

BJC Heavy Industries Public Company Limited  
 594 Moo 4, Makhamkoo, Nikompattana,  
 Rayong, 21180 Thailand  
 Tel. : +66 (0) 33 017 345-7  
 Fax. : +66 (0) 33 017 348  
 Registration No. : 0107556000302



บริษัท บีเจซี เอพี อินดัสทรี จำกัด (มหาชน)  
 594 หมู่ 4 ต.มะขามคู่ อ.นิคมพัฒนา  
 จ.ระยอง 21180 ประเทศไทย  
 โทรศัพท์ : +66 (0) 33 017 345-7  
 แฟกซ์ : +66 (0) 33 017 348  
 เลขทะเบียนนิติบุคคล : 0107556000302

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Subject: Explanation of 2018 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 2018 Operating Results as compared with those in 2017 as follows.

### Overview of Business Operation

In the previous year, the Company had the opportunity to work in many industries such as Oil & Gas, Mining, Solar Energy, etc. and delivered 3 projects to customers as below;

- 1) FPSO Compression Modules (03B) Project - TUPI BV, which is a large project of Petrobras in the Oil & Gas industry in Brazil.
- 2) Sunshift project, which is a prototype project for Steel Structural used in the Solar Energy industry in Australia.
- 3) Spence Growth Project - Terra Nova Technologies (TNT), which is a steel structures for use in the Mining industry in Chile.

In addition, the Company has signed 3 contracts for new projects;

- 1) UPGN Comperj Project - Kerui Método Construção e Montagem S.A, where is a project of Petrobras's Oil & Gas industry in Brazil, contract value USD 43.83 million (approximately Baht 1,460 million)
- 2) Phase 4 B Project BLWPC and Decks Fabrication and Transportation - Ophir Thailand (Bualuang) Limited, contract value USD 7.47 million (approximately Baht 240 million), which is a local project location in the middle Gulf of Thailand
- 3) Cobre Panama project - MINERA PANAMA S.A. Panama.

Although the Company has signed 3 new contracts in this year but the performance still net loss at Baht 231.2 million due to lack of continuity of revenue from large projects. After delivered the FPSO Compression Modules (03B) project in April 2018, the Company has proceeded delivering 2 small projects, namely the Spence Growth project and Sunshift project. Three new projects which signed in 2018 have started process at the end of the year. Therefore there was only partial of revenue recognition.



## **Revenue**

### Contractual income

Year 2018, the Company had revenue as contracts (excluding other income) was Baht 909.3 million, decreasing by 39.5% from Baht 1,503.3 million, due largely to the decreased project activities.

## **Expenses**

### Contracted Costs

Contracted Costs in 2018 was 906.9 million Baht, decreasing by 43.8% from the same period of the previous year which was Baht 1,614.0 million, due largely to the decreased project activities.

### Selling, General and Administrative expenses (SG&A)

Selling, General and Administrative expenses (SG&A) in 2018 was Baht 172.7 million, increasing 26.4% from 2017 which was Baht 136.7 million due to fixed costs that did not vary with revenue.

## **Foreign Exchange (FX) Impact**

Year 2018, the Company recognized FX loss by Baht 2.8 million decreased from year 2017 which loss by Baht 163.5 million. This was due to the anticipation of THB against US dollar. 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 in the future.

## **Gross Profit and Net Profit**

Year 2018, Gross Profit was negative at Baht 61.0 million, as compared with that in 2017 at Baht 198.2 million. If excluding the idle cost, the Gross Profit will be Baht 2.4 million, compared to the same period of the previous year which was negative at Baht 110.7 million. On the other hand, Net Profit in 2018 was negative at Baht 231.2 million as compared with that in 2016 at 523.9 million baht. due largely to the fixed cost, decreased project activities and FX loss as explained before.

Please be informed accordingly,

Best regards,  
BJC Heavy Industries Public Company Limited

(Mr. Seung Woo Lee)  
Director/Deputy Managing Director