from to the same period last year, due to a decrease of 8.18% in retail sales.
- However gross margin in Q1/2015 was 33.73%, increased by 0.91% from to the same period last year, due to an increase of 18.92% in foreign books sales and an increase in book distribution, especially course books for institutions.

In Q1/2015, cost of sales and services decreased by THB 51.10 million Cost of sales and services according to consolidated financial statements is THB 765.08 million, decreased by THB 51.10 million or 6.26%, which related to a decrease of 4.98% in sales.

EBITDA increased by THB 35.90 million or 71.13% EBITDA increased by THB 35.90 million since the performance of branches had improved and the small unprofitable branches were closed. The net profit increased because of an increase of trade discount. Even though the Company has to repay long-term loans for the construction of the new warehouse.

Table 2 : Statement of financial position As at 31 March 2015 and 31 December 2014

(Unit : Million Baht)

	Consolidated financial statement			
	31 March 2015	31 December 2014	Increase (decrease)	%
Current assets	867.85	926.30	(58.45)	(6.31%)
Non-current assets	1,848.05	1,875.48	(27.43)	(1.46%)
Total assets	2,715.90	2,801.78	(85.88)	(3.07%)
Current liability	1,172.15	1,264.13	(91.98)	(7.28%)
Non-current liability	552.42	551.74	29.32	5.31%
Total liability	1,694.58	1,815.87	(121.29)	(6.68%)
Total shareholder's equity	1,021.32	985.90	35.42	3.59%
Total liability and shareholder's equity	2,715.90	2,801.77	(85.87)	(3.06%)

Current assets decreased by THB 58.45 million or 6.31% Current assets decreased by THB 58.45 million, due to an decrease of THB 43.05 million or 13.20%, because the Company has to pay long-term loans. A decrease of inventories by THB 45.61 million or 12.09% from an increase of net sales of foreign books by 18.92%.

Non-current assets decreased by THB 27.43 million or 1.46% Non-current assets decreased by THB 27.43 million, mainly because the fixed asset decreased by THB 23.56 million from depreciation and amortisation of the new warehouse.

Current liability decreased by THB 91.98 million or 7.28% Current liability decreased by THB 91.98 million as follows:

- Trade accounts payable and other Payables decreased by THB 87.14 million, which related to a decrease of sales and the settlement that was due.
- Income received in advance recognisable within one year decreased by THB 9.68 million because acknowledge income of the tuition fee in 2015 of PlearnPattana School .

Non-current liability decreased by THB 29.32 million or 5.31% Non-current liability decreased by THB 29.32 million as follows:

- Net long term loans to the due payment decreased by THB 24.28 million. from the repayment to the financial institutions.
- Provision for long-term employee benefits decreased by THB 3.68 million.

Shareholder's equity increased by THB 35.42 million or 3.59% Shareholder's equity increased by THB 35.42 million because the Company's profit increased.

table 3 : Statement of cash flows for the three-month period ended 31 March 2015 and 31 March 2014

	Consolidated financial statement			
	Q1/2015	Q1/2014	Increase (decrease)	%
Cash flows from (used in) operation activities	(30.38)	(87.18)	56.80	65.15%
Cash flows from (used in) investing activities	32.07	(31.84)	63.91	200.72%
Cash flows from (used in) financing activities	(23.94)	118.80	(142.74)	(120.15%)
Cash flows increase (decreased)	(22.25)	(0.21)	(22.04)	(10,347.42%)

**Cash flows from
operation activities in
Q1/2015 was THB
30.38 million**

- Profit from operation that was cash equaled THB 91.36 million as follows:
 - Net profit before income tax in Q1/2015 was THB 44.60 million.
 - Adjustments to reconcile profit before tax totals THB 46.77 million including depreciation and amortization of THB 31.04 million; interest payment of THB 7.68 million; allowance of dilapidated slow moving and lost of inventories THB 6.74 million; Allowance for doubtful accounts and estimated goods return of THB 3.26 million; amortization for land leasehold right of THB 3.05 million; loss on sales and written-off equipment of THB 1.90 million; expense for donation of goods and equipment of THB 1.03 million; adjustment from un-utilized coupon payable of THB (3.98) million; allowance for impairment of assets of THB (2.41) million; gain on sales of current investments of THB (1.19) million.
- Cash decreased by THB 80.80 million from a decrease of trade payable, corresponding to the decreased sales and unprofitable bookstore closures.
- Cash decreased by THB 50.59 million from trade and other receivable. Most of them were from distribution from the coming semester, raising the net sales.
- Cash increased by THB 38.16 million from inventories corresponding to the increased sales in foreign books.
- Cash from unearned revenue decreased by THB 10.73 million from receiving the decreasing education service fee.
- Cash decreased by THB 4.97 million from current assets increase from prepaid expenses insurance premiums.
- Cash decreased by THB 4.62 million from provision of employee long term benefits, cash awards, and retirement funds.
- Cash decreased by THB 7.75 million from interest paid from long term loans.

**Cash flows from in
investing activities in
Q1/2015 was THB
32.07 million.**

- Cash from selling capitals increased by THB 44.70 million from sales of investment funds.
- Cash decreased by THB 12.73 million from buying equipment, shelves, rack, and other equipment for the warehouse.

**Cash flows used
financing activities in
Q1/2015 was THB
(23.94) million**

- Cash decreased from repaying to financial institutions by THB 23.94 million.

table 4 : Financial ratio of Q1/2015 and Q1/2014

Financial ratios		Consolidated financial statement	
		Q1/2015	Q1/2014
Return On Equity (ROE)	%	11.16	5.66
Return on Asset (ROA)	%	6.07	3.12
Debt to Equity Ratio	times	1.66	1.64
Interest Coverage Ratio	times	14.02	20.95

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 = Profit from operating activities before changes in operating assets and liabilities + 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

ROE was 11.16% increased by 5.50% while ROA was 6.07% increased by 2.95%

Return on Equity (ROE) was 11.16%, increased by 5.50% while Return on Assets (ROA) was 6.07%, increased by 2.95% according to better operation results, gaining higher discount from course books and other goods from wholesale businesses.

Debt to Equity Ratio was 1.66 times, increased by 0.02 times

Debt to Equity Ratio increased by 0.02 times, due to repayment of long term loans from financial institutions due by Period according to the due payment.

Interest Coverage Ratio was 14.02 times, decreased by 6.93 times

Interest Coverage Ratio decreased by 6.93 times because the Company had used the final credit from long term loans and the remaining THB 250 million in 2014/Q4 according to terms and conditions in the contract. This had resulted in higher interest charges.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

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