



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the nine-month period ended 30 September 2016

Overview

In 9M/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 13 small unprofitable branches in 9M/2016. In addition, the Company canceled 25% To reduce the financial burden in the long run.

In 9M/2016 the Company had opened 12 new branches of SE-ED Book Center. Total number of the active braches as of September 30, 2016 was 410 branches, included five counter services.

SE-ED's profit in Q3/2016 for the nine-month is THB 20.74 million.

According to consolidated financial statements in 9M/2016, net profit of the Company is THB 20.74 million, decreased THB 67.19 million, which accounted for 76.41%. The net profit in separate financial statements is THB 14.94 million, decreased THB 65.27 million, which accounted for 81.37%, can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 8.37% from the previous year. The total revenue from the separate financial statement decreased by 8.91%. And the revenue from the Company's distribution business slightly declined.
- The Selling and administrative expenses decreased by 3.42% 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.
- Income tax expenses decreased by 70.72% according to an overall situation of the Company.

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 nine-month period ended 30 September 2016 and 2015

(Unit : Million Baht)

	Consolidated financial statement			
	9M/2016	9M/2015	Increase (decrease)	%
Revenue from sales of goods	3,185.28	3,478.98	(293.69)	(8.44%)
Cost of sales	2,104.88	2,274.04	(169.16)	(7.44%)
Gross profit	1,080.40	1,204.93	(124.53)	(10.33%)
Gross profit margin	33.92%	34.63%		(0.72%)
EBITDA	150.52	239.53	(89.01)	(37.16%)
Equity holders of the Company	20.74	87.93	(67.19)	(76.41%)
Net earnings per share	0.05	0.22	(0.17)	(76.41%)

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

In 9M/2016***Margin decreased******Or 0.72%***

In 9M/2016, gross profit was THB 1,080.40 million, decreased to the same period last year by THB 124.53 million or 10.33%. And gross margin in 9M/2016 was 33.92%, decreased by 0.72% from the same period last year mainly from marketing competition.

In 9M/2016, cost of sales and services decreased by THB 169.16 million

Cost of sales and services according to consolidated financial statements is THB 2,104.88 million, decreased by THB 169.16 million or 7.44% in accordance with the decline of sales. in sales.

EBITDA decreased by THB 89.01 million or 37.16%

EBITDA decreased by THB 89.01 million due to the decrease of net profit by 76.41% from the slowdowns in general retailing business, resulted in a decrease of profitability.

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

(Unit : Million Baht)

Consolidated financial statement				
	30 September 2016	31 December 2015	Increase (decrease)	%
Current assets	784.90	800.93	-16.04	-2.00%
Non-current assets	1,758.21	1,787.90	-29.69	-1.66%
Total assets	2,543.11	2,588.84	-45.73	-1.77%
Current liability	1,182.01	1,129.76	52.26	4.63%
Non-current liability	390.54	465.45	-74.90	-16.09%
Total liability	1,572.56	1,595.20	-22.65	-1.42%
Total shareholder's equity	970.55	993.64	-23.08	-2.32%
Total liability and shareholder's equity	2,543.11	2,588.84	-45.73	-1.77%

Current assets**decreased by THB****16.04 million or 2.00%**

Current assets decreased by THB 16.04 million as follows:

- Due to an decrease of THB 109.90 million or 34.24%, because the Company has to pay long-term loans.
- A decrease of inventories by THB 36.68 million or 9.95% from the increase of foreign books and non-book products.
- Trade and other receivables increased 48.11 million or 68.31% due to an increase of distribution receivables from the increasing sales.

Non-current assets**decreased by THB****29.69 million or 1.66%**

Non-current assets decreased by THB 29.69 million, mainly because the fixed asset decreased by THB 46.61 million from depreciation of the new warehouse.

Current liability**Increased by THB****52.26 million or 4.63%**

Current liability decreased by THB 52.26 million as follows:

- Short-term loan from financial institution by THB 50.00 million from short-term loan from financial institution is unsecured loan and are due for repayment within 3 months from the loan agreement date and interest rate 3.15 % per annum.
- Current portion of long-term loans Increased by THB 14.67 million due to an increase of the due loans of the Company's subsidiaries.
- Income received in advance recognizable within one year decreased by THB 29.54 million by acknowledging the tuition fee of the Company's subsidiaries.
- Trade accounts payable and other Payables Increased by THB 6.45 million due to importing foreign books.

Non-current liability decreased by THB 74.90 million or 16.09%

Non-current liability decreased by THB 74.90 million from paying back the long-term loans.

Shareholder's equity decreased by THB 23.08 million or 2.32%

Shareholder's equity decreased by THB 23.08 million because the Company's paying dividend of 2015 and net profit in Q2/2016 for the six-month.

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

(Unit : Million Baht)

	Consolidated financial statement			
	9M/2016	9M/2015	Increase (decrease)	%
Cash flows from (used) operation activities	(2.70)	9.29	(11.99)	-129.07%
Cash flows from (used) investing activities	51.88	109.44	(57.57)	-52.60%
Cash flows from (used) financing activities	(57.07)	(131.45)	74.38	-56.58%
Cash flows (decreased)	(7.90)	(12.72)	4.82	-37.89%

Cash flows used operation activities in 9M/2016 was THB 2.70 million

- Profit from operation that was cash equaled THB 175.30 million as follows:
 - Net profit before income tax in 9M/2016 was THB 32.77 million.
 - Adjustments to reconcile profit before tax totals THB 142.53 million including depreciation and amortization of THB 91.25 million; interest expenses of THB 17.94 million; Loss from stock destruction of THB 10.02 million; amortization leasehold right on land and buildings of THB 8.56 million; allowance for loss of inventories, dilapidated and slow moving THB 4.28 million; expense from loss of inventories of THB 8.49 million; Provision for long-term employee benefits of THB 7.40 million; Expense for donation of goods and equipment of THB 5.62 million; and gain on disposal of current investments of THB (4.19) million;
- Cash decreased by THB 44.87 million from an increase of trade and other receivables, Most of them were from distribution from the coming semester, raising the net sales.
- Cash decreased by THB 65.09 million from inventories corresponding to the increased sales in foreign books.

- Cash from Income received in advance decreased by THB 30.51 million from acknowledging revenue once every semester of Plearn Pattana School.
- Cash decreased by THB 9.14 million from current assets increase from prepaid expenses insurance premiums.

Cash flows from investing activities in 9M/2016 was THB 51.88 million.

- Cash increased from other current liabilities by THB 11.91 million from the advance payment for premium books and booking.
- Cash decreased by THB 18.00 million from long-term loans, net of current portion
- Cash from selling capitals increased by THB 103.10 million
- Cash decreased by THB 54.55 million from opening the new branches.

Cash flows used in financing activities in 9M/2016 was THB (57.07) million

- Cash increased by THB 50 million from the loan from financial institutions.
- Cash decreased from repaying to financial institutions by THB 60 million.
- Cash decreased by THB 47.03 million from paying dividend of 2015 in May 2016.

table 4 : Financial ratio of 9M/2016 and 9M/2015

Financial ratios		Consolidated financial statement	
		9M/2016	9M/2015
Return On Equity (ROE)	%	0.40	12.29
Return on Asset (ROA)	%	1.34	6.97
Debt to Equity Ratio	times	1.62	1.56
Interest Coverage Ratio	times	11.13	14.00

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 0.40%
decreased by 11.89%
while ROA was 1.34%
decreased by 5.63%**

Return on Equity (ROE) was 0.41%, decreased by 11.89% while Return on Assets (ROA) was 1.34%, decreased by 5.63% Since lower operational performance of the retail business.

**Debt to Equity Ratio
was 1.62 times,
Increased by 0.06
times**

Debt to Equity Ratio Increased by 0.06 times, million from short-term loan from financial institution.

**Interest Coverage
Ratio was 11.13 times,
decreased by 2.87
times**

Interest Coverage Ratio decreased by 2.87 times According to lower operational performance.

Signature.....

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