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Subject: Explanation of 2017 Operating Results
 To: President
 The Stock Exchange of Thailand

BJC Heavy Industries Public Company Limited (hereinafter referred to as "the company") would like to clarify the changes in 2017 Operating Results as compared with those in 2016 as follows.

Overview of Business Operation

The drop in oil price over the past 3-4 years, has caused a delay in the investment and development of energy sector particularly in energy sector-related construction industries. In the same time, intensified competition from the Chinese fabricators has resulted in the negative impact on the company's project value bids and profitability.

However, the situation for global heavy industries has been gradually recovering thanks positively to stable oil price movement. Thus, such the situation has encouraged more project developers to resume their investment and development in the energy sector-related construction industries. This outcome has made the company to secure and then undertake steel structure works from SunSHIFT project as a demonstration project to in solar sector in Australia and from Terra Nova Technologies (TNT) in mining industry in Chile where has been recently awarded in February 2018.

Furthermore, there have been potential projects in Thailand to be commercially developed which in turn the company has become interested and entered into tender bids in such petrochemical, LNG and refinery sector with the company's focus mainly on profitable projects.

However, in 2017, the company executed only its large-scale project, FPSO Compression Modules (03B) while the company's major revenue was recognized as USD. As a result of that, the significant appreciation of Thai Baht in 2017 caused the negative impact on the company's operating performance.



Revenue

Contracted Revenue

In 2017, Contracted Revenue (excluding other revenue) was 1,503.3 million baht, decreasing by 71.1% from 5,202.2 million baht in 2016. This was because the company's major revenue came only from FPSO Compression Modules (03B) comparing with the same period of prior year where many projects were recognized.

Expenses

Contracted Costs

Contracted Costs in 2017 was 1,701.5 million baht, representing the decrease by 65.4 % from 4,913.3 million baht in the same period of last. In 2017, the main reason resulted from repaired costs and fixed costs during the slowdown project activities because of the delay in project owner's raw material procurement for FPSO Compression Modules (03B).

Selling, General and Administrative expenses (SG&A)

Selling, General and Administrative expenses (SG&A) in 2017 was 136.6 million baht, decreasing by 49.8% from 2016 which was 271.9 million baht.

Foreign Exchange (FX) Impact

In 2017, the company recognized FX loss by 163.5 million baht as compared with 2016 FX gain at 46.7 million baht. This was due to the anticipation of THB against US dollar more than 9% after foreign capital fund flows entered into developing markets including Thailand. The majority of FX loss is unrealized loss while the company needs to partially keep USD currency for future projects. Nevertheless, the company is searching for USD-based investment options to mitigate FX impact.

Gross Profit and Net Profit

In 2017, Gross Profit was negative at 198.2 million baht, as compared with that in 2016 at 288.9 million baht. On the other hand, Net Profit in 2017 was negative at 523.9 million baht as compared with that in 2016 at 112.4 million baht due largely to the decreased project activities and FX loss as explained before.

Please be informed accordingly,

Best regards,

-Mr. Seung Woo Lee-

(Mr. Seung Woo Lee)
Director/Deputy Managing Director
BJC Heavy Industries Public Company Limited