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November 14, 2016

Subject: Clarification on Significant Changes in 3Q2016 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 3Q2016 Operating Results as compared with those in 3Q2015 as following.

Overview of Operating Results

Despite the global economic slowdown and the intensified competition during 9M2016, the company secured TUPFI FPSO Modules as EPC project, composing of 3 scopes of work such as Engineering, Procurement and Construction. In general, EPC project, as a turnkey project which has the high project value, would not have the high profitability.

As a result of the slower pace of economy and the dips in energy prices as compared to several years ago, various project developers have postponed the significant number of project development. However, although the market situation remains challenging, the company has been preparing to submit project tender bids among many industries including renewable energy, oil and gas and mining along with the aim to expand our services towards other markets such as North America, Asia and Australia so as to spread the company's revenue base and reduce risk from depending only on a few markets and customers.

In 3Q2016, the majority of revenue is largely stemmed from large-scale oil and gas projects in Brazil consisting of QGI FPSO modules, TUPFI FPSO modules (02B) and TUPFI FPSO modules (03B) which was secured since 2Q2016 as previously cited. The company expects to deliver TUPFI FPSO modules (02B) and QGI FPSO modules within 4Q2016 and 1Q2017, respectively while TUPFI FPSO modules (03B), that has been executed since 2Q2016, is anticipated to deliver for the customer in 3Q2017.

For 9M2016, the increase in contracted cost resulted in the lower profitability than that in the same period of last year. The contracted cost was primarily driven by cost of expedited work, cost of repaired work. Nevertheless, even the decreased net profit for 9M2016 as compared to that in the same period of previous year, the company's financial position is also very solid and then Board of Director Meeting no. 5/2016 has resolution to approved the interim dividend in

term of cash in the ratio of 0.125 baht per share from its retained earning, which is equivalent to not exceeding Baht 200,000,000 (Two Hundred Million Baht). The record date for the right of shareholders to receive the dividend is scheduled to be on Wednesday, November 30, 2016 (Record Date). The share register book closing date for collecting shareholders' name under the Section 225 of the Securities and Exchange Act (included additional adjustment) is scheduled to be on Thursday, December 1, 2016 and the dividend payment shall be made within Friday, December 16, 2016.

Revenue

Contracted Revenue

Contracted Revenue in 3Q2016 was 659.7 million baht, falling by 50.0% from 1,318.2 million baht in 3Q2015. The decrease in contracted revenue resulted from the final phase of executing TUPI FPSO modules (02B) and QGI FPSO modules while revenue from TUPI FPSO modules (03B) has been partly recognized. However, during 9M2016, the company's contracted revenue was 4,480.9 million baht, growing by 26.1% from 9M2015 at 3,554.3 million baht.

Expenses

Contracted Costs

In 3Q2016, Contracted Costs was 777.5 million baht decreasing by 16.6% as compared with that at 931.7 million baht in 3Q2015. At the same time, contracted cost for 9M2016 was 3,946.6 million baht, growing by 53.2% from 2,575.6 million baht from the same period of pervious year. The increase in contracted cost in Q32016 was significantly driven by higher repaired costs related to executing TUPI FPSO modules project (01B) delivered since 2Q2016 including raw material, equipment and labor for repairing such damaged work during the period of transporting modules on the sea in addition to cost of expedited work to deliver the project as schedule. Moreover, TUPI FPSO modules project is considered as EPC and Turnkey project where naturally would not have the high profitability.

Selling, General and Administrative expenses (SG&A)

SG&A in 3Q2016 was 51.5 million baht, decreasing by 29.7 million baht or 36.6% from 81.2 million baht in 3Q2015. While SG&A in 9M2016 was 211.1 million baht, representing the drop by 98.3 million or 31.8% baht from 309.4 million baht from the same period of last year. The contraction of SG&A in 3Q2016 and 9M2016 as compared to the same time of prior year resulted from the cost management policy in more effective ways.

Foreign Exchange (FX) Impact

In 3Q2016, the company faced with FX loss by 33.4 million baht as compared with FX gain by 119.5 million baht in 3Q2015 because of the appreciation in Thai Baht. On the other hand, Thai Baht/US dollar looked quite volatile due to several factors such as the anticipation of US Federal Reserve's interest rate hike, the referendum of Brexit making Thai Baht become more appreciative. As a result of that, FX loss was recorded at 39.0 million baht for 9M2016. However, the company expects Thai Baht to become depreciative after US Federal Reserve is possibly to raise its policy rate in the foreseeable future leading to the decreased trend in FX loss.

Profit and Profitability

Gross Profit

The increase in contracted cost as mentioned above brought about the loss in gross profit of 117.8 million baht in 3Q2016 as compared with the gross profit of 386.5 million baht in 3Q2015. In the meantime, gross profit margin in 3Q2016 was negative at 17.9% while this ratio was 29.3% in 3Q2015. During 9M2016, the company reported gross profit at 534.3 million baht, reducing from 978.7 million baht at the same period of prior year while gross profit margin for 9M2016 was 11.9%, decreasing from 27.5% in 9M2015.

Net Profit

The company confronted with net loss in 3Q2016 at 198.0 million baht as compared with net profit in 3Q2015 at 419.6 million baht. As a consequence, net profit margin was negatively recorded at 29.9% as compared with 29.1% net profit in 3Q2015. In the meantime, net profit in 9M2016 was 332.4 million baht, decreasing from 760.7 million baht in 9M2015. As a result of that, net profit margin was reduced from 20.8% in 9M2015 to 7.3% in 9M2016 because of the significant increase in contracted cost as mentioned before. However, with the net loss in 3Q2016, each project that is being executed is still profitable even though the company has been earning lower margins than the historical ones.

Best regards,

BJC Heavy Industries Public Company Limited



(Mr. Seung Woo Lee)

Deputy Managing Director