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Ref: No BJC/SET 2560/010

May 11, 2017

Subject: Clarification on Significant Changes in 1Q2017 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 1Q2017 Operating Results as compared with those in 1Q2016 as following.

## **Revenue**

### Contracted Revenue

In 1Q2017, Contracted Revenue (excluding other revenue) was 492.2 million baht, decreasing by 76.6% from 2,101.1 million baht. The decreased Contracted Revenue was largely driven by slow project activities and lower revenue recognition in 1Q2017 as compared with the same period of 1Q2016.

### Other Revenue

In 1Q2017, other revenue (excluding FX impact) was 8.1 million baht as compared with 16.2 million baht in 1Q2016. The fall in other revenue resulted from the decrease in interest income and service income.

## **Expenses**

### Contracted Costs

Contracted Costs in 1Q2017 was 508.5 million baht, representing by 103.3% of Contracted Revenue, comparing with 1Q2016 Contracted Costs at 1,669.5 million baht, representing by 79.4% of Contracted Revenue. The increased Contracted Costs resulted from some fixed costs during slow project activities and including an increase in the proportion of contract cost that was affected by the reduction in contract value of the QGI FPSO modules due to the extent of duplication of work.

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

Selling, General and Administrative expenses (SG&A) in 1Q2017 was 61.7 million baht, decreasing by 30.2% from 1Q2016 which was 88.3 million baht. The decreased SG&A was mainly due to the decline in labor cost during slow project activities and SG&A managed in the more effective way.

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

In 1Q2017, the company recognized FX loss by 85.4 million baht as compared with 1Q2016 at 20.1 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 1Q2017, Gross Profit was negative at 16.2 million baht, as compared with 1Q2016 at 431.6 million baht because there were still some fixed costs during slow project activities and including an increase in the proportion of contract cost that was affected by the reduction in contract value of the QGI FPSO modules due to the extent of duplication of work. On the other hand, Net Profit in 1Q2017 was negative at 155.3 million baht as compared with 1Q2016 at 338.7 million baht due largely to FX loss impact as mentioned above.

Please be informed accordingly.

Best regards,  
BJC Heavy Industries Public Company Limited

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