



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31, 2016

Overview

In Q1/2016, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, and rising household debt. Rapid changes in technology, especially in digital devices and digital media, also affected the sales of print publications in every sector, aligning with the decline in the general retail business.

To alleviate the situation, the Company decided to close down 3 small unprofitable branches in Q1/2016 and canceled the rental contract of the old warehouse, which tends to raise 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. As a result, the Company had long-term loans with interest from building this warehouse.

In Q1/2016 the Company had no new branches of SE-ED Book Center. Total number of the active braches as of March 31, 2016 was 408 branches, included six counter services.

SE-ED's loss profit in Q1/2016 is THB (11.60) million.

According to consolidated financial statements in Q1/2016, net loss profit of the Company is THB (11.60) million, decrease THB 46.47 million, which accounted for 133.28%. The net loss profit in separate financial statements is THB (11.83) million, decrease THB 44.82 million, which accounted for 135.87%, can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 10.47% from the previous year. The total revenue from the separate financial statement decreased by 11.04% The decrease results from the drop in the SE-ED Book Center same-store sales revenue by 12.26%
- Sales and management expenses decreased by 1.24% due to the following causes:
 - Rental and service fees of the Headquarter and branches decreased by 7.40% due to cancellation of the temporary warehouse. And the rental fee was revised to aligned to the profit performance of each business unit in the Company.
 - Operational expenses decreased due to closing the small-sized branches that was unprofitable.

Table 1 : Operation results for the three-month period ended 31 March 2016 and 31 March 2015

(Unit : Million Baht)

| | Consolidated financial statement | | | |
|-------------------------------|---|----------------|--------------------------------|----------------|
| | Q1/2016 | Q1/2015 | Increase (decrease) | % |
| Revenue from sales of goods | 1,034.31 | 1,154.42 | (120.11) | -10.40% |
| Cost of sales | 705.21 | 765.08 | (59.87) | -7.83% |
| Gross profit | 329.10 | 389.34 | (60.24) | -15.47% |
| Gross profit margin | 31.82% | 33.73% | | -1.91% |
| EBITDA | 26.94 | 86.37 | (59.43) | -68.81% |
| Equity holders of the Company | (11.60) | 34.87 | (46.47) | -133.28% |
| Net earnings per share | (0.03) | 0.09 | (0.12) | -133.33% |

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

Lower margin Q1/2016 In Q1/2016, gross profit was THB 329.10 million, decreased to the same period last year by THB 60.24 million or 15.47%. However, gross margin in Q1/2016 was 31.82%, decrease by 1.91% from the same period last year.

- Gross margin decreased by THB 60.24 million according to the decreased sales of 11.04% from to the same period last year, due to a decrease of 12.26% in retail sales.
- Gross profit of the first quarter of 2016 is 31.82%, decreased from previous year by 1.91% due to adjusting the distribution channels and promotions in order to draw attention and maintain customer retention.

In Q1/2016, cost of sales and services decreased by THB 59.87 million

Cost of sales and services according to consolidated financial statements is THB 705.21 million, decreased by THB 59.87 million or 7.83% in sales.

EBITDA decreased by THB 46.36 million or 53.67%

EBITDA decreased by THB 46.36 million due to the decrease of net profit by 133.28% from the slowdowns in general retailing business, profit of retailing business decreased.

Table 2 : Statement of financial position As at 31 March 2016 and 31 December 2015

(Unit : Million Baht)

| | Consolidated financial statement | | | |
|---|---|-------------------------|--------------------------------|---------------|
| | 31 March 2016 | 31 December 2015 | Increase (decrease) | % |
| Current assets | 752.38 | 800.93 | (48.55) | -6.06% |
| Non-current assets | 1,774.08 | 1,787.90 | (13.83) | -0.77% |
| Total assets | 2,526.46 | 2,588.84 | (62.38) | -2.41% |
| Current liability | 1,099.06 | 1,129.76 | (30.70) | -2.72% |
| Non-current liability | 445.30 | 465.45 | (20.15) | -4.33% |
| Total liability | 1,544.35 | 1,595.20 | (50.85) | -3.19% |
| Total shareholder's equity | 982.10 | 993.64 | (11.53) | -1.16% |
| Total liability and shareholder's equity | 2,526.46 | 2,588.84 | (62.38) | -2.41% |

Current assets decreased by THB 48.55 million or 6.06%

Current asset decreased by THB 48.55 million due to the following causes:

- Cash decreased by THB 58.29 million and investment decreased by THB 13.65 million in order to pay off the long-term loans.
- Trade account receivables increased by THB 59.55 million. Mainly from wholesale transactions in the late quarter which was the preparing time for a new semester.
- A decrease of inventories by THB 40.36 million or 11.95% from an increase of net sales of foreign books by 19.96%.

Non-current assets decreased by THB 13.83 million or 0.77%.

Non-current assets decreased by THB 13.83 million, mainly because the fixed asset decreased by THB 17.07 million from depreciation and amortisation of the new warehouse.

Current liability decreased by THB 30.70 million or 2.72%

Current liability decreased by THB 30.70 million as follows:

- Trade accounts payable and other Payables decreased by THB 14.14 million.
- Income received in advance recognisable within one year decreased by THB 11.55 million because acknowledge income of the tuition fee in 2016 of PlearnPattana School .

Non-current liability decreased by THB 20.15 million or 4.33%

Non-current liability decreased by THB 20.15 million as follows:

- Net long term loans, net of current portion decreased by THB 17.88 million. from the repayment to the financial institutions.

Shareholder's equity decreased by THB 11.53 million or 1.16%

Shareholder's equity decreased by THB 11.53 million because the Company's lower operational performance.

table 3 : Statement of cash flows for the three-month period ended 31 March 2016 and 31 March 2015

| | Consolidated financial statement | | | |
|--|----------------------------------|----------------|------------------------|----------------|
| | Q1/2016 | Q1/2015 | Increase (decrease) | % |
| Cash flows from (used in) operation activities | (31.79) | (30.38) | (1.41) | 4.64% |
| Cash flows from (used in) investing activities | (2.22) | 32.07 | (34.29) | -106.92% |
| Cash flows from (used in) financing activities | (24.28) | (23.94) | (0.34) | 1.42% |
| Cash flows increase (decreased) | (58.29) | (22.25) | (36.04) | 161.98% |

Cash flows used in operation activities in Q1/2016 was THB 31.79 million

- Profit from operation that was cash equaled THB 45.64 million as follows:
 - Net profit before income tax in Q1/2016 was THB (12.86) million.
 - Adjustments to reconcile profit before tax totals THB 58.50 million including depreciation and amortization of THB 30.63 million; interest payment of THB 6.31 million; allowance of dilapidated slow moving and lost of inventories THB 6.17 million; Allowance for doubtful accounts and estimated goods return of THB 10.67 million; Expense from loss of inventories (reversal) of THB 2.84 million; amortization leasehold rights on land and buildings of THB 2.84 million; loss on sales and written-off equipment of THB 1.75 million; expense for donation of goods and equipment of THB 2.93 million and adjustment from clearing long outstanding payable of THB (6.43) million
- Cash decreased by THB 70.11 million from trade and other receivable. Most of them were from distribution from the coming semester, raising the net sales.
- Cash decreased by THB 4.29 million from current assets increase from prepaid expenses insurance premiums.
- Cash increased by THB 28.43 million from inventories corresponding to the increased sales in foreign books.

- Cash decreased by THB 15.14 million from a decrease of trade payable, corresponding to the decreased sales and unprofitable bookstore closures.
- Cash from unearned revenue decreased by THB 12.15 million from receiving the decreasing education service fee.
- Cash decreased by THB 6.36 million from interest paid from long term loans.
- Cash decreased by THB 3.47 million from provision of employee long term benefits, cash awards, and retirement funds.

Cash flows used in investing activities in Q1/2016 was THB 2.22 million.

- Cash decreased by THB 16.86 million from purchase of shelves, computers, and theft-detect poles
- Cash from selling current investment increased by THB 14.33 million from sales of fixed income funds.

Cash flows used in financing activities in Q1/2016 was THB (24.28) million

- Cash decreased from repaying to financial institutions by THB 24.28 million.

table 4 : Financial ratio of Q1/2016 and Q1/2015

| Financial ratios | | Consolidated financial statement | |
|-------------------------|-------|----------------------------------|---------|
| | | Q1/2016 | Q1/2015 |
| Return On Equity (ROE) | % | 2.61 | 11.70 |
| Return on Asset (ROA) | % | 2.39 | 6.31 |
| Debt to Equity Ratio | times | 1.57 | 1.66 |
| Interest Coverage Ratio | times | 7.96 | 14.02 |

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 2.61%
decreased by 9.09%
while
ROA was 2.39%
increased by 3.92%**

Return on Equity (ROE) was 2.61%, decreased by 9.09% while Return on Assets (ROA) was 2.39%, decreased by 3.92%. Since lower operational performance of the retail business.

**Debt to Equity Ratio
was 1.57 times,
decreased by 0.09
times**

Debt to Equity Ratio increased by 0.09 times, due to repayment of long term loans from financial institutions due by Period according to the due payment.

**Interest Coverage
Ratio was 7.56 times,
decreased by 6.06
times**

Interest Coverage Ratio decreased by 6.06 times. According to lower operational performance

Signature.....

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