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February 25, 2016

Subject: Clarification on Significant Changes in Operating Results for Year 2015

To: President  
The Stock Exchange of Thailand

BJC Heavy Industries Public Company Limited (hereinafter referred to as "Company" or "BJCHI") would like to clarify the underlying drivers for the changes in the 2015 Operating Results.

### **Overview of Operating Results**

2015 was a challenging year with the global economic slowdown, drastic drop in oil and commodity prices, and significant reductions in project investments across the various industries. As a result, competition in the steel fabrication and heavy industries greatly intensified. However, the Company was able to compete, deliver and achieve exceptional operating results in 2015. In May 2015, the Company secured a contract exceeding 5,400 million baht for the FPSO Compression Modules project directly with Petrobras and its partners (TUPI B.V.). This clearly supported BJCHI's views that the current lower oil prices would create more opportunities in the oil & gas industry for those steel fabricators who can provide exceptional quality on-time at more competitive prices, since the Project Owners would be forced to deliver their capital projects within significantly reduced budgets.

In 2015, underpinned by the ramp-up of the FPSO modules projects and the successful completion of the Australian mining projects, Total Revenues grew by 24.7% to 5,753.9 million baht, and Net Profits increased by 31.5% to 1,320.2 million baht, making 2015 a record year for the Company. Building upon the track record of 2015 and in the past 5 years, the BJCHI is confident in its capabilities to sustain this business growth in 2016 and beyond.

### **Revenue**

#### Contracted Revenue

Contracted Revenue excluding Other Income increased 23.0% to 5,611.6 million baht from 4,562.1 million baht in 2014. This growth was mainly driven by the FPSO modules projects for TUPI and QGI in the oil and gas industry, which accounted for more than 85% of the 2015 contracted revenues. In addition, the Company also successfully completed the Roy Hill Mining Modules and the APLNG Wellhead Separator projects in Australia during 1Q 2015.

#### Other Income

Company's Other Income increased to 142.3 million baht in 2015 compared to 53.5 million baht in 2014. The increase is predominantly driven by the foreign exchange gain of 110.2 million baht in 2015, partially offset by reductions in scrap and other asset sales. The Company booked a foreign exchange loss of 23.7 million baht in 2014, which was recorded as part of the Other Expenses.

### **Expenses**

#### Contracted Cost

The Company's Contracted Costs increased 25.8% or 830.8 million baht to 4,052.9 million baht when compared to 3,222.1 million baht in 2014. The rise in Contracted Costs stemmed largely from increased project activities in line with higher Contracted Revenue.

#### Selling, General & Administrative Expenses (SG&A)

SG&A Expenses increased only slightly from 350.3 million baht in 2014 to 368.9 million baht in 2015. The primary cause for the slight rise involved the compensation costs when right-sizing the

organization during the extended partial suspension period and donations for National Science and Technology Development Agency (NSTDA). Excluding one-off extraordinary items for compensation costs and donations, underlying SG&A Expenses actually decreased in 2015 compared to 2014.

## **Profits**

### Gross Profits

In 2015, the Company booked Gross Profits of 1,558.7 million baht, increasing 218.7 million baht from 1,340.0 million baht in 2014. The increase in Gross Profits directly resulted from increases in project delivery and related revenue recognition. Meanwhile, Gross Profit Margin was 27.8% of Contracted Revenues, down slightly from 29.4% in 2014 mainly due to the partial suspension period for the QGI project and the transition period between the completion of the Roy Hill and APLNG Wellhead Separator projects in 1Q 2015 and the start of the new TUPI project in 2Q 2015.

### Net Profits

Net Profits in 2015 increased to 1,320.2 million baht, growing by 31.5% from 1,003.7 million baht in 2014. At the same time, Net Profit Margin improved to 22.9% in 2015 from 21.8% in 2014. Improvements in both Net Profits and the Net Profit Margin were driven by the ramp of TUPI project secured directly with the project owner and the FX gain from the relative depreciation of the Thai Baht versus the US Dollar in 2015.

Best regards,  
BJC Heavy Industries Public Company Limited

-Signed-  
(Mr. Seung Woo Lee)  
Chief Operating Officer