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August 15, 2017

Subject: Clarification on Significant Changes in 2Q2017 Operating Results Exceeding 20%

To: President
The Stock Exchange of Thailand

BJC Heavy Industries Public Company Limited (hereinafter referred to as "the company") would like to clarify the underlying drivers for the changes in 2Q2017 Operating Results as compared with those in 2Q2016 as following.

Overview of Business Operation

Due to the global economic slowdown and the drop in energy prices in 2016, this situation caused the decrease in total project value which the company submitted tender bids and then decrease in revenue. However, during first 6M2017, the global economy has been gradually recovering while energy prices, specifically average Brent crude oil prices, become more stable as compared with that in the same period of last year. This circumstance is resulting in the recovery of energy sector-related construction industries which in turn is providing projects' increased value of tender bids comparing with that from last year. Nevertheless, the company expects to know the bidding results of some projects from late 2017 to mid of 2018.

Revenue

Contracted Revenue

In 2Q2017, Contracted Revenue (excluding other revenue) was 242.5 million baht, decreasing by 85.9% from 1,720.1 million baht in 2Q2016. The decreased Contracted Revenue was largely driven by the completed projects, namely TUPI-01B, TUPI-02B and QGI FPSO Modules

Expenses

Contracted Costs

Contracted Costs in 2Q2017 was 205.9 million baht, representing the decrease by 86.3% from 1,499.6 million baht in the same period of last year. The decreased Contracted Costs is also in line with the fall in Contracted Revenue.

Selling, General and Administrative expenses (SG&A)

Selling, General and Administrative expenses (SG&A) in 2Q2017 was 83.3 million baht, increasing by 16.8% from 2Q2016 which was 71.3 million baht. The increased SG&A was mainly due to the Compensation for labor in order to optimize manpower with the work volume and some fixed costs during the slow project activities.

Foreign Exchange (FX) Impact

In 2Q2017, the company recognized FX gains by 1.9 million baht as compared with 2Q2016 FX gains at 14.5 million baht. This was due to the anticipation of THB against US dollar after foreign capital fund flows entered into developing markets including Thailand.

Gross Profit and Net Profit

In 2Q2017, Gross Profit was negative at 36.6 million baht, as compared with that in 2Q2016 at 220.5 million baht. On the other hand, Net Profit in 2Q2017 was negative at 42.1 million baht as compared with that in 2Q2016 at 191.7 million baht due largely to the increased SG&A and some fixed costs during the slow project activities.

Please be informed accordingly,

Best regards,
BJC Heavy Industries Public Company Limited

-Seung Woo Lee-

(Mr. Seung Woo Lee)
Deputy Managing Director