



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June 2016

Overview

In 1H/2016, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, and rising household debt, 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 has improved the performance of the branches. The Company closed the 3 small unprofitable branches in 1H/2016. In addition, the Company canceled 25% of the head office and the rental contract of the old warehouse, which usually raised rental fees every year. To reduce the financial burden in the long run.

In 1H/2016 the Company had no new branches of SE-ED Book Center. Total number of the active braches as of June 30, 2016 was 412 branches, included five counter services.

For the separate financial statements in Q2'16 the Company gained net profit of THB 38.91 MB, increasing 27.92% while sales decreased by 6.35%. Said gain was from acknowledging gain from exchange rates of international payables at the last day of the period. which will be reversed back in the next quarter, according to the forward contract that the Company had entered.

Moreover the Company was able to turn loss into gain by THB 11.8 MB in 2016/Q1 or THB 38.91 MB because the Company increased sales by 10.60% from direct sale promotions to educational institutions from the coming semester.

SE-ED's profit in Q2/2016 for the six-month is THB 38.65 million.

According to consolidated financial statements in 1H/2016, net profit of the Company is THB 38.65 million, decreased THB 38.37 million, which accounted for 49.82%. The net profit in separate financial statements is THB 27.07 million, decreased THB 36.33 million, which accounted for 57.30%, can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 7.69% from the previous year. The total revenue from the separate financial statement decreased by 8.26% The decrease results from the drop in the SE-ED Book Center same store sales revenue by 11.46%
- The Company has successfully improved the performance of branches,

resulting in a decrease of the expenses of sell and management by 5.26%.

- Interest expenses decreased by 17.51% due to partial paying off the loans from financial institutions.

By the Company acknowledged unrealized profit from exchange rates and conversion of foreign currencies of international payables at the last day of the period.

Table 1 : Operation results for the six-month period ended 30 June 2016 and 30 June 2015

(Unit : Million Baht)

	Consolidated financial statement			
	1H/2016	1H/2015	Increase (decrease)	%
Revenue from sales of goods	2,188.06	2,379.06	(191.00)	(8.03%)
Cost of sales	1,449.72	1,546.45	(96.73)	(6.25%)
Gross profit	738.34	832.61	(94.27)	(11.32%)
Gross profit margin	33.74%	35.00%		(1.25%)
EBITDA	127.60	177.42	(49.83)	(28.08%)
Equity holders of the Company	32.97	70.79	(37.83)	(53.43%)
Net earnings per share	0.08	0.18	(0.10)	(53.43%)

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

**Margin decreased
1H/2016**

In 1H/2016, gross profit was THB 738.34 million, decreased to the same period last year by THB 94.27 million or 11.32%. And gross margin in 1H/2016 was 33.74%, decreased by 1.26% from the same period last year mainly from marketing competition for increasing customers engagement in retail business.

- However gross margin in 1H/2016 was 33.74%, decreased by 1.26% from to the same period last year, Due to promotions set by branches to retain the customers and promotions in wholesale business, the turnover rate of inventories increased, which wholesale business offered higher discount than retail business.

**In 1H/2016, cost of
sales and services
decreased by THB
96.73 million**

Cost of sales and services according to consolidated financial statements is THB 1,449.72 million, decreased by THB 96.73 million or 6.25% in sales.

**EBITDA decreased by
THB 49.83 million or
28.08%**

EBITDA decreased by THB 49.83 million due to the decrease of net profit by 53.43% from the slowdowns in general retailing business, resulted in a decrease of profitability.

Table 2 : Statement of financial position As at 30 June 2016 and 31 December 2015

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2016	31 December 2015	Increase (decrease)	%
Current assets	792.33	800.93	(8.61)	(1.07%)
Non-current assets	1,754.71	1,787.90	(33.19)	(1.86%)
Total assets	2,547.03	2,588.84	(41.80)	(1.61%)
Current liability	1,143.59	1,129.76	13.84	1.22%
Non-current liability	420.78	465.45	(44.67)	(9.60%)
Total liability	1,564.37	1,595.20	(30.83)	(1.93%)
Total shareholder's equity	982.66	993.64	(10.97)	(1.10%)
Total liability and shareholder's equity	2,547.03	2,588.84	(41.80)	(1.61%)

Current assets

Current assets decreased by THB 8.61 million as follows:

decreased by THB 8.61 million or 1.07%

- Due to an decrease of THB 99.36 million or 30.95%, because the Company has to pay long-term loans.
- A decrease of inventories by THB 65.40 million or 17.75% from an increase of net sales of foreign books by 6.17%.
- Trade and other receivables increase 144.29 million Most of them were from distribution from the coming semester, raising the net sales.

Non-current assets

Non-current assets decreased by THB 33.19 million, mainly because the fixed asset decreased by THB 27.78 million from depreciation and amortization of the new warehouse.

decreased by THB 33.19 million or 1.86%**Current liability**

Current liability decreased by THB 13.84 million as follows:

Increased by THB**13.84 million or 1.22%**

- Trade accounts payable and other Payables Increased by THB 5.04 million aligned with increased wholesale sales.
- Corporate Income tax Increased by THB 7.58 Million from the performance improving of the Company.

Non-current liability decreased by THB 44.67 million or 9.601%

Non-current liability decreased by THB 44.67 million as follows:

- Net long term loans to the due payment decreased by THB 43.76 million. from the repayment to the financial institutions.

Shareholder's equity decreased by THB 10.97 million or 1.10%

Shareholder's equity decreased by THB 10.97 million because the Company's paying dividend of 2015 and net profit in Q2/2016 for the six-month decreased.

table 3 : Statement of cash flows for the six-month period ended 30 June 2016 and 30 June 2015

(Unit : Million Baht)

	Consolidated financial statement			
	1H/2016	1H/2015	Increase (decrease)	%
Cash flows from operation activities	16.08	12.48	3.61	28.92%
Cash flows from investing activities	22.88	80.63	(57.74)	-71.62%
Cash flows used financing activities	(89.19)	(112.52)	23.33	-20.73%
Cash flows (decreased)	(50.23)	(19.42)	(30.81)	158.67%

Cash flows from operation activities in 1H/2016 was THB 16.08 million

- Profit from operation that was cash equaled THB 137.97 million as follows:
 - Net profit before income tax in 1H/2016 was THB 48.68 million.
 - Adjustments to reconcile profit before tax totals THB 89.29 million including depreciation and amortization of THB 61.00 million; interest expenses of THB 12.22 million; allowance of dilapidated slow moving and lost of inventories THB 6.51 million; amortization leasehold right on land and buildings of THB 5.69 million; expense from loss of inventories of THB 5.01 million; expense for donation of goods and equipment of THB 4.27 million; Adjustment from clearing long outstanding payable of THB (3.57) million and gain on disposal of current investments of THB (4.07) million;
- Cash decreased by THB 143.36 million from an increase of trade and other receivables, Most of them were from distribution from the coming semester, raising the net sales.
- Cash increased by THB 49.61 million from inventories corresponding to the increased sales in foreign books.
- Cash from Income received in advance decreased by THB 3.77 million from receiving the decreasing education advance service fee.

- Cash decreased by THB 11.94 million from current assets increase from prepaid expenses insurance premiums.
- Cash decreased by THB 3.47 million from provision of employee long term benefits, cash awards.
- Cash decreased by THB 12.25 million from interest paid from long term loans decreased.

Cash flows from in investing activities in 1H/2016 was THB 22.88 million.

- Cash from selling capitals increased by THB 49.97 million from sales of investment funds.
- Cash decreased by THB 30.40 million from purchase of shelves, computers, and theft-detect poles.

Cash flows used in financing activities in 1H/2016 was THB (89.19) million

- Cash decreased from repaying to financial institutions by THB 42.16 million.
- Cash decreased by THB 47.03 million from paying dividend of 2015 in May 2016.

table 4 : Financial ratio of 1H/2016 and 1H/2015

Financial ratios		Consolidated financial statement	
		1H/2016	1H/2015
Return On Equity (ROE)	%	3.62	10.93
Return on Asset (ROA)	%	2.80	5.96
Debt to Equity Ratio	times	1.59	1.67
Interest Coverage Ratio	times	12.39	16.00

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 3.62%
decreased by 7.31%
while ROA was 2.80%
decreased by 3.16%**

Return on Equity (ROE) was 3.62%, decreased by 7.31% while Return on Assets (ROA) was 2.80%, decreased by 3.16% Since lower operational performance of the retail business.

**Debt to Equity Ratio
was 1.59 times,
decreased by 0.08
times**

Debt to Equity Ratio decreased by 0.08 times, due to repayment of long term loans from financial institutions due by Period according to the due payment.

**Interest Coverage
Ratio was 12.39 times,
decreased by 3.61
times**

Interest Coverage Ratio decreased by 3.61 times According to lower operational performance.

Signature.....

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INVESTOR RELATION

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