



MODEC, Inc.  
2023 Half-Year  
Financial Results  
Analysts Presentation

August 14, 2023





## 1. Highlight

## 2. Initiatives for sustainable growth

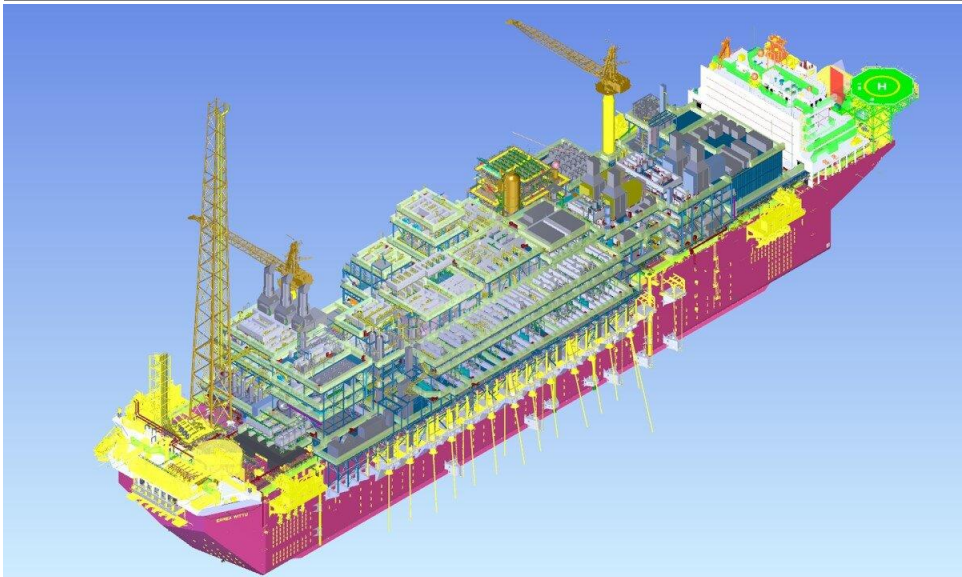
## 3. Financial Results

(Note)

From the end of FY2021, the Company's consolidated financial results have applied International Financial Reporting Standards (IFRS) instead of the conventional Japanese GAAP. In addition, the currency unit has been changed to the US dollar instead of the conventional Japanese yen. As a result, the figures for previous years in this document are handled as below.

- FY2020: Compliant with IFRS (US \$)
- FY2019: Japanese standard (Japanese yen) figures are converted to US dollars at the midpoint of the market price of telegraph spots for customers at the end of each year (1 US dollar = 109.54 yen)

## Uaru FSP0



Client	ExxonMobil
Contract	EPCI+O&M(10years)
Field	Stabroek
Water Depth	1,690m
Oil Production	250,000 bopd
Gas Production	540 mmscfd
Storage	2,000,000 bbls

- Our first project in Guyana
- Our first order from ExxonMobil since 2003



## BM-C-33 FPSO



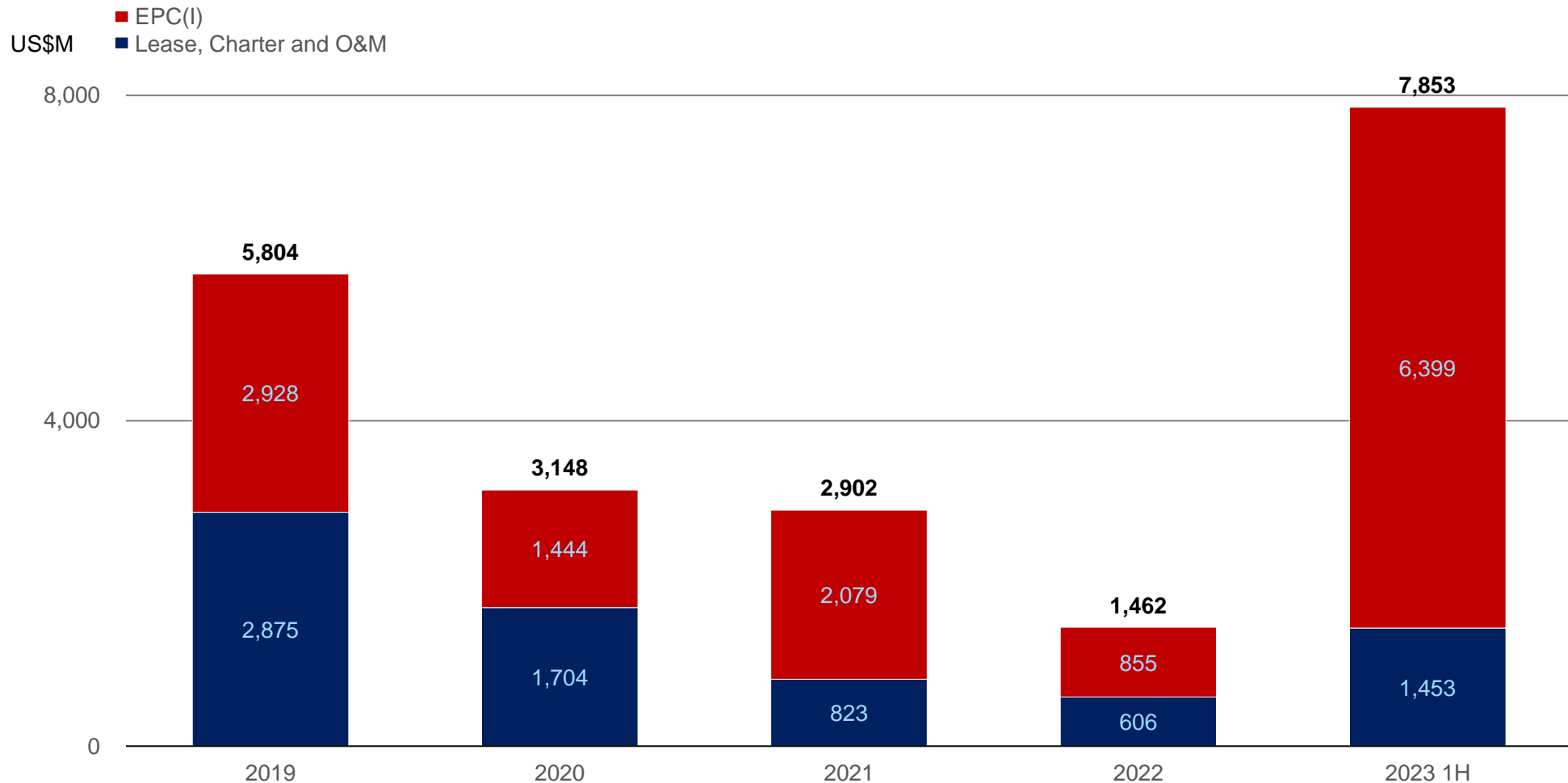
Client	Equinor
Contract	EPCI+O&M(1year)
Field	BM-C-33
Water Depth	2,900m
Oil Production	125,000 bopd
Gas Production	565 mmscfd
Storage	2,000,000 bbls

- Our second FPSO with combined cycle power generation system
- 10th FPSO in the pre-salt region













# FY2023 Half-Year : Order received

- **USD 7,853 million in the first half of the year**
- **Annual Orders are expected to reach a record high**



# FY2023 Half-Year : EPC(I) (as of June 2023)

	FPSO Anita Garibaldi MV33	FPSO Sangomar	FPSO Bacalhau	FPSO Uaru	FPSO BM-C-33
Client	Petrobras	Woodside	Equinor	ExxonMobil	Equinor
Contract	EPCI + Time Charter ( 25 yrs)	Purchase Contract + O&M (10 yrs+10 one-year extension options)	EPCI + Short term O&M	EPCI + O&M (10 yrs)	EPCI + Short term O&M
Delivery (Planned)	2023	2024	2024	2026	2027
Field	Marlim	Sangomar	Bacalhau	Stabroek	BM-C-33
Location	Brazil 	Senegal 	Brazil 	Guyana 	Brazil 
Water Depth	670 m	780 m	2,027 m	1,690 m	2,900 m
Storage/ Production	1,000,000 bbls 80,000 bopd 248 mmscfd	1,300,000 bbls 100,000 bopd 130 mmscfd	2,000,000 bbls 220,000 bopd 500 mmscfd	2,000,000 bbls 250,000 bopd 540 mmscfd	2,000,000 bbls 125,000 bopd 565 mmscfd
					



## FPSO Almirante Barroso MV32



Client	Petróleo Brasileiro S.A. (Petrobras)
Contract	EPCI + Time Charter (21 yrs)
Field	Búzios
Water Depth	1,900m
Oil Production	150,000 bopd
Gas Production	212 mmscfd
Storage	1,400,000 bbls

## Charter commenced in May 2023

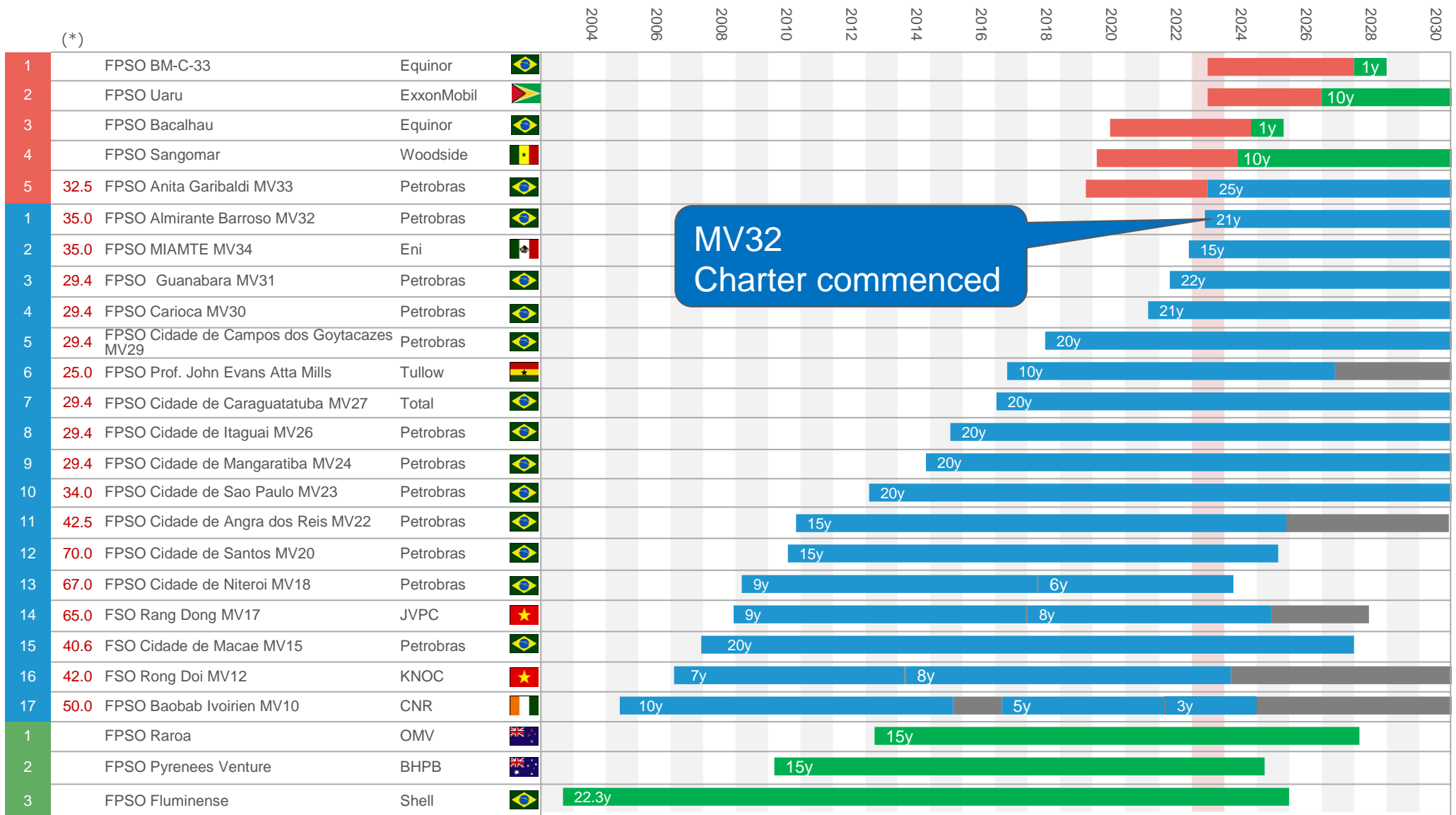


1. Highlight

# EPC(I) / Charter / O&M Period

As of July 2023

- EPC(I) period
- Time Charter fixed period
- Time Charter option period
- O&M period

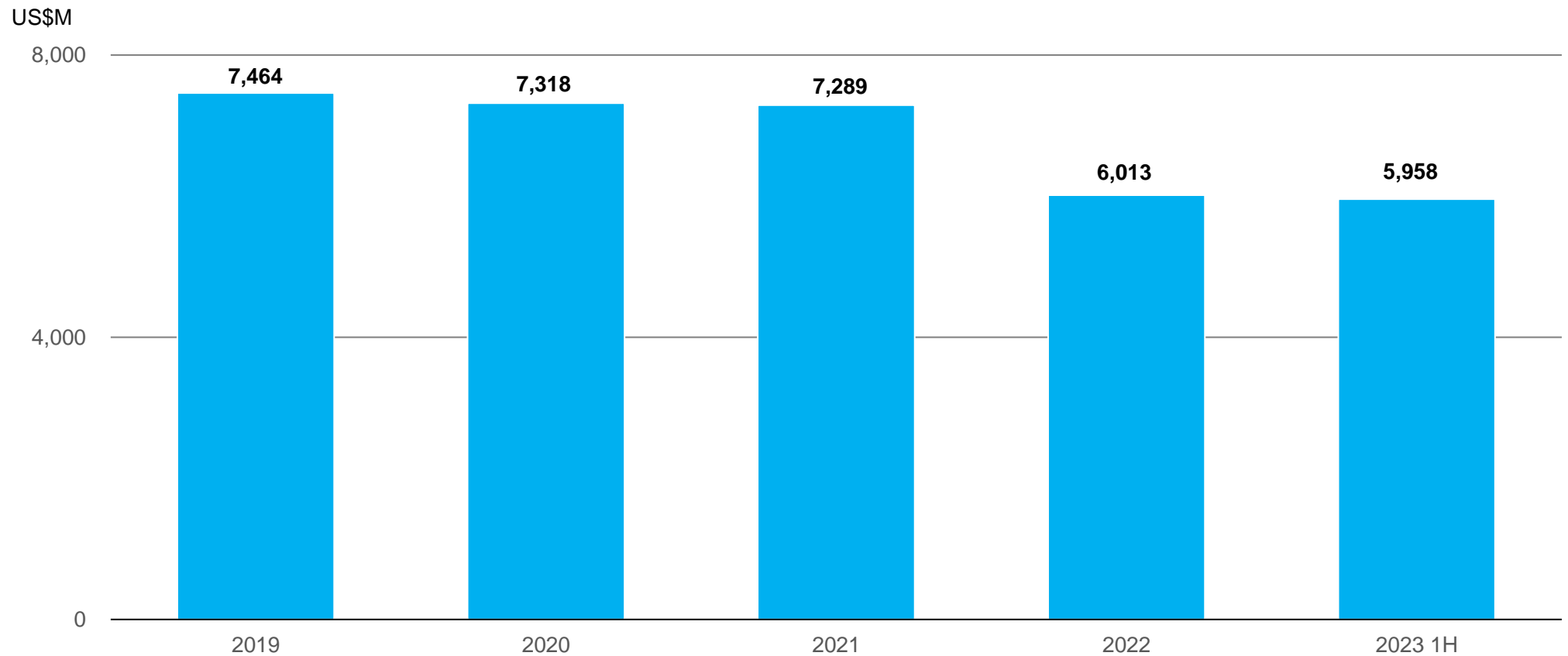


(\*) Share % owned by MODEC group companies (Equity method companies)



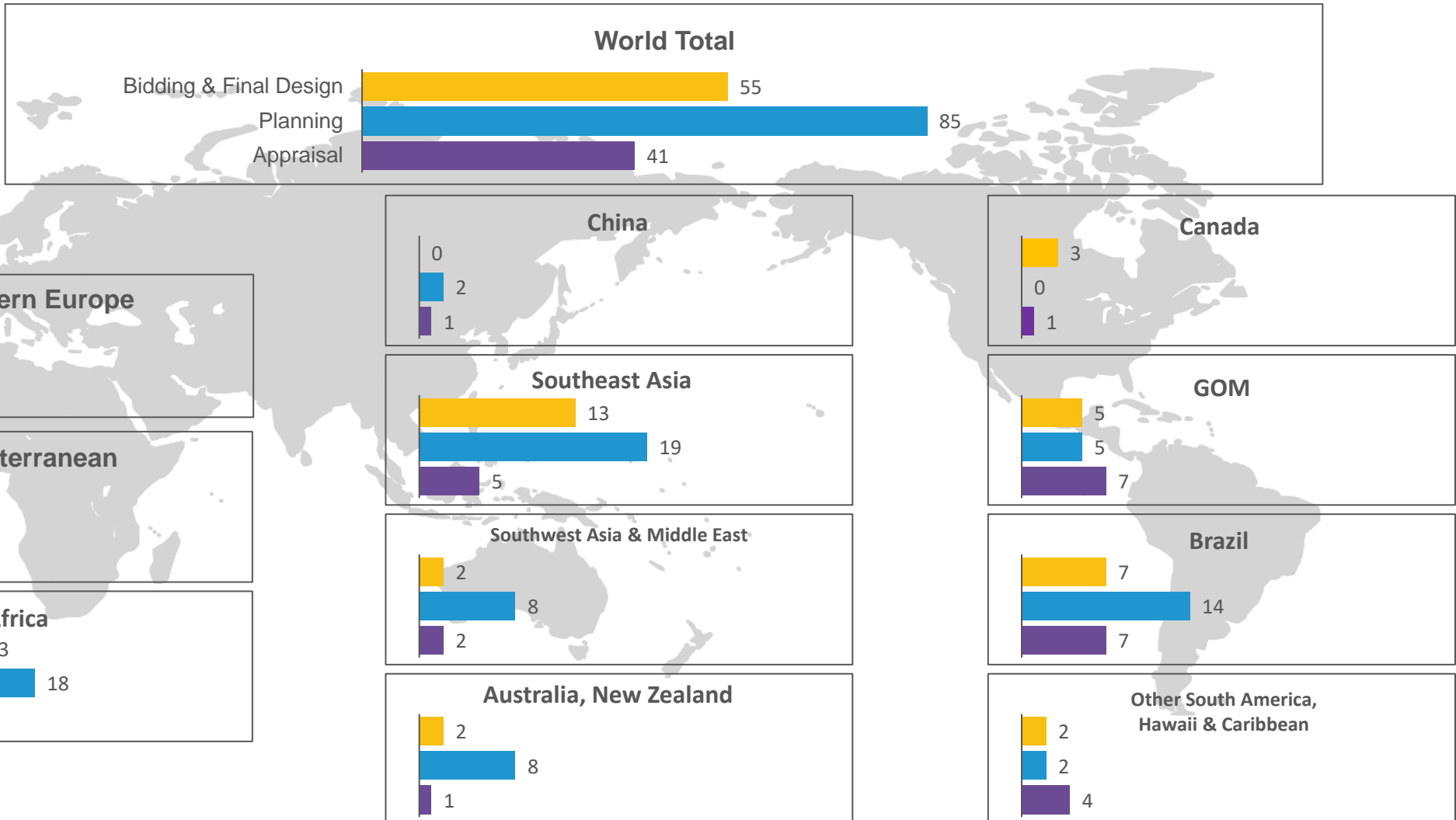
# Order Backlog (Charter)

Secure long-term stable earnings with a large backlog of orders



# Floating Production Systems Planned or Under Study

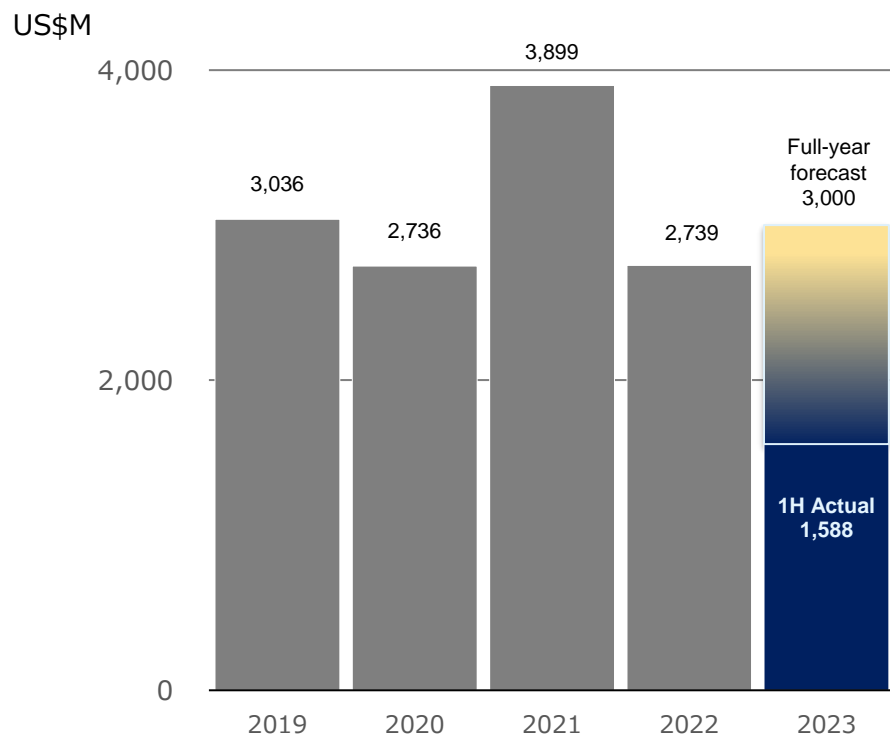
Projects in Planning Pipeline (Appraisal, Planning, and Bidding/Final Design) as of July 2023



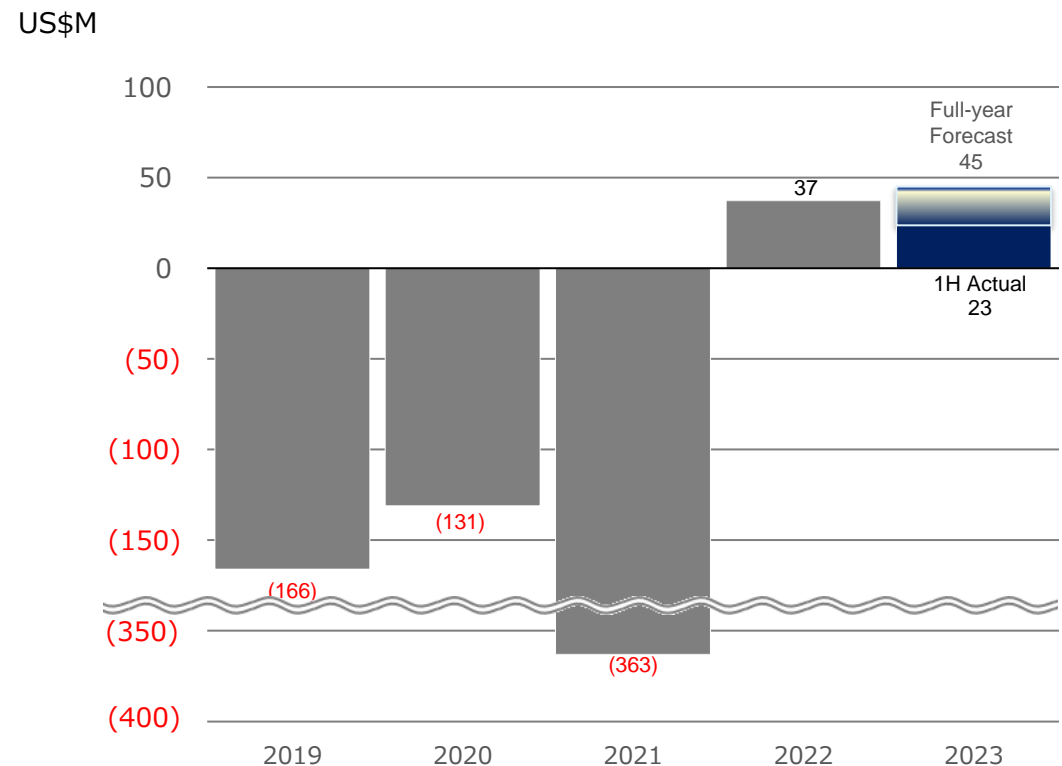
# FY2023 : Outlook

- Full-year revenue is expected to be US\$3,000M due to progress of new EPCI projects (Exxon Uaru and BM-C-33) in addition to existing projects (Woodside Sangomar and Equinor Bacalhau).
- Although additional repair costs are forecasted, we expect to achieve the full-year earnings guideline by progress of new EPCI projects and equity-method investment income and interest income from charter projects.

## Revenue



## Profit Attributable to Owners of Parent



# Third-party allotment capital increase

## 【Overview】

- Number of new shares issued : Common stock 11,937,300 shares
- Amount of funds raised : JPY 15,088,747,200
- Use of funds : Investment and loan to SPCs
- Underwriter : Mitsui O.S.K. Lines, Ltd. (10,162,300 shares)  
MITSUI & CO., LTD. (1,775,000 shares)
- Other : Concluded a business alliance agreement with underwriters

## 【Purpose】

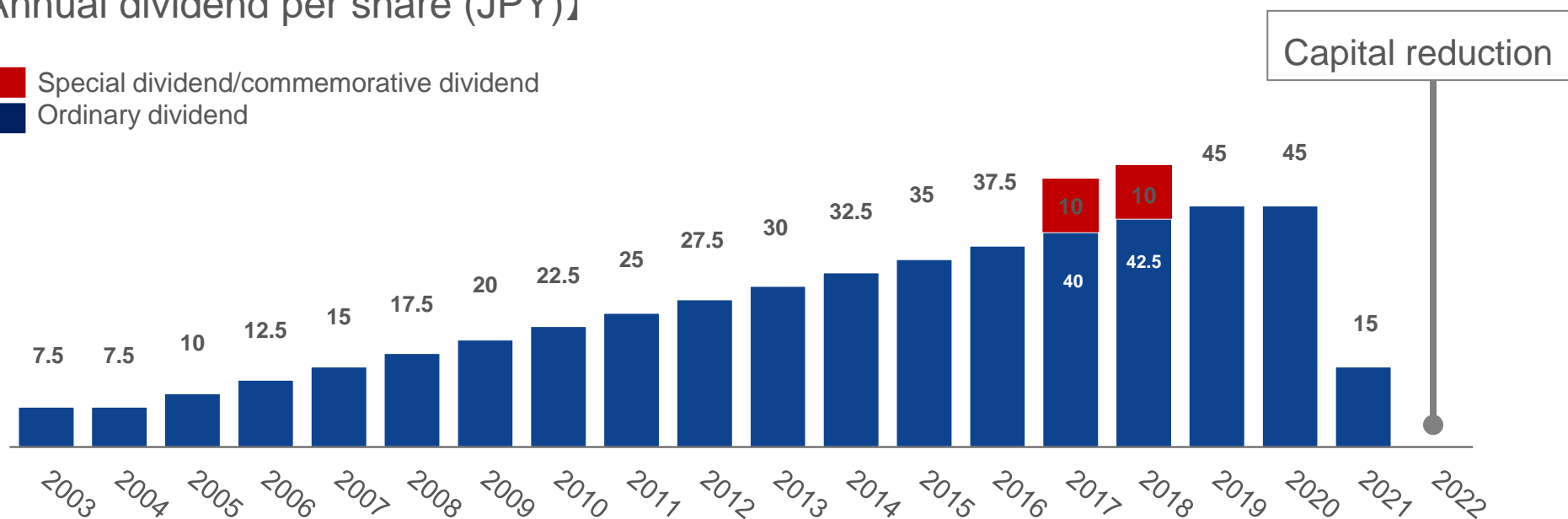
- Maintaining and strengthening financial structure to expand FPSO business
- Strengthen the ability to raise funds from financial institutions by strengthening cooperative relationships with underwriters and increasing the creditworthiness of projects.
- Synergies generated by mutual utilization of management resources, know-how, brands, customer base, increase of our presence in the industry, and enhancement of competitiveness.



# Shareholder return

## 【Annual dividend per share (JPY)】

- Special dividend/commemorative dividend
- Ordinary dividend



- Increased dividends until 2019 since being listed on the 1st Section of the Tokyo Stock Exchange in 2004.
- No dividend in 2022 due to deterioration in performance due to the impact of COVID-19
- Making an effort for resumption of dividend

## 【Capital reduction】

The purpose of capital reduction this time is to improve the financial structure, and ensure the flexibility and mobility of future capital policies, including shareholder returns by compensating for the deficit in non-consolidated retained earnings.



1. Highlight

2. Initiatives for sustainable growth

3. Financial Results



# Overview of initiatives

## Sustainable Development Goals (SDGs)

- While Modec recognizes that its business activities may directly or indirectly impact all 17 SDGs adopted by UN Member states in 2015, the Company will focus on Goals 5, 7, 8, 13 and 14 which are most impacted by our operations



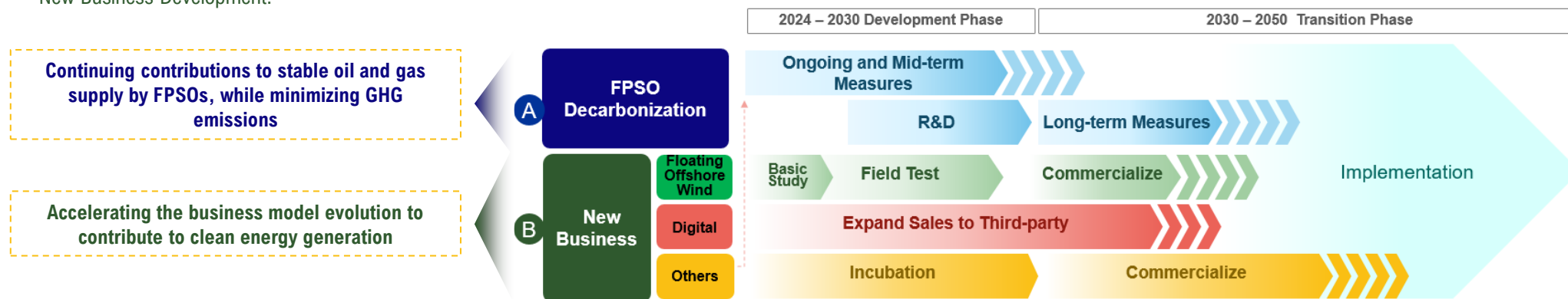
WE SUPPORT



- Modec has signed the United Nations Global Compact (“UNGC”) consisting of ten principles on human rights, labor, environment and anti-corruption, and joined the Global Compact Network Japan, a local network in Japan.
- Modec is committed to the ten principles related to “human rights protection”, “elimination of unfair labor”, “environmental protection” and “anti-corruption”.

## Pathway Towards Net Zero 2050

- Modec aspires to achieve “Net Zero”<sup>1</sup> by 2050 as a result of implementing the above business strategy including FPSO decarbonization with significantly reduced FPSO Carbon Intensity and New Business Development.



Notes:

- The MODEC GHG emissions in Scope 1, Scope 2 and Scope 3 (Category 13 - Downstream Leased Assets only) are to be reduced, and residual emissions are to be offset by GHG reduction contribution through our New Business, for example, we consider generated electricity by FOW as relative reduction contribution against conventional energy.
- Aim to achieve net zero for Scope 1 and 2 by 2030 in the above path

# MODEC in future

We aspire to achieve  
"Net Zero" by 2050

**A Emission from MODEC FPSO**

**B Contribution by New Business**

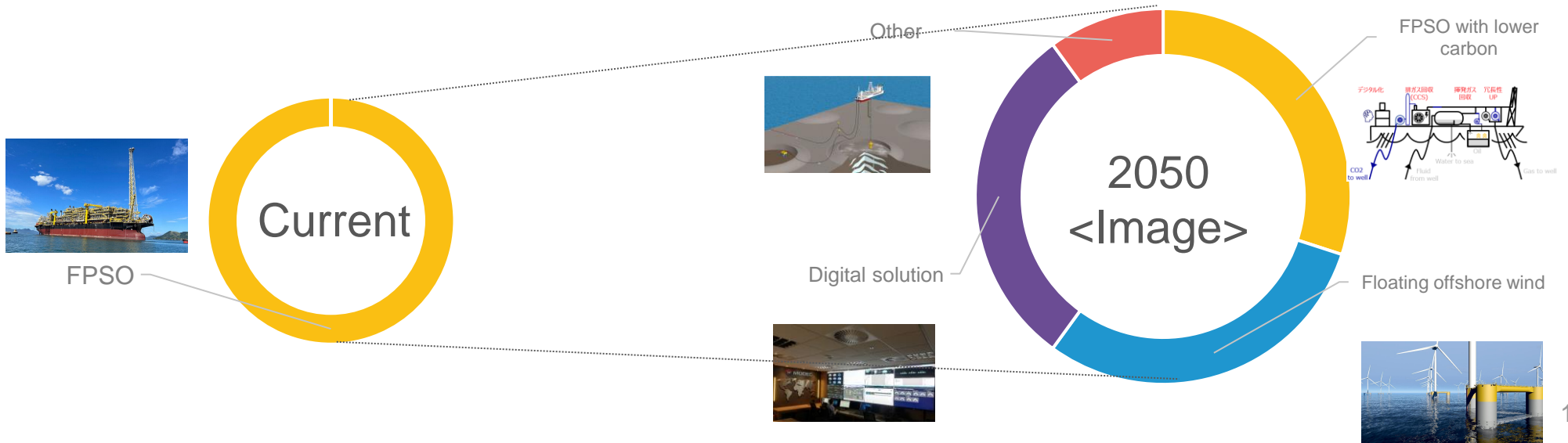
*Innovative Solutions to deliver clean energy*

*Digital Arm contributes to non-MODEC facilities*

*Floating Offshore Wind will produce clean energy*

*FPSO continues delivering stable energy with minimal carbon footprint, backed by digitalization*

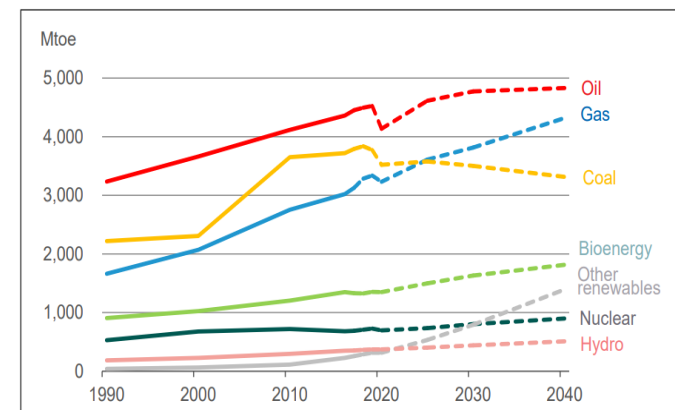
## Image of revenue composition ratio





# Efforts to reduce the carbon footprint of FPSOs

- Oil and gas are expected to continue to be one of the world's major energy sources over the medium to long term.
- Accelerating efforts to reduce the carbon footprint of FPSOs



Source: World Energy Outlook 2012 & 2020 – Stated Policies Scenario (IEA)

## Current efforts

- GHG emissions from FPSOs in operation have been published on the website from 2021

- Equinor Bacalhau FPSO is equipped with a combined cycle power generation system that combines a gas turbine and a steam turbine. It contributes to reducing carbon dioxide emissions during FPSO operation.

CO2e: Value converted from total GHG to CO2 amount based on global warming potential

	FY 2019	FY 2020	FY 2021	FY 2022
<b>Scope 1</b>	0	0	0	0
<b>Scope 2</b>	0.2万t – CO2e	0.1万t – CO2e	0.1万t – CO2e	0.1万t – CO2e
<b>Scope 3</b>	-	-	380万t – CO2e	520万t - CO2e



# Floating offshore wind (1)



# Floating offshore wind (2)

2022~2024



2024~2030



Early 2030s



2050  
Carbon  
Neutral

**Establish Elemental Technologies**  
(Green Innovation Phase 1)

**Full-scale Demonstration**  
(Green Innovation Phase 2)

**Commercial Wind Farm**  
(Social Implementation)

- MODEC Floater·Mooring**
- 東洋建設 Pile Foundation**
- 古河電工 Cable·Termination**
- Jera Demo site, WTG**

他

**Full-scale Demonstration**  
▼15MW class WT

**Supply Chain**  
▼Supply chain for mass-production

**Cost saving Installation**  
▼Piling materials and methodology

1<sup>st</sup> Commercial Wind Farm with Floating WT

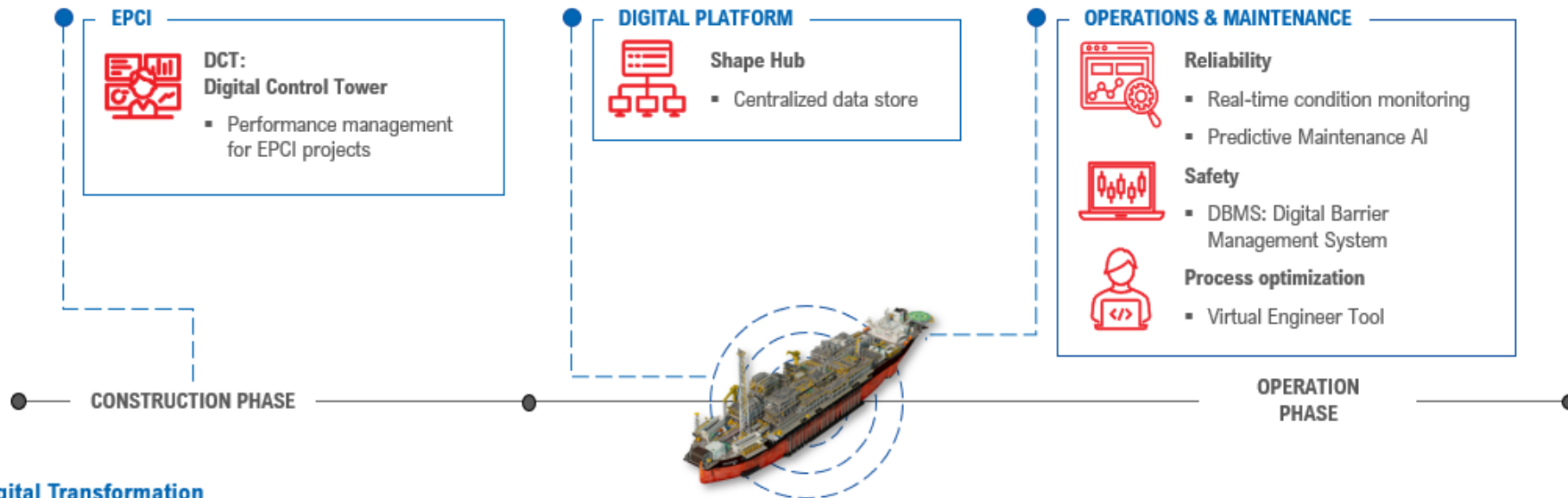
**Continuous Wind Farm development**  
▼500MW class Wind Farm

**Affinity with Fishery Industry**  
▼Development in coordination with offshore fisheries  
▼Reduce restrictions inside windfarm for fishery industries

Ref: Green Innovation Phase 1\_\_Business Strategy Vision (MODEC)

# Digital solution

- Mode is developing a wide range of products to address the pain of developers of large infrastructure projects, both in construction and operation. Expansion of management and technical capacity with artificial intelligence.



## Digital Transformation

<p><b>2015-2017</b> Business Transformation</p> <ul style="list-style-type: none"> <li>Culture and mindset maturation</li> <li>Operational Excellence</li> </ul>	<p><b>2017-2018</b> Pilot of Digital Transformation</p> <ul style="list-style-type: none"> <li>Started from 1 FPSO</li> <li>10 of the first use cases for Predictive Maintenance</li> <li>Models deployed to cloud platform</li> </ul>	<p><b>2019+</b> Expanding Digital Transformation</p> <ul style="list-style-type: none"> <li>9 FPSOs "operate" the AI models</li> <li>500+ Developing further solutions</li> <li>250+ bn lines of data in our cloud platform</li> </ul>	<p>MODEC awarded as global lighthouse of the world economic forum</p> <p>WORLD ECONOMIC FORUM</p> <p>The Global Lighthouse Network</p>
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- MODEC's FPSO Cidade de Campos dos Goytacazes MV29 was recognized by the World Economic Forum as Lighthouse of the 4th Industrial Revolution<sup>1</sup>
- The award landmarked the first time that a Latin American facility as well as a facility operated by a Japanese company was included in the network


**1st** Japanese company

**1st** Site in LatAm

Notes:

(1) The Global Lighthouse Network is a community of production sites and other facilities that are world leaders in the adoption and integration of the cutting-edge technologies of the Fourth Industrial Revolution (4IR). Lighthouses apply 4IR technologies such as artificial intelligence, 3D-printing and big data analytics to maximize efficiency and competitiveness at scale, transform business models and drive economic growth, while augmenting the workforce, protecting the environment and contributing to a learning journey for all-sized manufacturers across all geographies and industries.

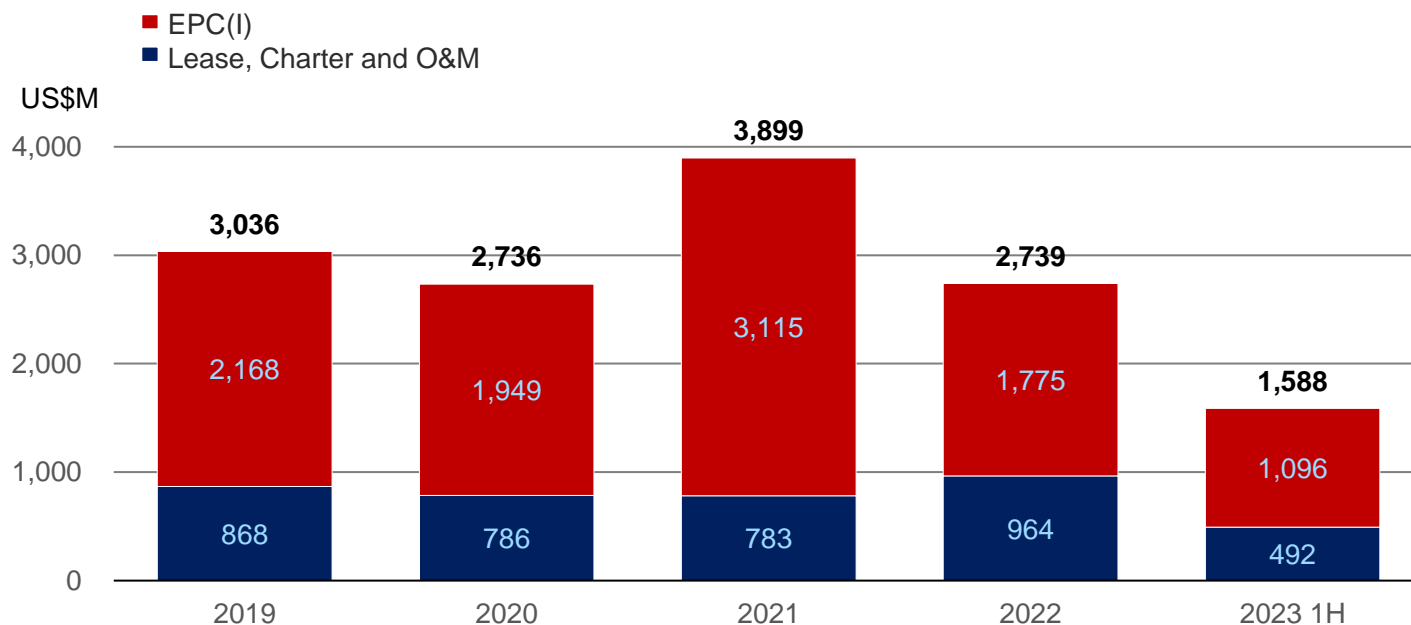


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- An aerial photograph of a large offshore oil rig, showing its complex structure of yellow and white metal platforms, cranes, and a helipad at the top, set against a deep blue ocean.
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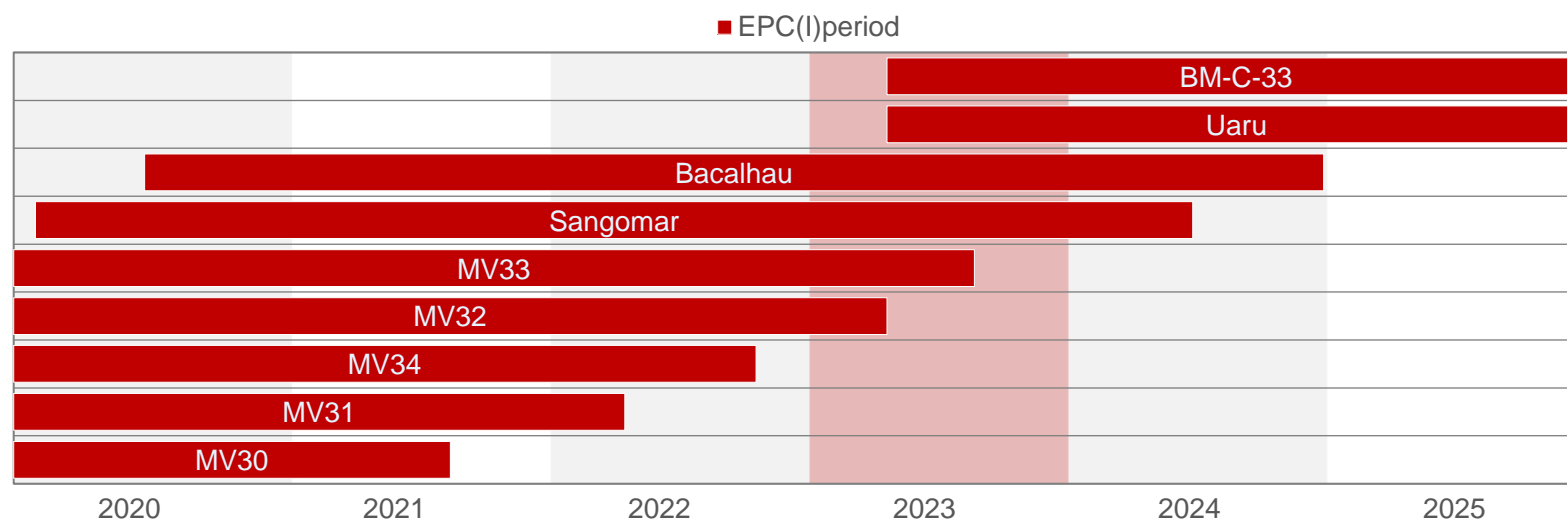


### 3. Financial Results

# Revenue



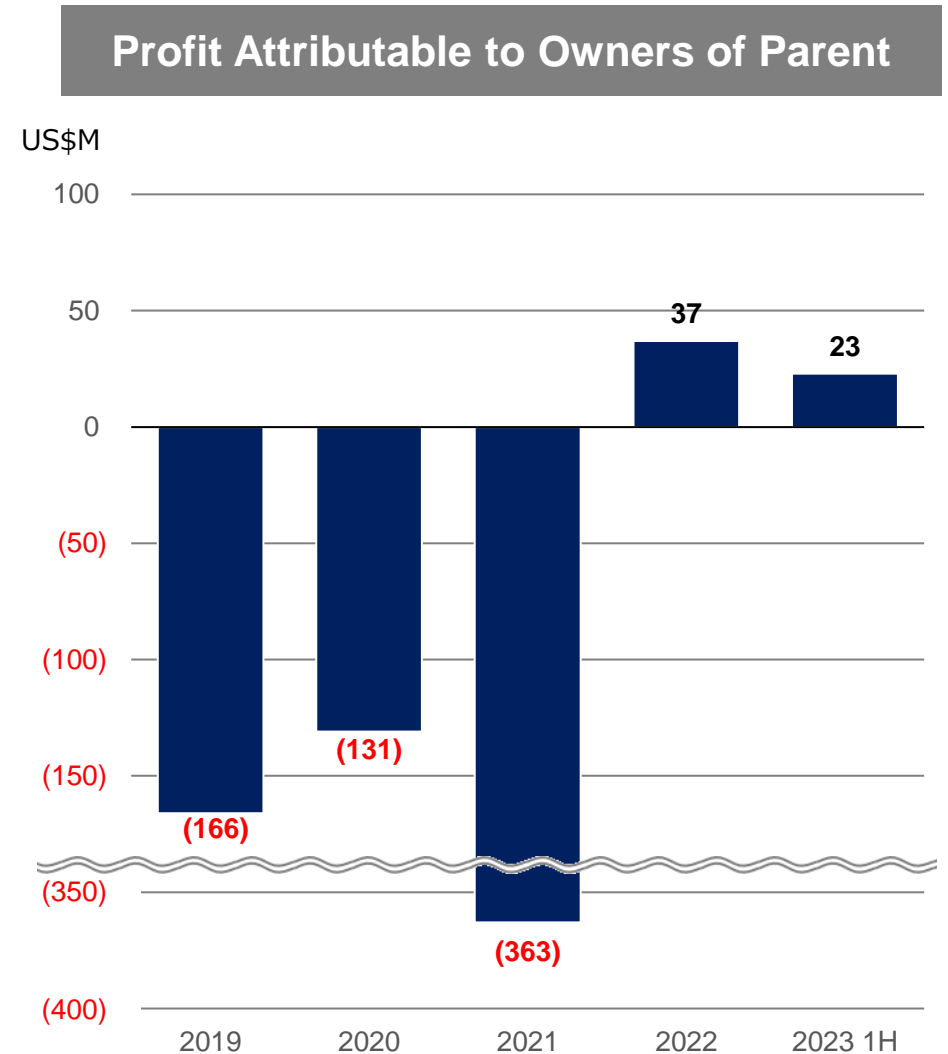
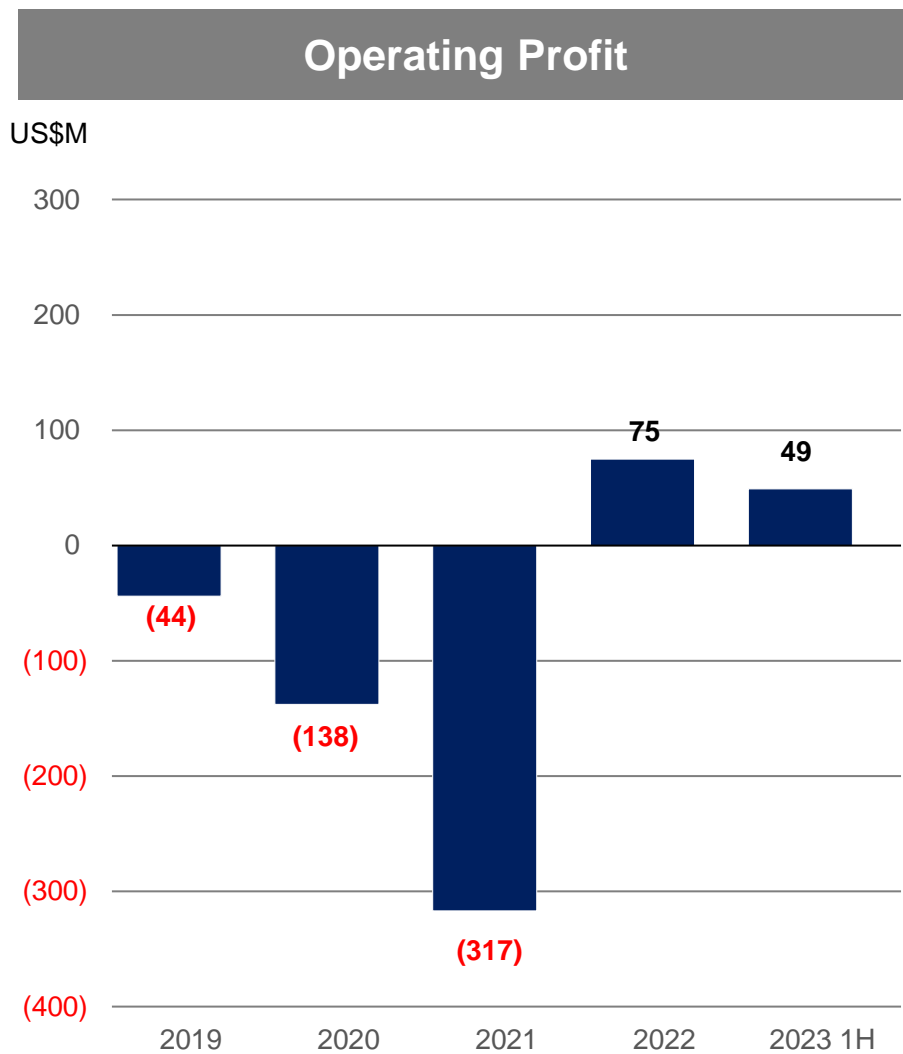
- The progress of construction work of Woodside Sangomar, Equinor Bacalhau, and Uaru contributed to revenue.



2023 1H construction revenue (US\$M)	
Bacalhau	: 200
Sangomar	: 150
Uaru	: 550
BM-C-33	: 50

# Operating Profit / Profit Attributable to Owners of Parent

Operating Profit US\$49M / Profit Attributable to Owners of Parent US\$23M / EBIDA US\$173M(refer to P26)

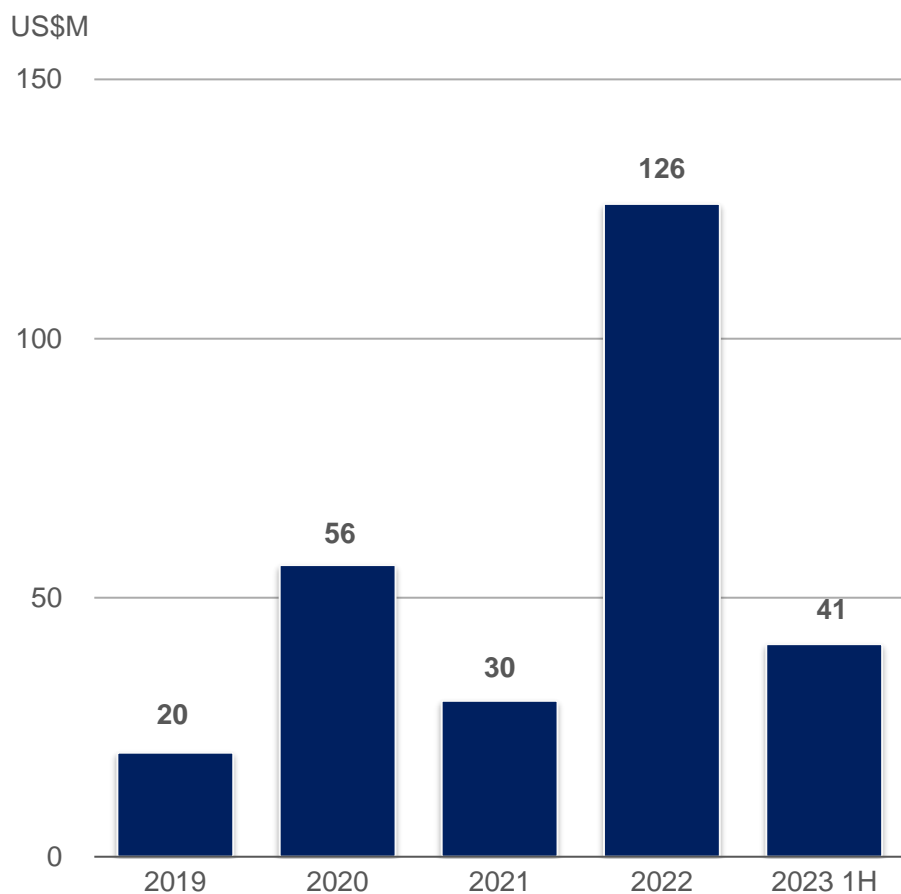


(Note) Shifted to IFRS from FY2020, and record equity in earnings of affiliates, etc. as operating income

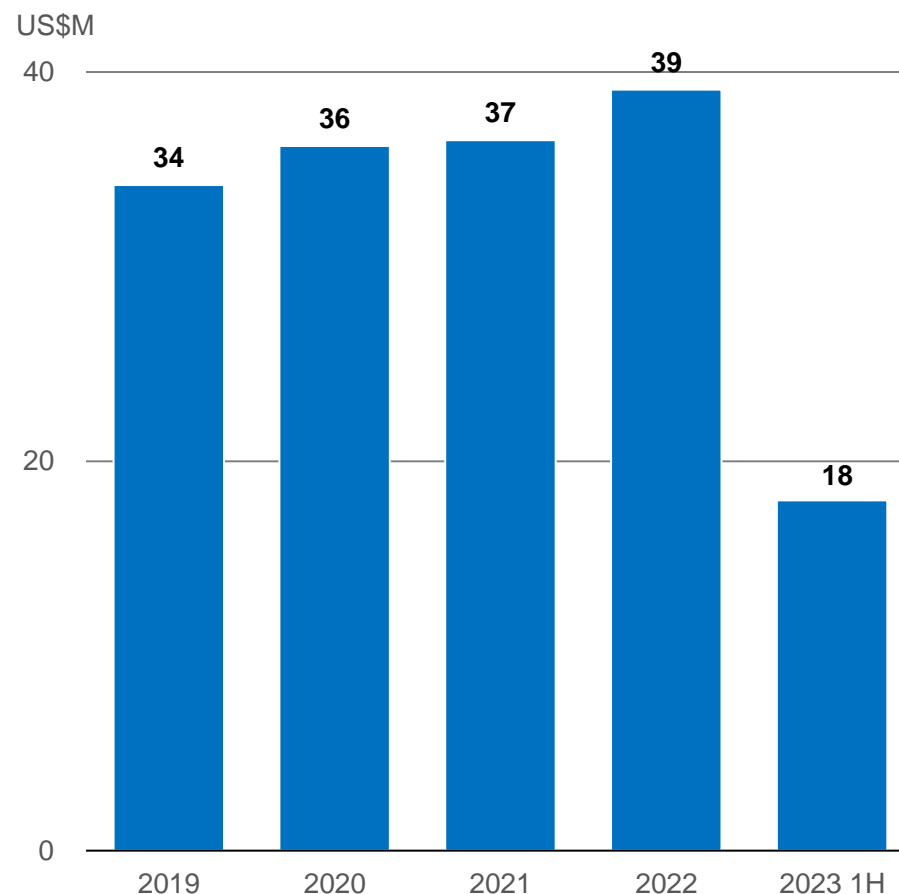
# Equity in Earnings of Affiliates / Interest Income

Steady growth in charter-related income (equity in earnings of affiliates and interest income)

**Equity in Earnings of Affiliates**



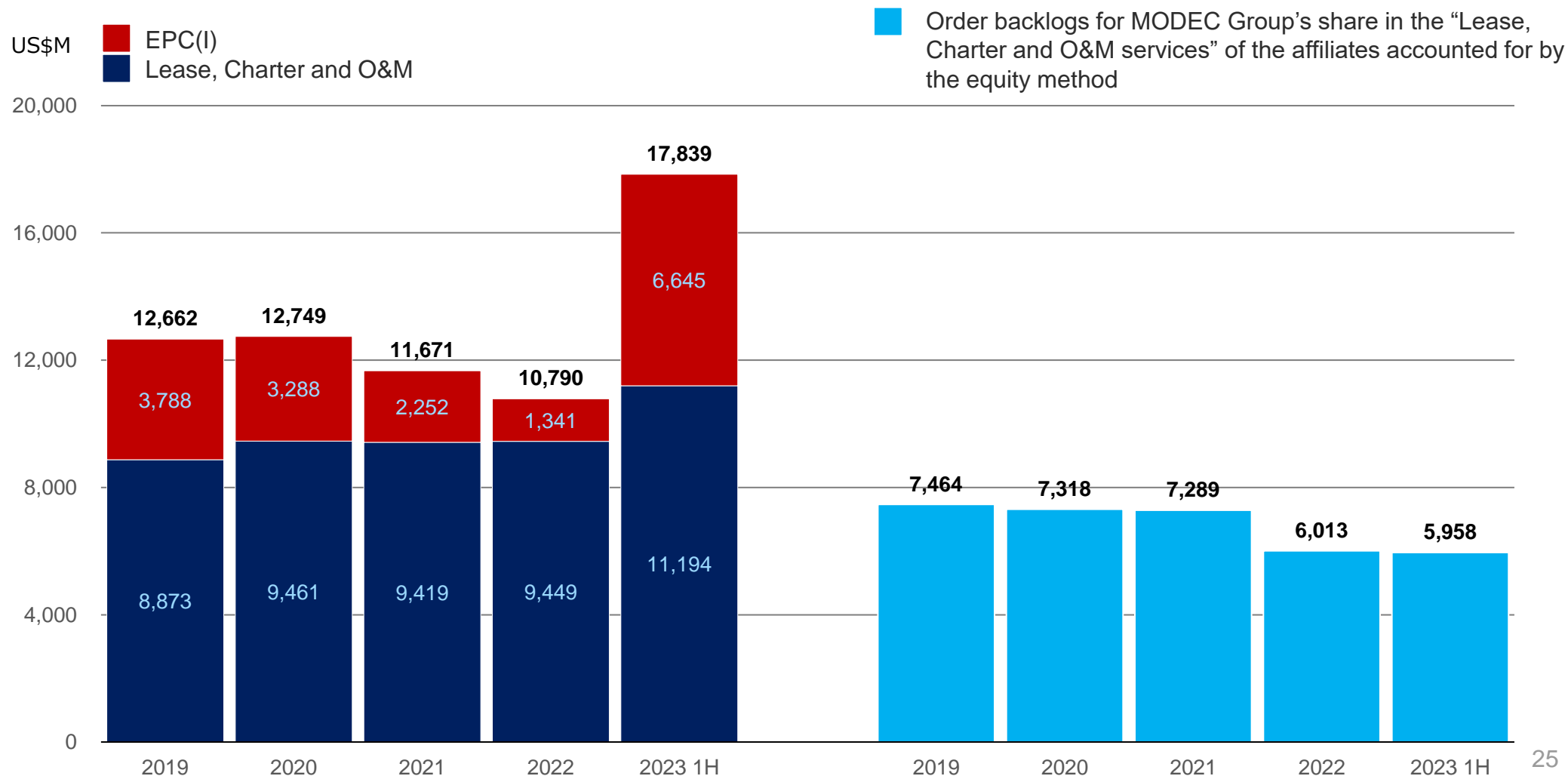
**Interest Income (Charter related)**





# Order Backlogs

- Order backlog for construction work increased significantly due to two new orders received.
- Charter/O&M order backlog remains at a high level with long-term contracts.



## Adjusted EBITDA

	<u>GAPP</u>	<u>Adj. GAAP(*)</u>
<b>EPCI + O&amp;M Operations</b>	<b>\$ 64MM</b>	<b>\$ 64MM</b>
<b>Charter Operations</b>	<b>\$ 86MM</b>	<b>\$ 99MM</b>
Service Fee (PL / CF)	\$ 22MM	\$ 21MM
Interest received (PL / CF)	\$ 23MM	\$ 22MM
Equity method investment income (PL) / Dividend received (CF)	\$ 42MM	\$ 56MM
SGA (PL)	\$ ▲78MM	\$ ▲78MM
Depreciation (CF)	\$ 21MM	\$ 21MM
Payment by repayment of lease obligations (CF)	\$ ▲12MM	\$ ▲12MM
<b>One-off cost</b>	<b>\$ 80MM</b>	<b>\$ 80MM</b>
<b>Adjusted EBITDA</b>	<b>\$ 160MM</b>	<b>\$ 173MM</b>

- Dividends received (Adj. GAAP): Dividends received from SPC
  - ✓ Dividends paid mainly from charter profits up to the previous fiscal year

※ Dividends are paid based on the balance of cash and deposits at each point in time based on the agreement between the sponsors, so there is a difference in the timing of recognition from equity method income.

- Adjust for one-off cost increase factors

Covid-19 impact

Aggregate EPCI construction delays costs due to Covid-19

Special Maintenance Campaign

Aggregated repair work costs using floatel on MV22

(\*) Charter Operations of Adj. GAAP is based on Cashflow

# Financial position and cash flow

## Financial Position

Unit : US\$M	2022.12	2023.6	Variance
Cash and cash equivalents	492	557	65
Trade & Other receivable	478	504	26
Contract assets	257	261	4
Investment accounted for using equity method	1,114	1,113	-1
LT loan receivable	365	355	-10
<b>Total assets</b>	<b>3,136</b>	<b>3,216</b>	<b>80</b>
	2022.12	2023.6	Variance
Trad & Other payable	921	961	40
Contract liabilities	499	438	-61
LT Bond & borrowings	374	345	-29
<b>Total liabilities</b>	<b>2,295</b>	<b>2,235</b>	<b>-60</b>
Share capital / Capital surplus	563	378	-185
Retained earnings	131	447	316
Other components of equity	118	113	-5
Equity attributable to owner of parent	811	938	127
Non-controlling interests	29	43	14
<b>Total equity</b>	<b>841</b>	<b>981</b>	<b>140</b>
<b>Total liabilities and equity</b>	<b>3,136</b>	<b>3,216</b>	<b>80</b>
<b>D/E ratio</b>	<b>0.5倍</b>	<b>0.4倍</b>	<b>-0.1points</b>

## Cash flow

Unit : US\$M	2022.6	2023.6	Variance
Cash flows from operating activities	-192	-40	152
Cash flows from investing activities	-2	10	12
Free cash flows	-195	-29	166



Thank you