



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31, 2017

Overview

In Q1'2017, 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 rectify the situation, the Company has improved profit efficiency of its branches and closed 1 small unprofitable branches in Q1'2017. Further, the Company has revised the product mix proportion to match more targeted customers. and be more careful on opening a new branch.

In Q1/2017 the Company had no new branches of SE-ED Book Center. Total number of the active braches as of March 31, 2017 was 413 branches, included two counter services.

SE-ED's loss profit in Q1'2017 is THB (1.60) million.

According to consolidated financial statements in Q1/2017, net loss profit of the Company is THB 1.60 million, loss decreased THB 10.00 million, which accounted for 86.20%. The net loss profit in separate financial statements is THB 1.63 million, loss decreased THB 10.20 million, which accounted for 86.23%, can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 6.43% from the previous year. The total revenue from the separate financial statement decreased by 6.89%. And the revenue from the Company's retail business slightly declined.

However, the gross margin increased by 2.05% due to the adjustment of product mix to match the target group. Include appropriate trade conditions. And it can reduce the cost of returning a product. Although the company. In a situation Fierce market competition By offering promotions to retail customers to return to repurchase.

- The Selling and administrative expenses decreased by 2.38% This resulted in the decrease of rental cost, service cost, public utility cost, and employee-related cost according to the decrease of active branches.

In Q1/2017, however, the Company had acknowledged the loss by estimating the long-term benefits of its employees based on actuarial science calculation. By partly re-structuring for some employees, the long-term benefits of the employees were much higher than previous last year.

- Finance cost decreased of THB 1.17 million because the Company paid the long-term loan on time to decrease the loan.

Table 1 : Operation results for the three-month period ended 31 March of 2017 and 2016

(Unit : Million Baht)

	Consolidated financial statement			
	Q1/2017	Q1/2016	Increase (decrease)	%
Revenue from sales of goods	965.91	1,034.39	(68.48)	(6.62%)
Cost of sales	638.70	705.21	(66.51)	(9.43%)
Gross profit	327.21	329.18	(1.97)	(0.60%)
Gross profit margin	33.88%	31.82%		2.05%
EBITDA	32.39	26.94	5.45	20.22%
Equity holders of the Company	(1.60)	(11.60)	10.00	86.21%
Net earnings per share	(0.004)	(0.030)	0.026	86.67%

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

In Q1/2017

***Margin increased
or 2.05%***

In Q1'2017, gross profit was THB 327.21 million, decreased to the same period last year by THB 1.97 million or 0.60%. And gross margin in Q1/2017 was 33.88%, increased by 2.05% from the previous year because of readjusting product mix to have more gross-profit-margin products, marketing competing to attract customers in the retail business to keep them coming back, and the promotions of its wholesale business to improve inventories turnover rate.

***In Q1/2017, cost of
sales and services
decreased by THB
66.51 million***

Cost of sales and services according to consolidated financial statements is THB 638.70 million, decreased by THB 66.51 million or 9.43% in accordance with the decline of sales. in sales.

EBITDA increased by THB 5.45 million or 20.22%

EBITDA increased by THB 5.45 million from improving profitability of the branch and controlling the cost and expense of the warehouse, resulting in slightly higher profitability. \

Table 2 : Statement of financial position As at 31 March 2017 and 31 December 2016

(Unit : Million Baht)

	Consolidated financial statement			
	31 March 2017	31 December 2016	Increase (decrease)	%
Current assets	772.18	834.06	(61.88)	(7.42%)
Non-current assets	1,799.36	1,754.82	44.54	2.54%
Total assets	2,571.54	2,588.88	(17.34)	(0.67%)
Current liability	1,291.26	1,244.07	47.19	3.79%
Non-current liability	320.95	383.85	(62.90)	(16.39%)
Total liability	1,612.21	1,627.92	(15.71)	(0.97%)
Total shareholder's equity	959.33	960.96	(1.63)	(0.17%)
Total liability and shareholder's equity	2,571.54	2,588.88	(17.34)	(0.67%)

Current assets

decreased by THB 61.88 million or 7.42%

Current assets decreased by THB 61.88 million as follows:

- Cash and Current investments decrease of THB 129.21 million or 50.30%, because the Company has to pay long-term loans and buy a land for its Subsidiary.
- Trade and other receivables increased 67.33 million or 79.09% due to an increase of distribution receivables from the increasing sales.

Non-current assets

Increased by THB 44.54 million or 2.54%

Non-current assets increased by THB 44.54 million from the Subsidiary of the Company had entering an agreement with one of the shareholders of the Subsidiary to buy a land for a school building for THB 69 million, resulting in an increase of land, building, and equipment of THB 49.37 million.

Current liability

Increased by THB 47.19 million or 3.79%

Current liability increased by THB 47.19 million as follows:

- Current portion of long-term loans increased THB 56.65 million from the Subsidiary's one-year term loan was due.
- The short-term loans increased by THB 50 million from a new loan from a financial institution without a secure and the due date was two months after the effective date.
- Trade accounts payable and other Payables decreased by THB 32.80 million from paying checks for distributed books at the end of the year.
- Other current liabilities decreased by THB 16.21 million from a decrease of advance received of books about King Rama IX after deliveries.

Non-current liability decreased by THB 62.90 million or 16.39%

Non-current liability decreased by THB 62.90 million from

- Long-term loans, net of current portion decreased by THB 65.28 million from classifying a one-year term loan as a short-term loan, paying off the long-term loan amounted of THB 17.88 million, and taking out a loan amounted THB 9.25 million from an individual for buying a land for its Subsidiary.

Shareholder's equity decreased by THB 1.63 million or 0.17%

Shareholder's equity decreased by THB 1.63 million Because the Company's lower operational performance.

Table 3 : Statement of cash flows for the three-month period ended 31 March 2017 and 2016

(Unit : Million Baht)

	Consolidated financial statement			
	Q1/2017	Q1/2016	Increase (decrease)	%
Cash flows from (used) operation activities	(89.02)	(31.79)	(57.23)	(180.03%)
Cash flows from (used) investing activities	(22.41)	(2.22)	(20.19)	(909.46%)
Cash flows from (used) financing activities	41.37	(24.28)	65.65	270.39%
Cash flows (decreased)	(70.06)	(58.29)	(11.77)	(20.19%)

Cash flows used operation activities in Q1/2017 was THB 89.02 million

- Profit from operation that was cash equaled THB 65.05 million as follows:
 - Net profit before income tax in Q1/2017 was THB 4.39 million.
 - Adjustments to reconcile profit before tax totals THB 69.44 million including depreciation and amortization of THB 28.69 million; Allowance for doubtful accounts and estimated goods return of THB 9.91 million; Allowance for loss of inventories, dilapidated and slow moving of THB 8.78 million; Provision for long-term employee benefits of THB 5.63 million; Loss from stock destruction of THB 5.58 million; Interest expenses of THB 5.15 million; Expense from loss of inventories of THB 3.73 million; Amortization leasehold right on land and buildings of THB 2.93 million; Adjustment from clearing long outstanding payable of THB (5.78) million
- Cash decreased by THB 77.22 million from an increase of trade and other receivables, Most of them were from distribution from the coming semester.
- Cash decreased from payables and other payables by THB 29.11 million from notes payable from payments for books distribution.
- Cash decreased from an increase of inventories by THB 26.07 million, which are the foreign books stocked up for a new semester.

- Cash from other current liabilities decreased by THB 10.43 million from a decrease of advance received of books after deliveries.
- Cash decreased from deferred advance income decreased by THB 8.26 million because of revenue recognition from tuition fee in this period.
- Cash decreased from paying employees' long-term benefits for THB 7.42 million in the form of the honor rewards program for employees and early retire program.
- Cash increased from decreasing current assets by THB 6.23 million and decreasing advance payment for King Rama IX after book deliveries.

Cash flows used in investing activities in Q1/2017 was THB (22.41) million.

- Cash decreased by THB 82.08 million because the Subsidiary bought a land.
- Cash increased by THB 59.41 million from selling current investments in order to pay the long-term loan.

Cash flows from financing activities in Q1/2017 was THB 41.37 million

- Cash increased from a short-term loan of THB 50 million as working capital which borrowed from a financial institution.
- Cash decreased from repaying to financial institutions by THB 17.88 million.
- Cash increased because the Subsidiary's the long-term loans of THB 9.25 million for buying a land.

Table 4 : Financial ratio of Q1/2017 and Q1/2016

Financial ratios		Consolidated financial statement	
		Q1/2017	Q1/2016
Return On Equity (ROE)	%	2.50	2.61
Return on Asset (ROA)	%	2.06	2.39
Debt to Equity Ratio	times	1.68	1.57
Interest Coverage Ratio	times	13.56	7.96

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

**ROE was 2.50%
decreased by 0.11%
while ROA was 2.06%
decreased by 0.33%**

Return on Equity (ROE) was 2.50%, decreased by 0.11% while Return on Assets (ROA) was 2.06%, decreased by 0.33% Since lower operational performance of the retail business.

**Debt to Equity Ratio
was 1.68 times,
Increased by 0.11
times**

Debt to Equity Ratio of the shareholder increased by 0.11 times from an increase of short-term loans from financial institutes.

**Interest Coverage
Ratio was 13.56 times,
decreased by 5.60
times**

Interest Coverage Ratio decreased by 5.60 times According to lower operational performance.

Signature.....

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Deputy Managing Director and Secretary Company

INVESTOR RELATION

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