



**MODEC, INC.**

FINAL RESULTS 2006  
ANALYSTS PRESENTATION

FEBRUARY 16, 2007

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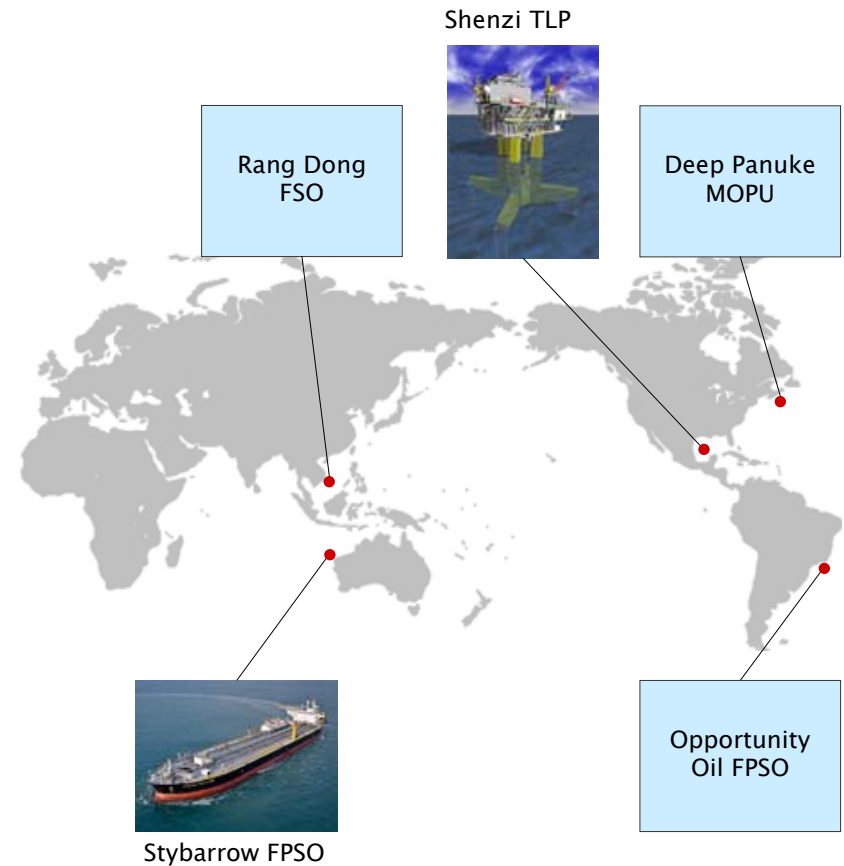
## I. FY 2006 HIGHLIGHT

1. NEWLY AWARDED PROJECTS
2. EPCI PROGRESS
3. OPERATION
4. ACQUISITION OF SHARES OF SOFEC AND NATCO JAPAN
5. MODEC ICHI-BAN REVOLUTION
6. SOCIAL CONTRIBUTION

# FY 2006 HIGHLIGHT

## 1. NEWLY AWARDED PROJECTS

- Petrobras Opportunity Oil FPSO (Brazil)
  - EPCI + Time Charter
  - Charter Period: 9 years + option (1x6 years)
- JVPC Rang Dong FSO (Vietnam)
  - EPCI + Time Charter
  - Charter Period: 9 years + option (1x5 years)
- BHPBP Stybarrow FPSO: O&M portion (Australia)
  - EPC + Time Charter
  - Charter Period: 10 years + option (1x5 years)
- BHPB Shenzi TLP (GOM)
  - EPC + pre-commissioning
- EnCana Deep Panuke MOPU (Canada)
  - FEED



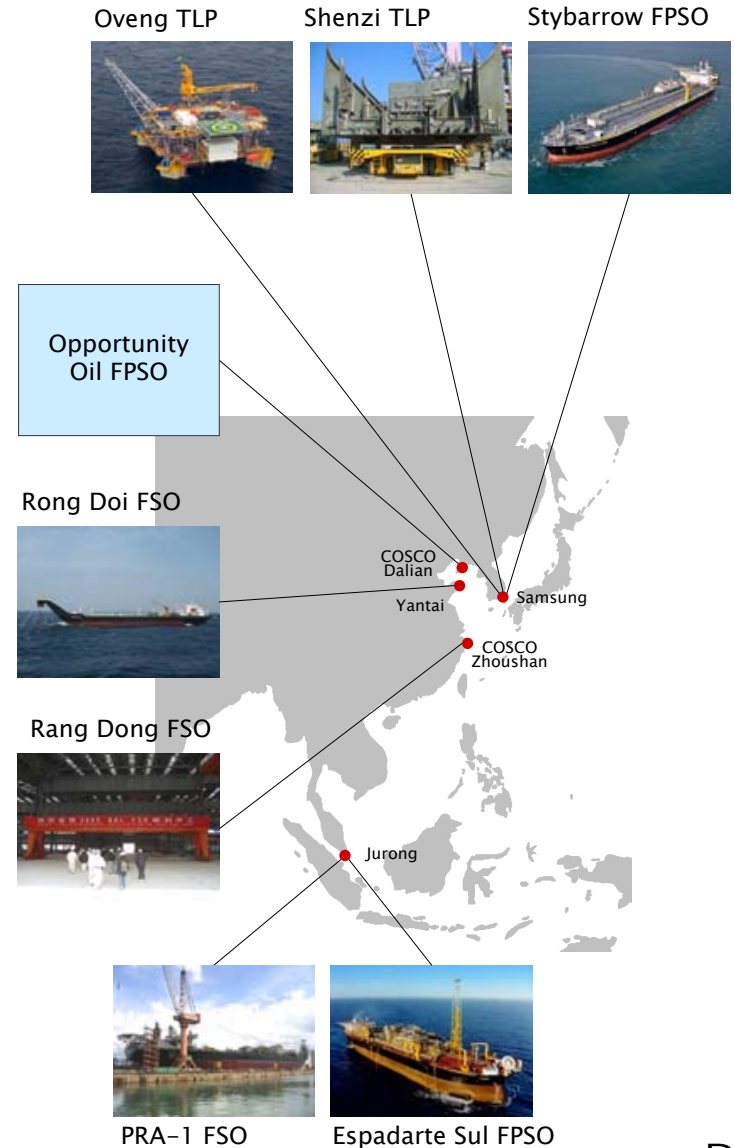
# FY 2006 HIGHLIGHT

## 2. EPCI PROGRESS

- **Delivered Units**

  - Petrobras Espadarte Sul FPSO (Brazil)
  - KNOC Rong Doi FSO (Vietnam)
  - Amerada Hess Oveng TLP & Okume/Ebano TLP (Eq. Guinea)
  
- **Ongoing EPCI Projects**

  - Petrobras PRA-1 FSO (Brazil)
    - First oil: 2Q 2007
  - BHPBP Stybarrow FPSO (Australia)
    - First oil: 3Q 2007
  - JVPC Rang Dong FSO (Vietnam)
    - First oil: 3Q 2008
  - BHPB Shenzi TLP (GOM)
    - First oil: mid 2009
  - ( Petrobras Opportunity Oil FPSO (Brazil) )
    - First oil: 4Q 2008



# FY 2006 HIGHLIGHT

## 3. OPERATION

- MODEC was operating 8 FPSO/FSOs in 2006
- 1 FPSO (Espadarte Sul FPSO) and 1 FSO (Rong Doi FSO) started time charter service in January 2007
- MODEC will be operating 12 FPSO/FSOs by the end of 2007
  - ConocoPhillips Elang/Kakatua FPSO
  - PEMEX Cantarell FSO
  - MEDCO/MOECO Langsa FPSO
  - Shell Bijupira-Salema FPSO (O&M)
  - CLJOC Su Tu Den FPSO
  - Santos Mutineer-Exeter FPSO
  - CNR Baobab FPSO
  - PEARL Jasmine FPSO
  - Petrobras Espadarte Sul FPSO
  - KNOC Rong Doi FSO
  - Petrobras PRA-1 FSO
  - BHPBP Stybarrow FPSO
- MODEC will add 2 more FPSO/FSOs by the end of 2008 leading to 14 FPSO/FSOs operations
  - JVPC Rang Dong FSO
  - Petrobras Opportunity Oil FPSO



Elang/Kakatua FPSO



Cantarell FSO



Langsa FPSO



Bijupira-Salema FPSO



Su Tu Den FPSO



Mutineer-Exeter FPSO



Baobab FPSO



Jasmine FPSO



Espadarte Sul FPSO



Rong Doi FSO



PRA-1 FPSO

## FY 2006 HIGHLIGHT

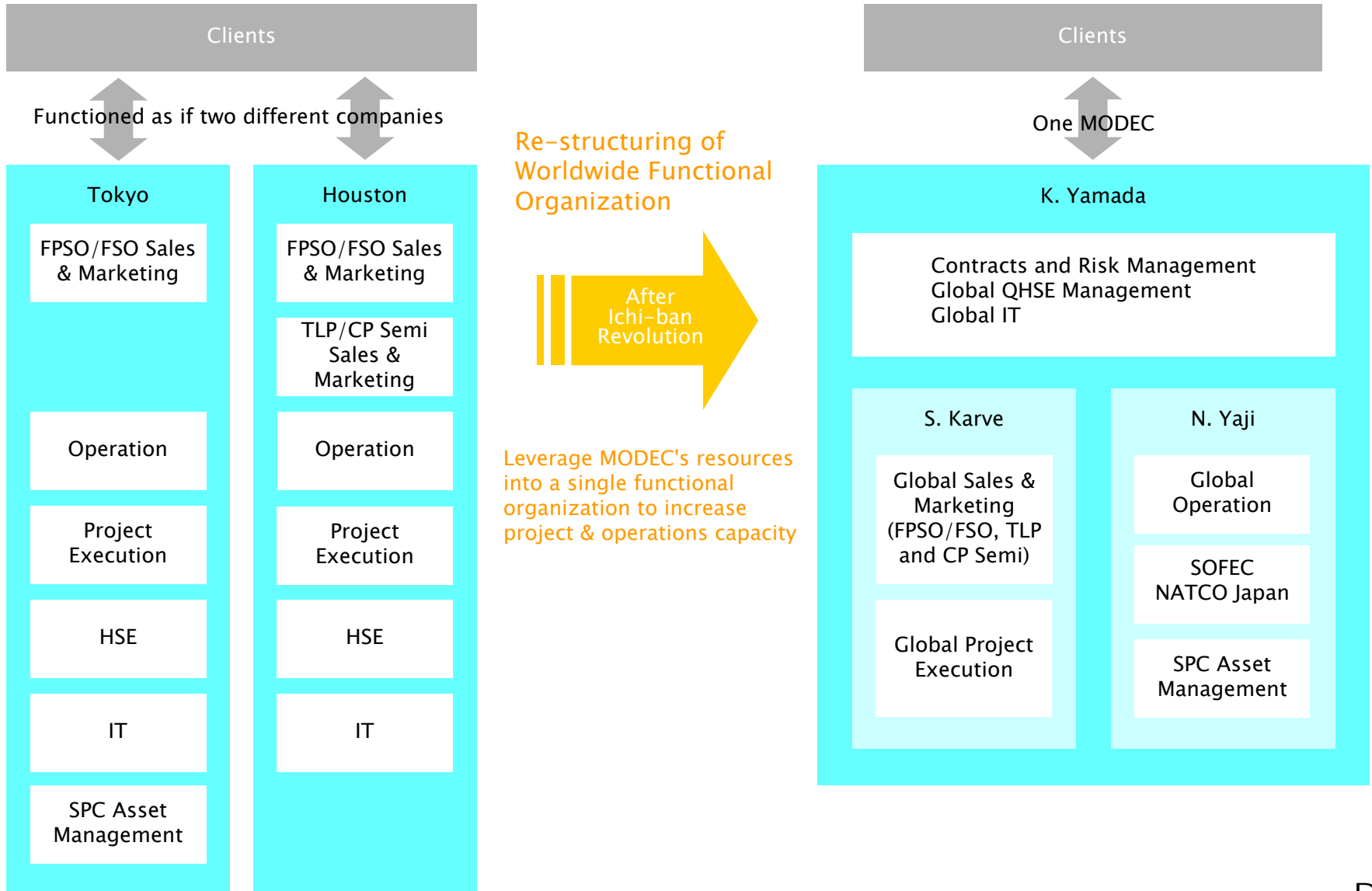
## 4. ACQUISITION OF SHARES OF SOFEC AND NATCO JAPAN

- Acquisition of 100% shares of SOFEC (As of December 31, 2006)
  - Incorporate turret and mooring technologies into MODEC's FPSO/FSO business
  - About SOFEC
    - Founded in 1972
    - Leading provider of SOFEC™ turrets and mooring systems for FPSOs, FSOs and offshore marine loading systems
  
- Acquisition of 20% shares of NATCO Japan
  - Enhancement of Topside Capacity
  - About NATCO (National Tank Company)
    - Listed on NYSE: NTG (NATCO Group Inc.)
    - Founded in 1926
    - Leading provider of wellhead process equipment, systems and services used in the production of oil and gas

The logo for SOFEC, featuring the word "SOFEC" in a bold, blue, sans-serif font. The letter "O" is stylized with a light blue wave-like shape above it.The logo for NATCO JAPAN, featuring the words "NATCO JAPAN" in a white, bold, sans-serif font, set against a solid red rectangular background.

# FY 2006 HIGHLIGHT

## 5. MODEC ICHI-BAN REVOLUTION





# FY 2006 HIGHLIGHT

## 6. SOCIAL CONTRIBUTION

- MODEC Donated \$50,000 for Relief Efforts of Typhoon Durian
  - Donation of \$25,000 each to Ho Chi Min City and Vung Tau City
  
- Company of the Year Award in Brazil
  - MODEC SERVICOS DE PETROLEO DO BRASIL LTDA. Received “Company of the Year Award” (7th Re[ha]bilita Rio Award) in Brazil

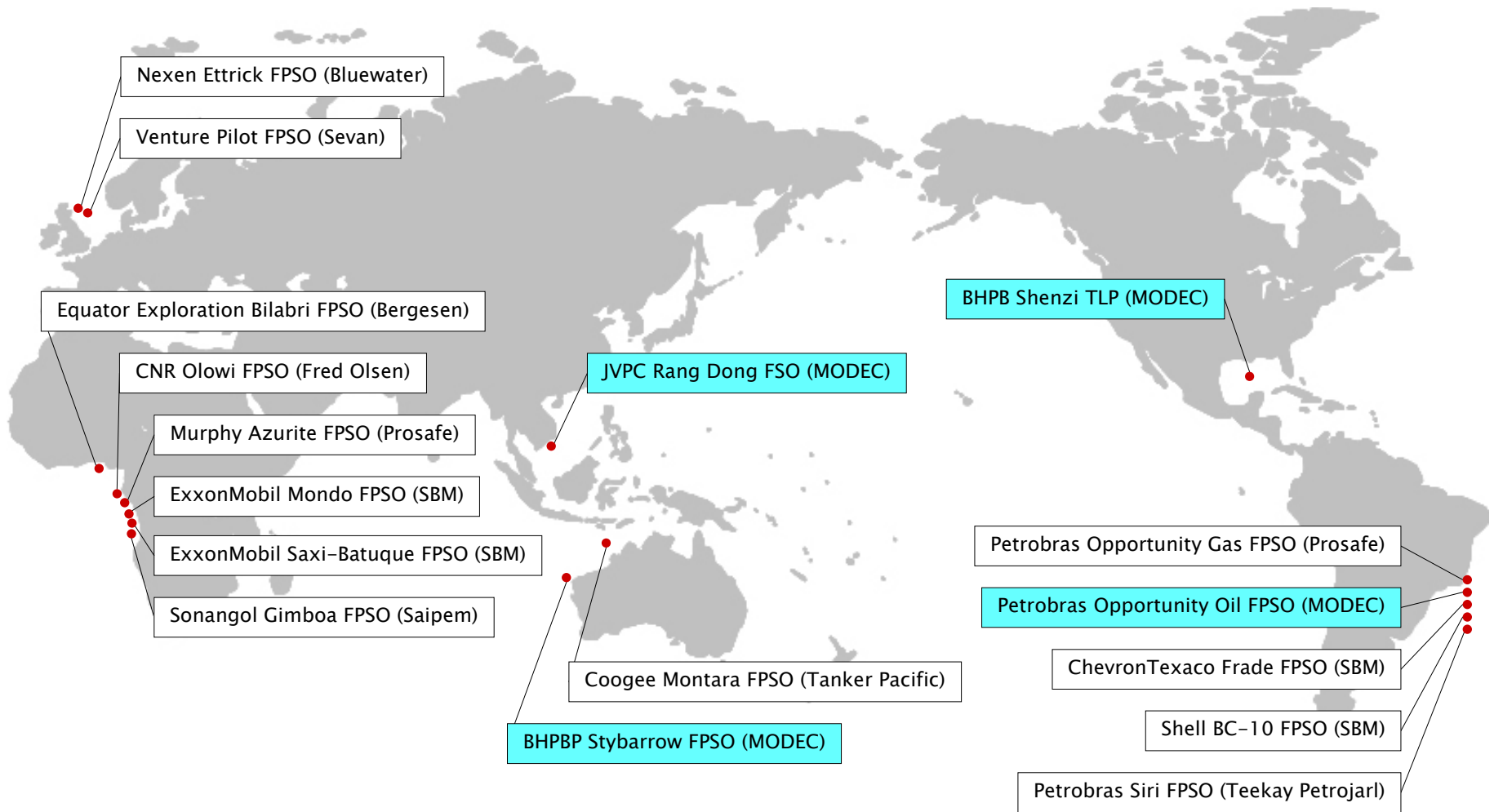


## II. MARKET REVIEW

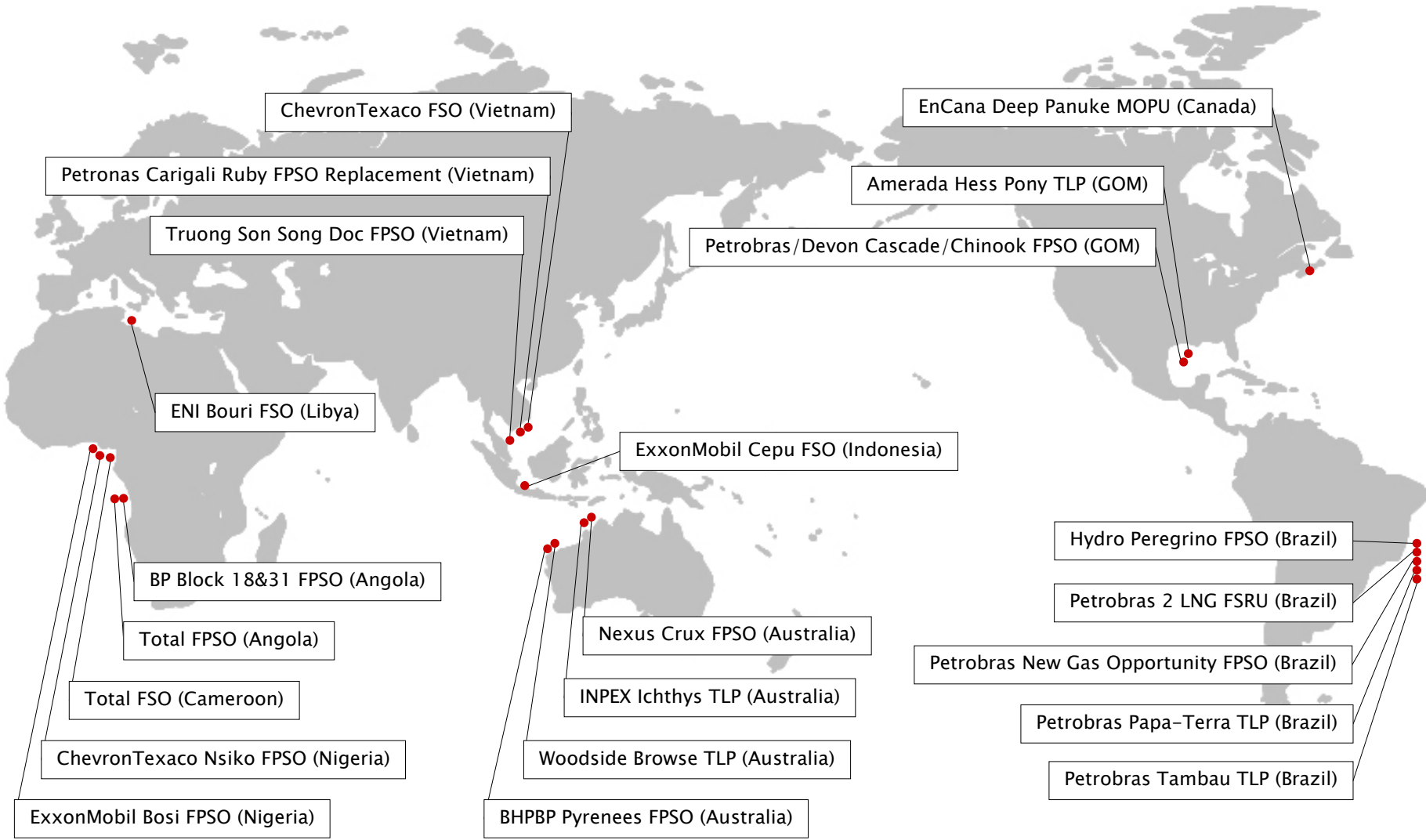
MAJOR FPSO/FSO & TLP ORDERS IN 2006

MAJOR PROSPECTIVE PROJECTS IN 2007~2008

# MAJOR FPSO/FSO & TLP ORDERS IN 2006



# MAJOR PROSPECTIVE PROJECTS IN 2007~2008



### III. PROFIT & LOSS

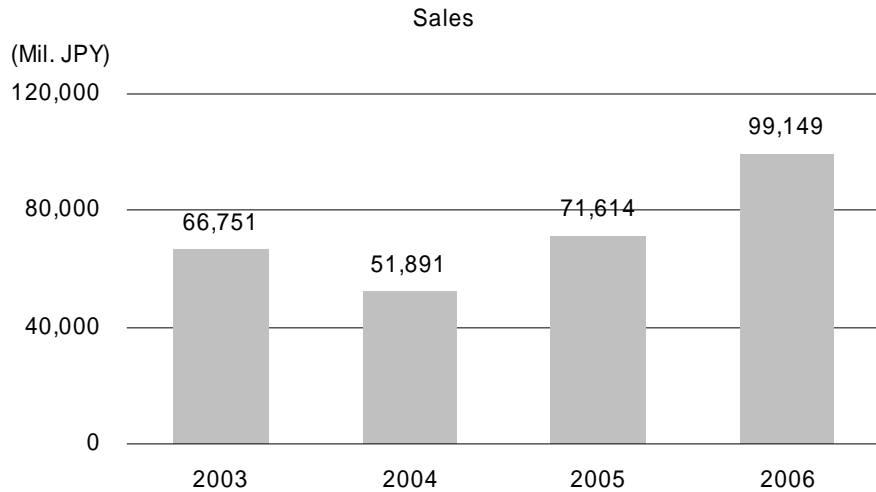
SALES

ORDERS, SALES AND ORDER BACKLOGS BY SERVICE TYPES

ORDINARY INCOME

NET INCOME

# SALES



■ Sales in 2006

■ EPCI

- KNOC Rong Doi FSO
- Petrobras Espadarte Sul FPSO
- Petrobras PRA-1 FSO
- BHPBP Stybarrow FPSO
- JVPC Rang Dong FSO
- (Petrobras Opportunity Oil FPSO)
- Amerada Hess Oveng TLP & Okume/Ebano TLP
- BHPB Shenzi TLP

Sales to affiliates accounted for by equity methods

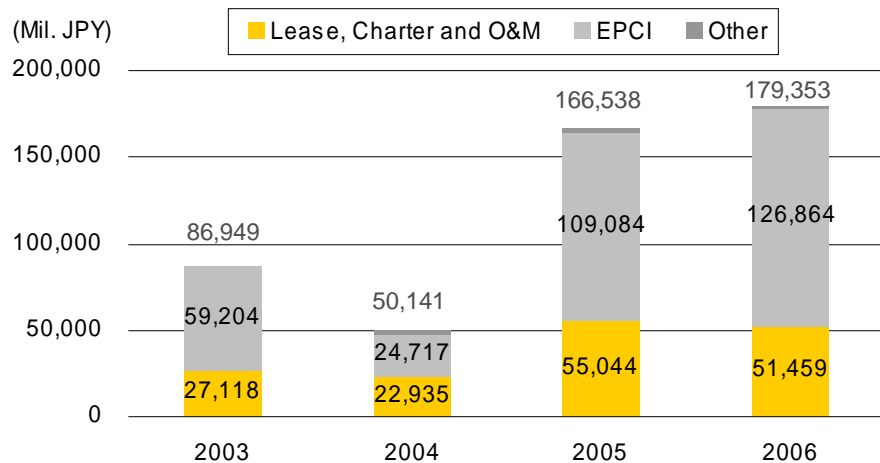
■ Lease, Charter and O&M

- Time charter: 7 FPSO/FSOs → Among the 7 units, 4 units are owned by affiliates accounted for by equity methods
- O&M service: 1 FPSO

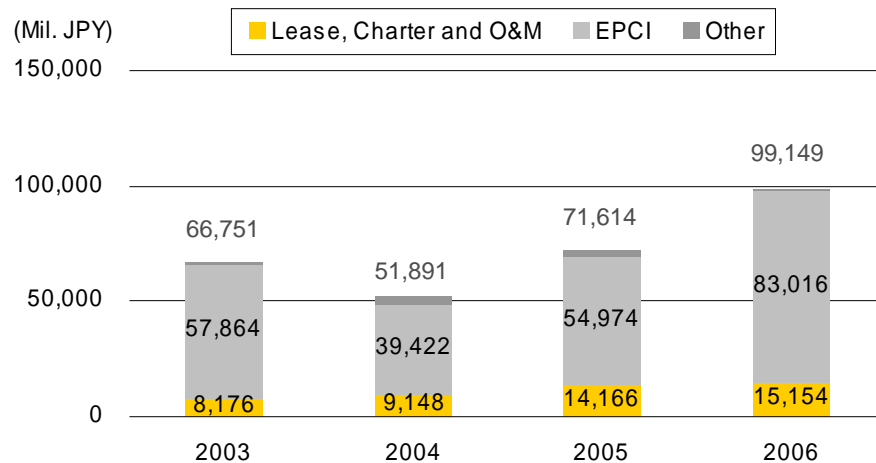
		2003		2004		2005		2006		05-06 Variance
<b>Sales</b>		66,751		51,891		71,614		99,149		38.4%
Gross Profit	Gross Profit Ratio	7,689	11.5%	7,338	14.1%	8,560	12.0%	9,381	9.5%	9.6%
Operating Profit	Operating Profit Ratio	4,147	6.2%	3,779	7.3%	3,895	5.5%	3,494	3.5%	-10.3%
Other Income		379		1,342		2,978		4,941		65.9%
Other Expenses		1,336		1,420		1,465		3,771		157.3%
Ordinary Income	Ordinary Income Ratio	3,190	4.8%	3,701	7.1%	5,408	7.6%	4,664	4.7%	-13.8%
Extraordinary Income		731		41		—		41		—
Extraordinary Loss		—		329		—		—		—
Income before Income Taxes and Minority Interests		3,922		3,414		5,408		4,705		-13.0%
Net Income	Net Profit Ratio	2,029	3.0%	2,230	4.3%	3,213	4.5%	3,305	3.3%	2.9%

# ORDERS, SALES AND ORDER BACKLOGS BY SERVICE TYPES

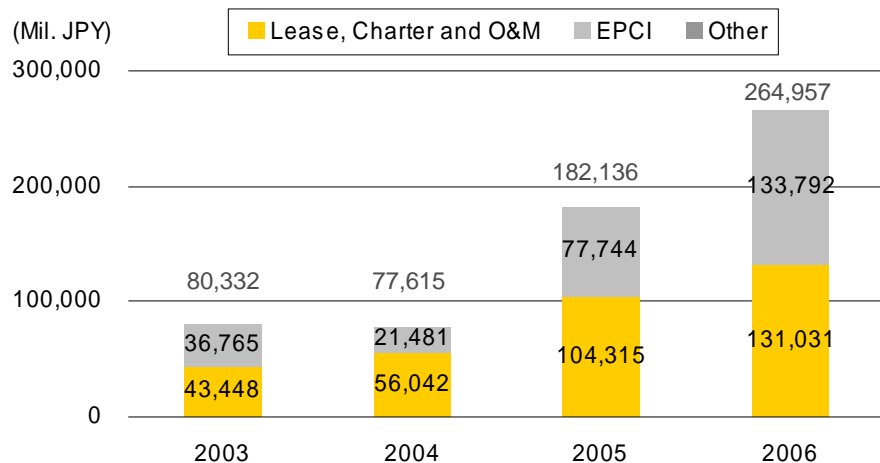
Orders by Service Types



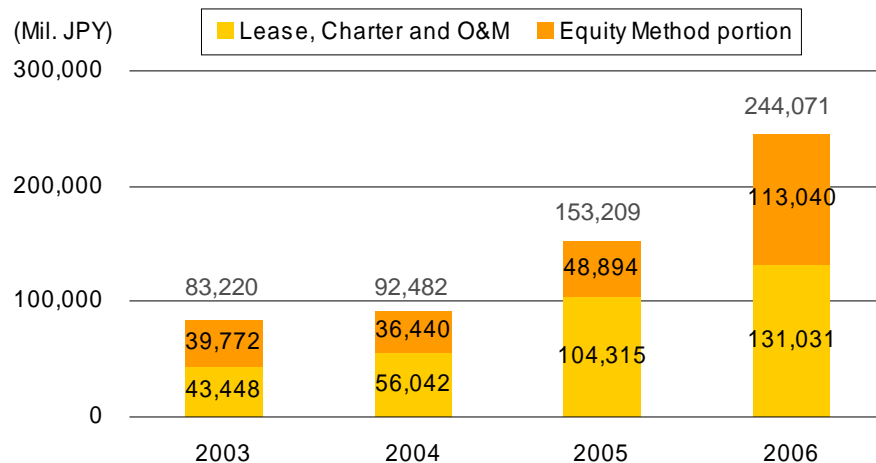
Sales by Service Types



Order Backlogs by Service Types



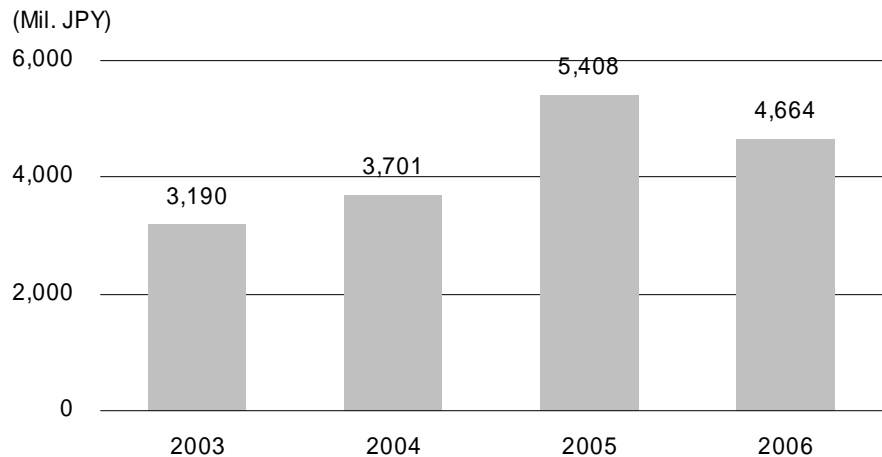
Order Backlogs from Lease, Charter and O&M Service



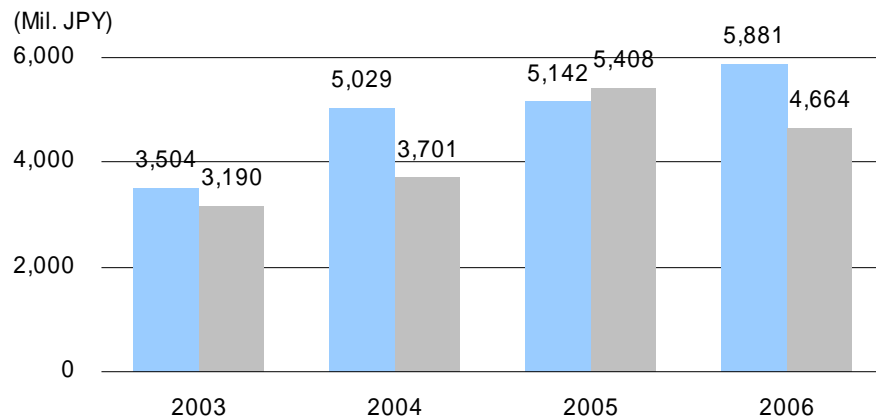
MODEC Group's share in the "Lease, Charter and O&M services" of the affiliates accounted for by the equity method

# ORDINARY INCOME

Ordinary Income



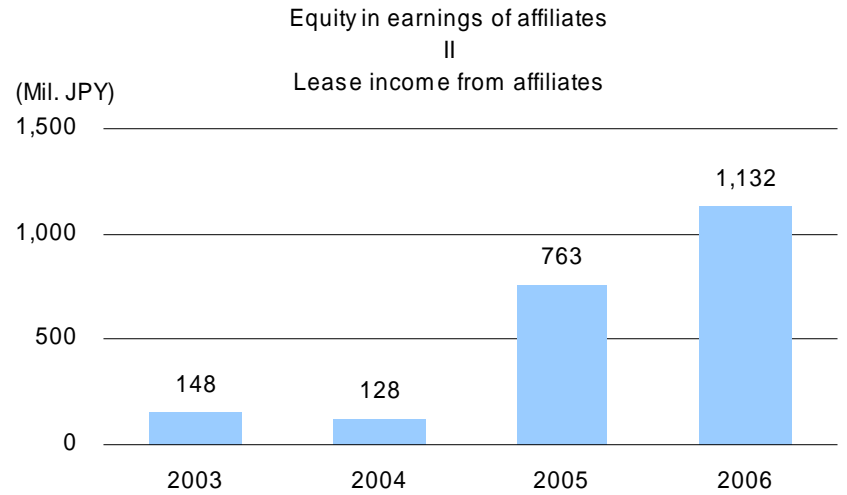
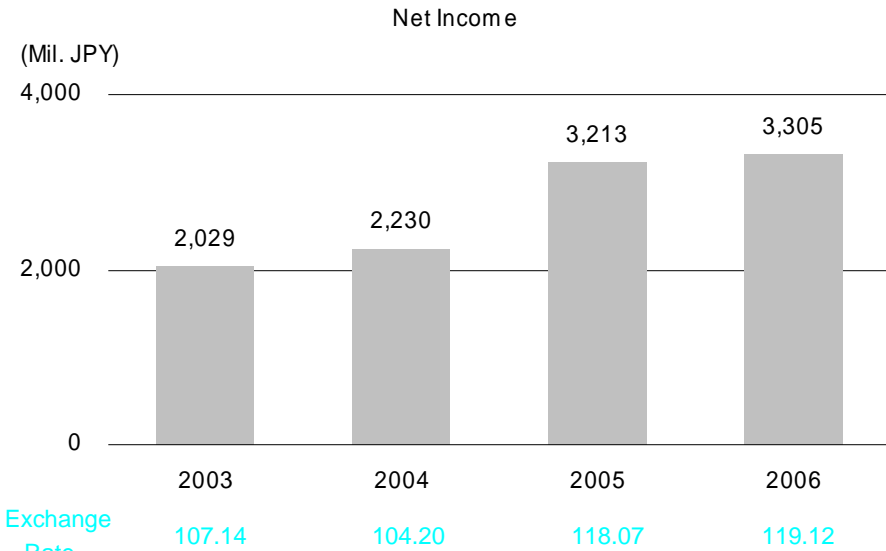
■ Ordinary Income before deferred profits adjustment ■ Ordinary Income



	2003		2004		2005		2006		05-06 Variance
Sales	66,751		51,891		71,614		99,149		38.4%
Gross Profit	7,689		7,338		8,560		9,381		9.6%
	Gross Profit Ratio		11.5%		14.1%		12.0%		
Operating Profit	4,147		3,779		3,895		3,494		-10.3%
	Operating Profit Ratio		6.2%		7.3%		5.5%		
Other Income	379		1,342		2,978		4,941		65.9%
Other Expenses	1,336		1,420		1,465		3,771		157.3%
Ordinary Income	3,190		3,701		5,408		4,664		-13.8%
	Ordinary Income Ratio		4.8%		7.1%		7.6%		
Extraordinary Income	731		41		-		41		-
Extraordinary Loss	-		329		-		-		-
Income before Income Taxes and Minority Interests	3,922		3,414		5,408		4,705		-13.0%
Net Income	2,029		2,230		3,213		3,305		2.9%
	Net Profit Ratio		3.0%		4.3%		4.5%		



# NET INCOME



	2003		2004		2005		2006		05-06 Variance
Sales	66,751		51,891		71,614		99,149		38.4%
Gross Profit	7,689		7,338		8,560		9,381		9.6%
	Gross Profit Ratio		11.5%		14.1%		12.0%		9.5%
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Extraordinary Income	731		41		—		41		—
Extraordinary Loss	—		329		—		—		—
Income before Income Taxes and Minority Interests	3,922		3,414		5,408		4,705		-13.0%
Net Income	2,029		2,230		3,213		3,305		2.9%
	Net Profit Ratio		3.0%		4.3%		4.5%		3.3%

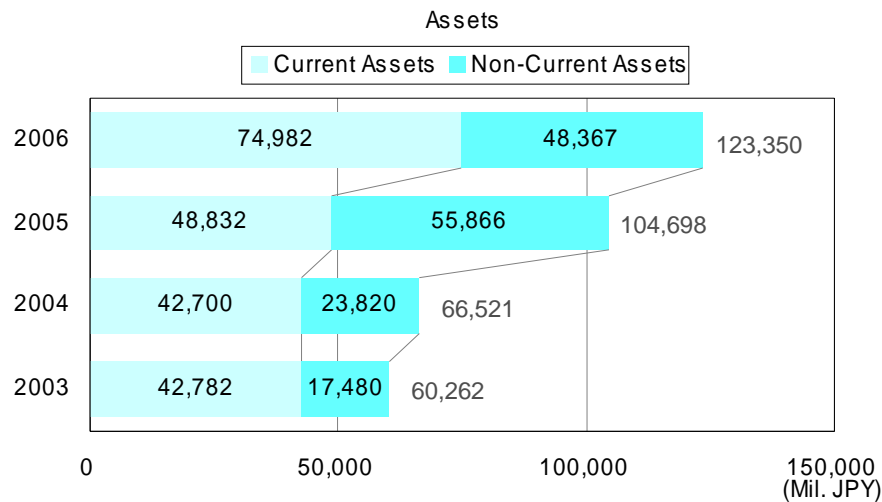
## IV. BALANCE SHEET & CASH FLOW

ASSETS

LIABILITIES & NET ASSETS / SHAREHOLDERS' EQUITY

CASH FLOW

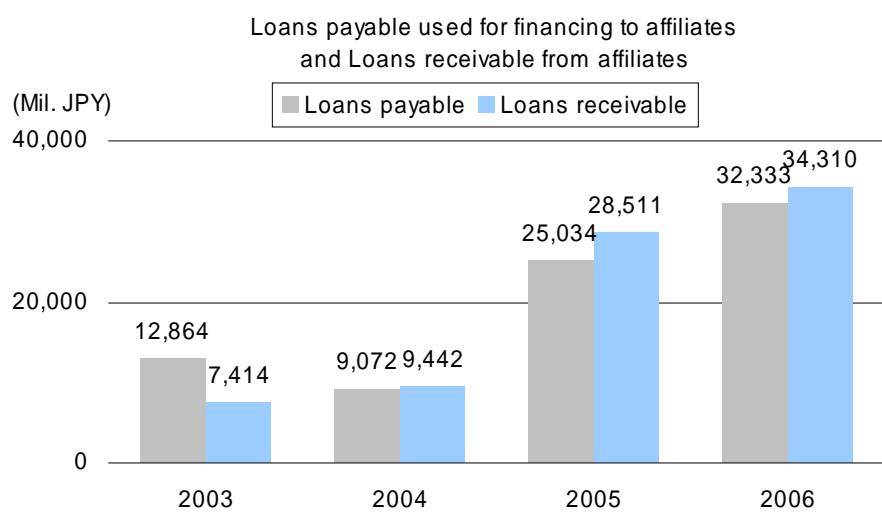
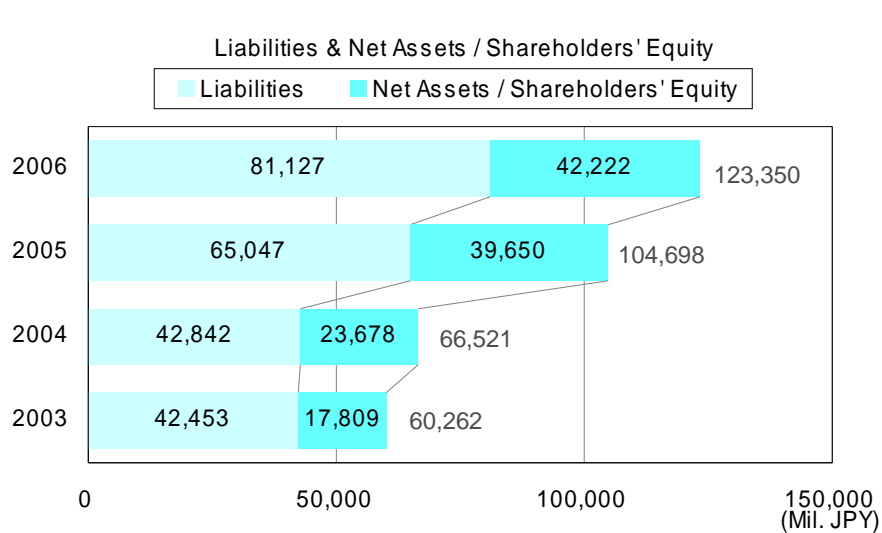
## ASSETS



- Loans receivable from affiliates increased due to construction progress
- Assets increased as a result of acquisition of SOFEC

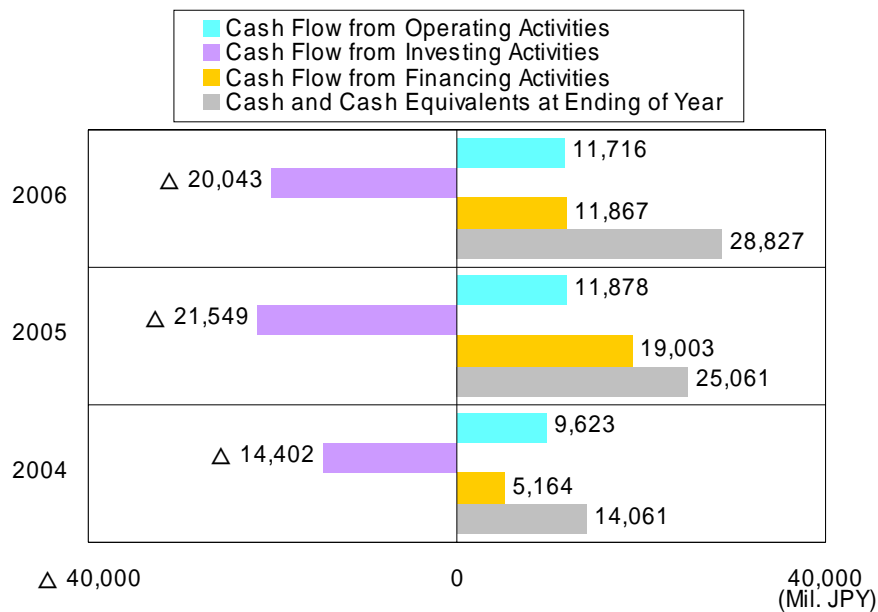
	2003	2004	2005	2006	05-06 Variance
Cash and time deposits	12,264	14,061	25,061	28,827	3,765
Accounts receivable - trade	15,326	14,059	16,409	10,641	△ 5,768
Inventories	1,924	165	2,237	2,518	280
Short-term loans receivable	8,945	9,783	255	27,270	27,014
Short-term lease receivable	1,542	1,735	2,145	2,352	207
Other	2,779	2,894	2,721	3,372	650
<b>Current Assets</b>	<b>42,782</b>	<b>42,700</b>	<b>48,832</b>	<b>74,982</b>	<b>26,150</b>
Lease Assets (FPSOs, etc.)	4,563	5,606	3,168	3,502	334
Investments securities	2,492	3,882	8,463	11,127	2,663
Long-term loans receivable from affiliates	—	1,745	28,289	13,782	△ 14,507
Long-term lease receivable	8,256	6,273	5,043	2,565	△ 2,478
Other	2,168	6,312	10,901	17,389	6,488
<b>Non-Current Assets</b>	<b>17,480</b>	<b>23,820</b>	<b>55,866</b>	<b>48,367</b>	<b>△ 7,498</b>
<b>Total Assets</b>	<b>60,262</b>	<b>66,521</b>	<b>104,698</b>	<b>123,350</b>	<b>18,651</b>

# LIABILITIES & NET ASSETS / SHAREHOLDERS' EQUITY



	2003	2004	2005	2006	05-06 Variance
Accounts payable - trade	11,329	10,255	18,889	16,265	△ 2,624
Short-term loans payable	8,529	12,663	27,960	34,172	6,212
Current portion of long-term loans payable	3,314	6,652	3,107	2,955	△ 151
Other	3,049	5,337	6,473	10,851	4,377
<b>Current Liabilities</b>	<b>26,222</b>	<b>34,909</b>	<b>56,431</b>	<b>64,244</b>	<b>7,813</b>
Long-term loans payable	13,897	6,345	6,478	12,822	6,343
Other	2,332	1,587	2,138	4,060	1,922
<b>Long-term Liabilities</b>	<b>16,230</b>	<b>7,932</b>	<b>8,616</b>	<b>16,882</b>	<b>8,266</b>
<b>Total Liabilities</b>	<b>42,453</b>	<b>42,842</b>	<b>65,047</b>	<b>81,127</b>	<b>16,079</b>
Common Stock	4,659	7,159	12,391	12,391	-
Capital surplus and Retained earnings	10,824	15,206	23,555	26,441	2,885
Minority Interest in Consolidated Subsidiaries	2,627	1,393	1,807	1,373	△ 434
Other	△ 301	△ 80	1,896	2,016	120
<b>Total Shareholders' Equity / Net Assets</b>	<b>15,182</b>	<b>22,286</b>	<b>37,843</b>	<b>42,222</b>	<b>n/a</b>
<b>Total Liabilities and Shareholders' Equity / Net Assets</b>	<b>60,262</b>	<b>66,521</b>	<b>104,698</b>	<b>123,350</b>	<b>n/a</b>

## CASH FLOW



CF from Financing Activities	2003	2004	2005	2006	05-06 Variance
Proceeds from short-term loans payable	40,545	161,116	162,014	30,187	△ 131,827
Repayment of short-term loans payable	△ 36,386	△ 156,871	△ 148,161	△ 24,223	123,938
Proceeds from long-term loans payable	6,902	156	3,075	10,010	6,935
Repayment of long-term loans payable	△ 7,545	△ 3,816	△ 8,225	△ 3,052	5,173
Issuance of shares	4,018	4,999	10,679	-	-
Cash dividends paid	△ 192	△ 334	△ 297	△ 420	△ 123
Other	△ 51	△ 84	△ 81	△ 632	△ 551
<b>Net cash provided by Financing Activities</b>	<b>7,290</b>	<b>5,164</b>	<b>19,003</b>	<b>11,867</b>	<b>△ 7,135</b>

CF from Operating Activities	2003	2004	2005	2006	05-06 Variance
Income before income taxes and minority	3,922	3,414	5,408	4,705	△ 702
Depreciation and amortization	1,834	635	1,116	743	△ 373
Interest expense	652	685	1,261	2,555	1,294
Decrease (Increase) in Accounts receivable -	△ 1,255	3,559	1,407	9,513	8,105
Decrease (Increase) in Inventories	9,786	1,708	△ 2,072	△ 247	1,825
Decrease (Increase) in Accounts payable - trade	△ 6,345	△ 856	7,614	△ 2,992	△ 10,606
Other	△ 1,386	478	△ 368	△ 1,682	△ 1,313
<b>Sub Total</b>	<b>7,208</b>	<b>9,626</b>	<b>14,366</b>	<b>12,595</b>	<b>△ 1,771</b>
Interest paid	△ 681	△ 426	△ 1,513	△ 2,478	△ 964
Income taxes paid	△ 1,513	△ 685	△ 2,107	△ 994	1,113
Other	438	1,109	1,132	2,593	1,460
<b>Net cash provided by Operating Activities</b>	<b>5,452</b>	<b>9,623</b>	<b>11,878</b>	<b>11,716</b>	<b>△ 161</b>

CF from Investing Activities	2003	2004	2005	2006	05-06 Variance
Purchase of property and equipment and intangible	△ 301	△ 3,785	△ 4,399	△ 1,384	3,015
Purchase of Investments in affiliates	△ 1,290	△ 1,624	△ 2,613	△ 2,535	77
Disbursement of loans receivable	△ 8,356	△ 5,378	△ 14,534	△ 10,285	4,248
Other	1,320	△ 3,612	△ 1	△ 5,836	△ 5,835
<b>Net cash used in Investing Activities</b>	<b>△ 8,629</b>	<b>△ 14,402</b>	<b>△ 21,549</b>	<b>△ 20,043</b>	<b>1,506</b>

## V. FINANCIAL INDICATOR



Petrobras Espadarte Sul FPSO  
First oil achieved on January 9, 2007

## FINANCIAL INDICATOR

(Mil. JPY)

	2003	2004	2005	2006	05-06 Variance
Operating profit	4,147	3,779	3,895	3,494	△ 401
Depreciation and amortization	1,834	635	1,116	662	△ 454
Amortization of consolidated differences	13	26	26	26	0
Collection of lease receivable (Cantarell FSO, Inc., S.A. de C.V.)	1,321	1,594	1,991	2,340	349
EBITDA	7,315	6,034	7,028	6,522	△ 506
Operating profit (equity method portion)	317	651	2,167	3,151	984
Depreciation and amortization (equity method portion)	648	1,456	2,190	2,566	376
Collection of lease receivable (equity method portion)	—	—	608	1,019	411
EBITDA (after adjustment)	8,280	8,141	11,993	13,258	1,265
Interest income	191	836	1,282	3,545	
Interest expense	652	685	1,261	3,661	2,400
Interest expense (equity method portion)	116	390	705	1,023	318
Net Interest expense (after adjustment)	577	239	684	1,139	455
EBITDA Interest Coverage Ratio	14.4	34.1	17.5	11.6	△ 5.9
Liabilities with interest	25,741	25,661	37,545	49,950	12,405
Liabilities with interest (equity method portion)	12,634	24,380	19,574	15,836	△ 3,738
Cash and time deposits	12,264	14,061	25,061	28,827	3,766
Cash and time deposits (equity method portion)	579	1,093	1,406	1,697	291
Net liabilities with interest (after adjustment)	25,532	34,887	30,652	35,262	4,610
Net liabilities with interest / EBITDA	3.1	4.3	2.6	2.7	0.1
Consolidated F/S basis					
ROE (%)	16.4	11.9	10.7	8.4	△ 2.3
ROA (%)	3.8	3.5	3.8	2.9	△ 0.9
Equity Ratio (%)	25.2	33.5	36.1	33.1	△ 3.0

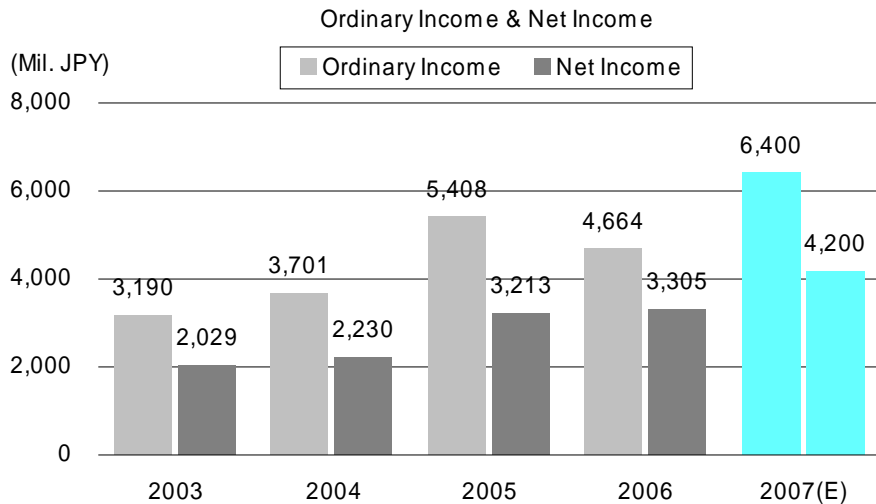
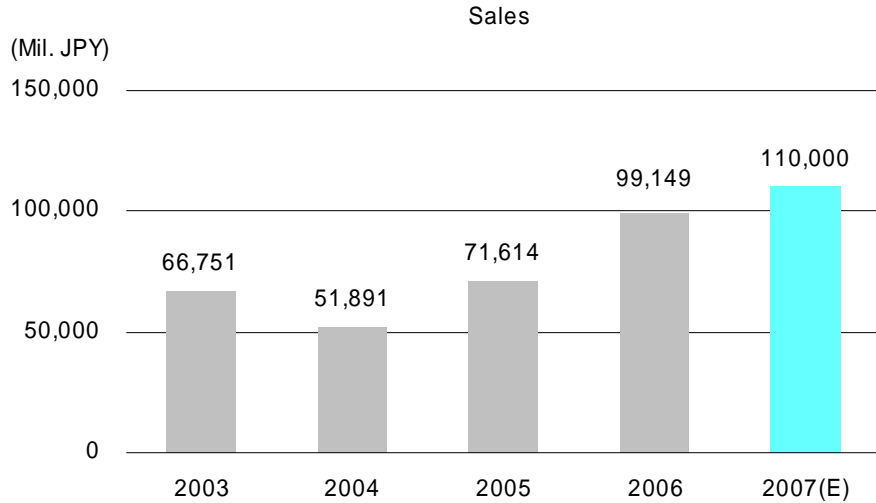
## VI. FORECAST FOR FY 2007



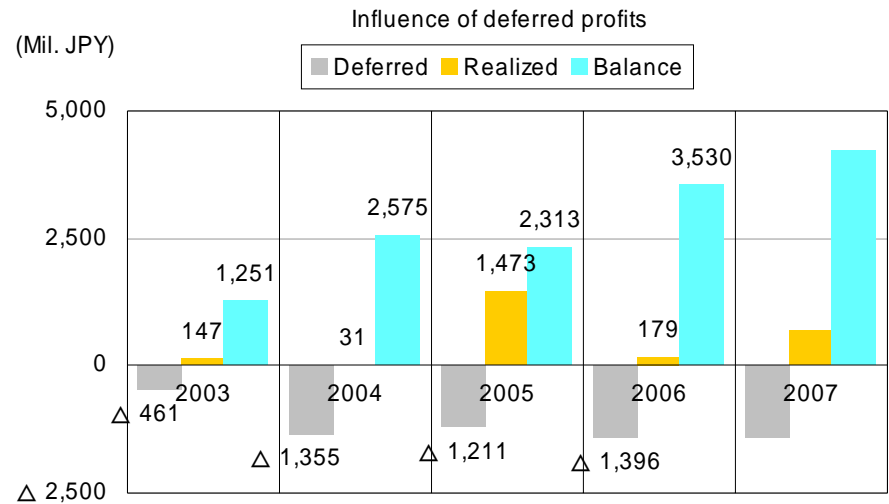
BHPBP Stybarrow FPSO Naming Ceremony  
January 23, 2007



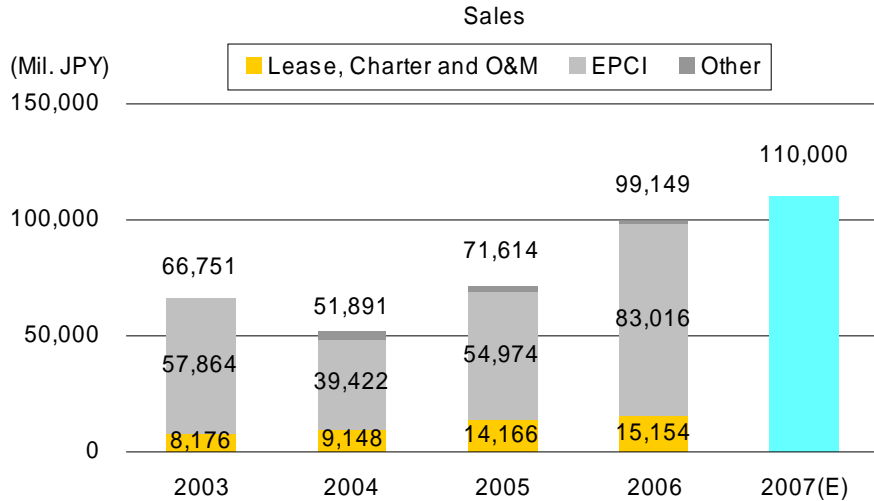
# FORECAST FOR FY 2007



- Forecast for FY 2007 Results
  - Sales: 110,000 million yen
  - Ordinary Income: 6,400 million yen
  - Net Income: 4,200 million yen
  
- Influence of Deferred Profits: approx. 700~800 million yen
  - Ordinary Income before deferred profits adjustment: approx. 7,100 million yen
  
- Exchange rate for FY 2007 Forecast: 110 yen/USD



# FORECAST FOR FY 2007: SALES



## Sales in 2007

### EPCI

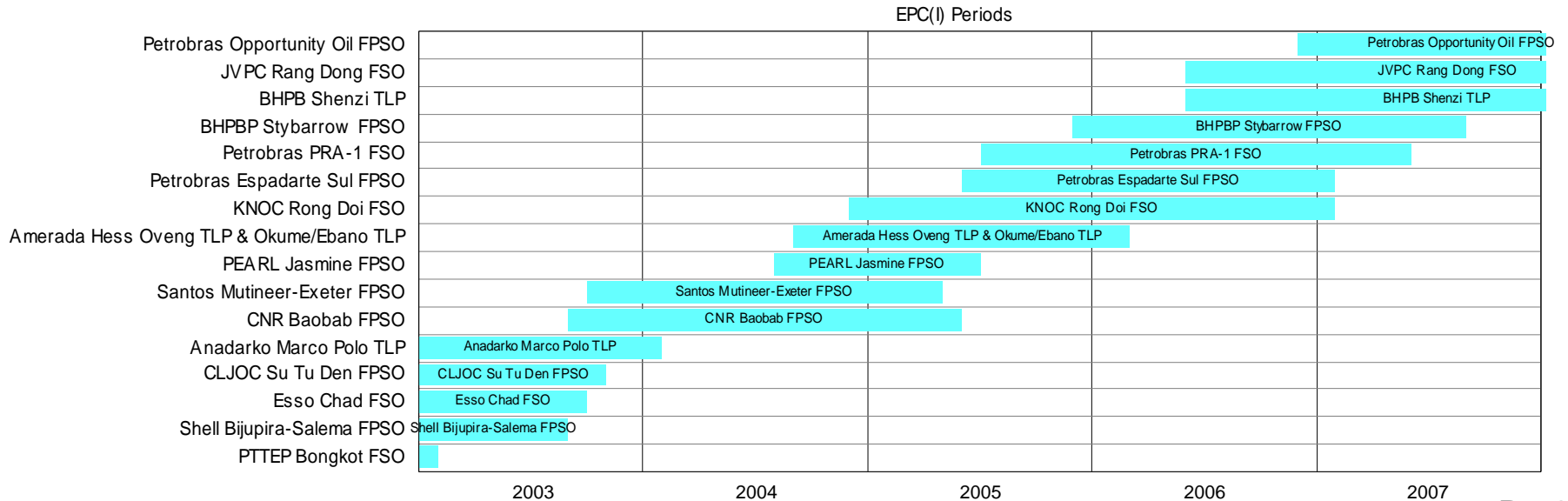
- Petrobras PRA-1 FSO
- BHPBP Stybarrow FPSO
- JVPC Rang Dong FSO
- Petrobras Opportunity Oil FPSO
- BHPB Shenzi TLP

### Lease, Charter and O&M

- Time charter: 11 FPSO/FSOs
- O&M service: 1 FPSO

Sales to affiliates accounted for by equity methods

Among the 11 units, 8 units are owned by affiliates accounted for by equity methods



## VII. APPENDIX

MODEC PROJECT LOCATION

TIME CHARTER / O&M PROJECTS

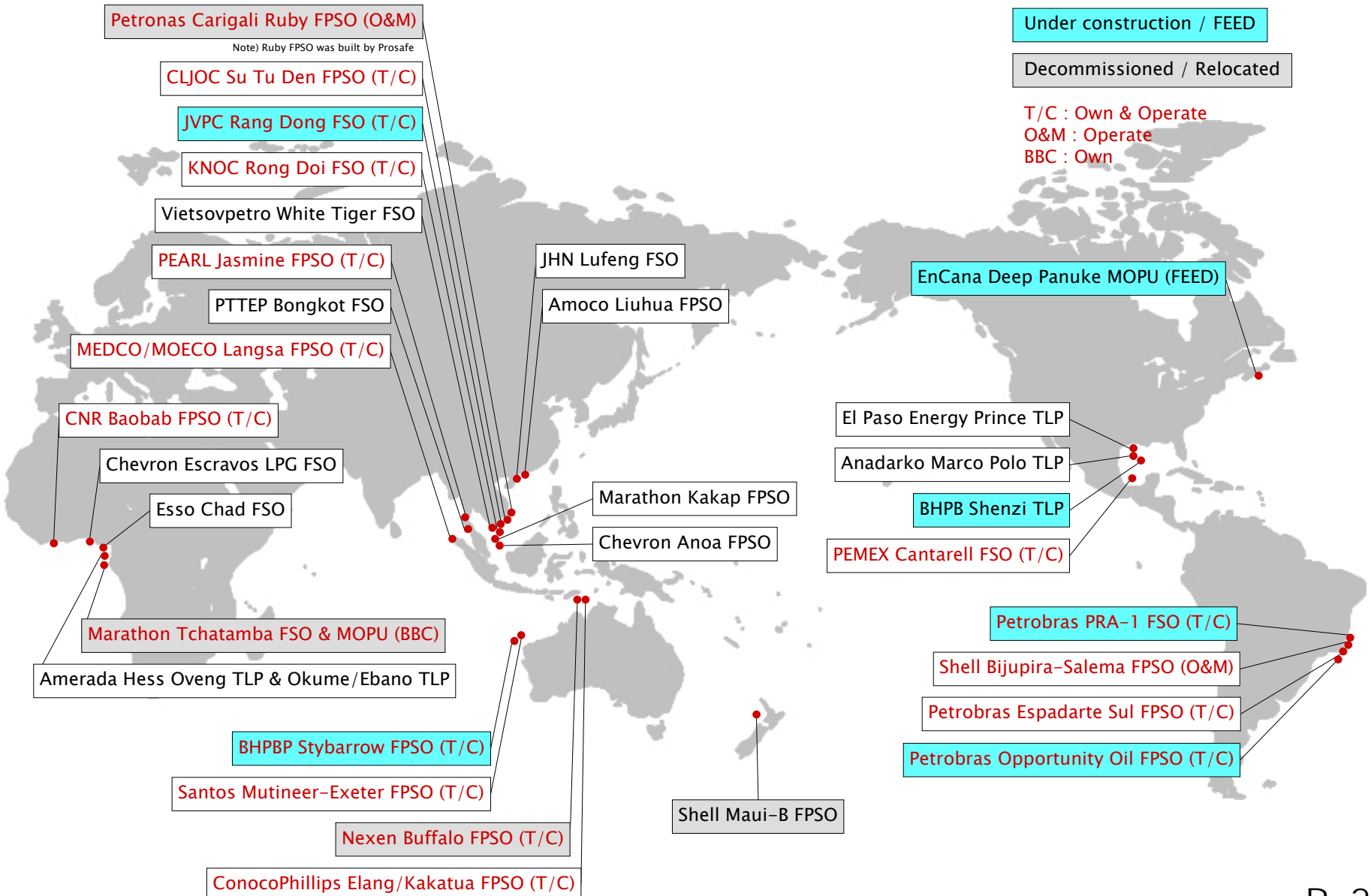
TIME CHARTER / O&M PERIOD

HISTORICAL FLOATING PRODUCTION SYSTEMS INSTALLATIONS

FLOATING PRODUCTION SYSTEMS IN OPERATION

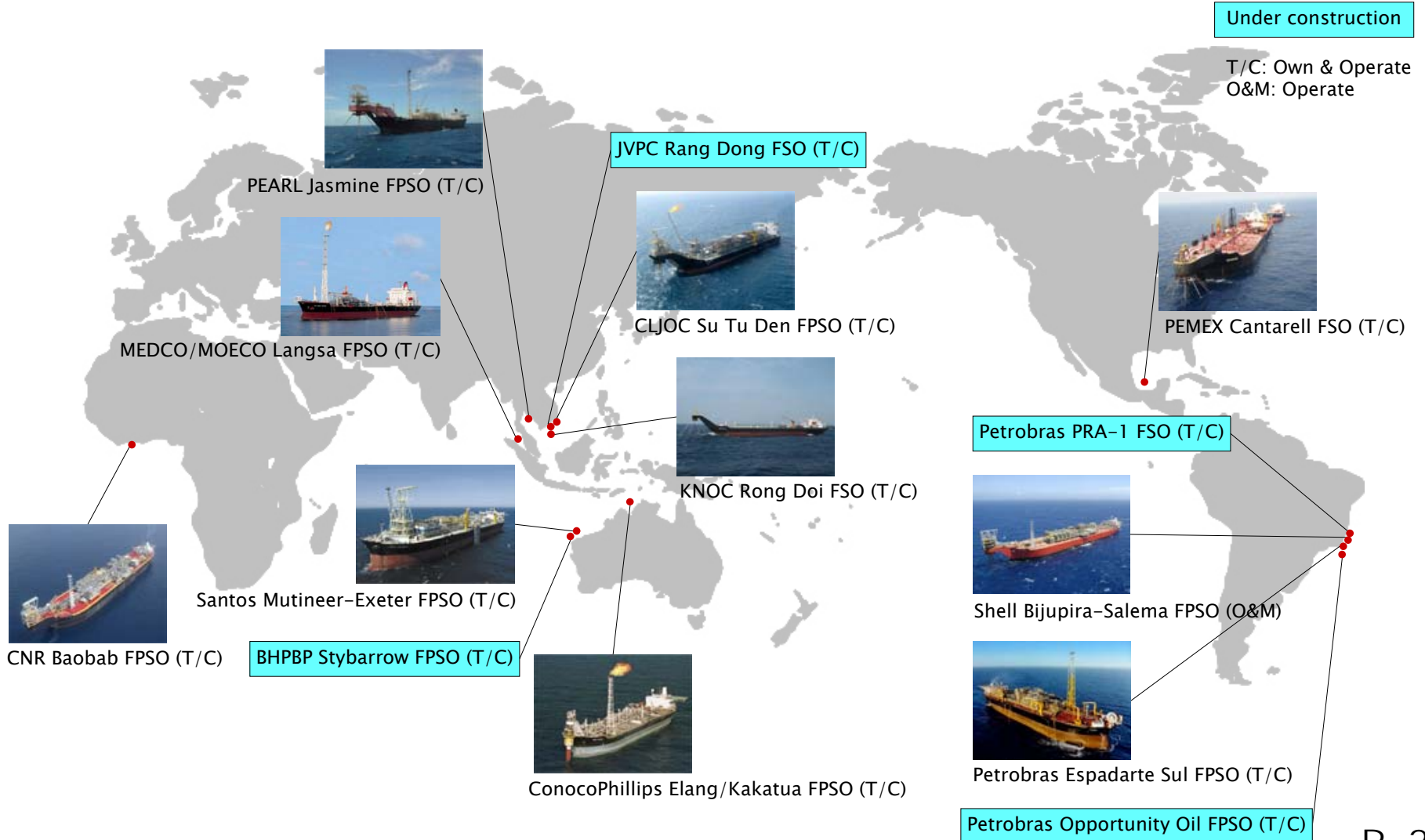
PROJECTS ON ORDER & PROJECTS BEING PLANNED OR STUDIED

# MODEC PROJECT LOCATION

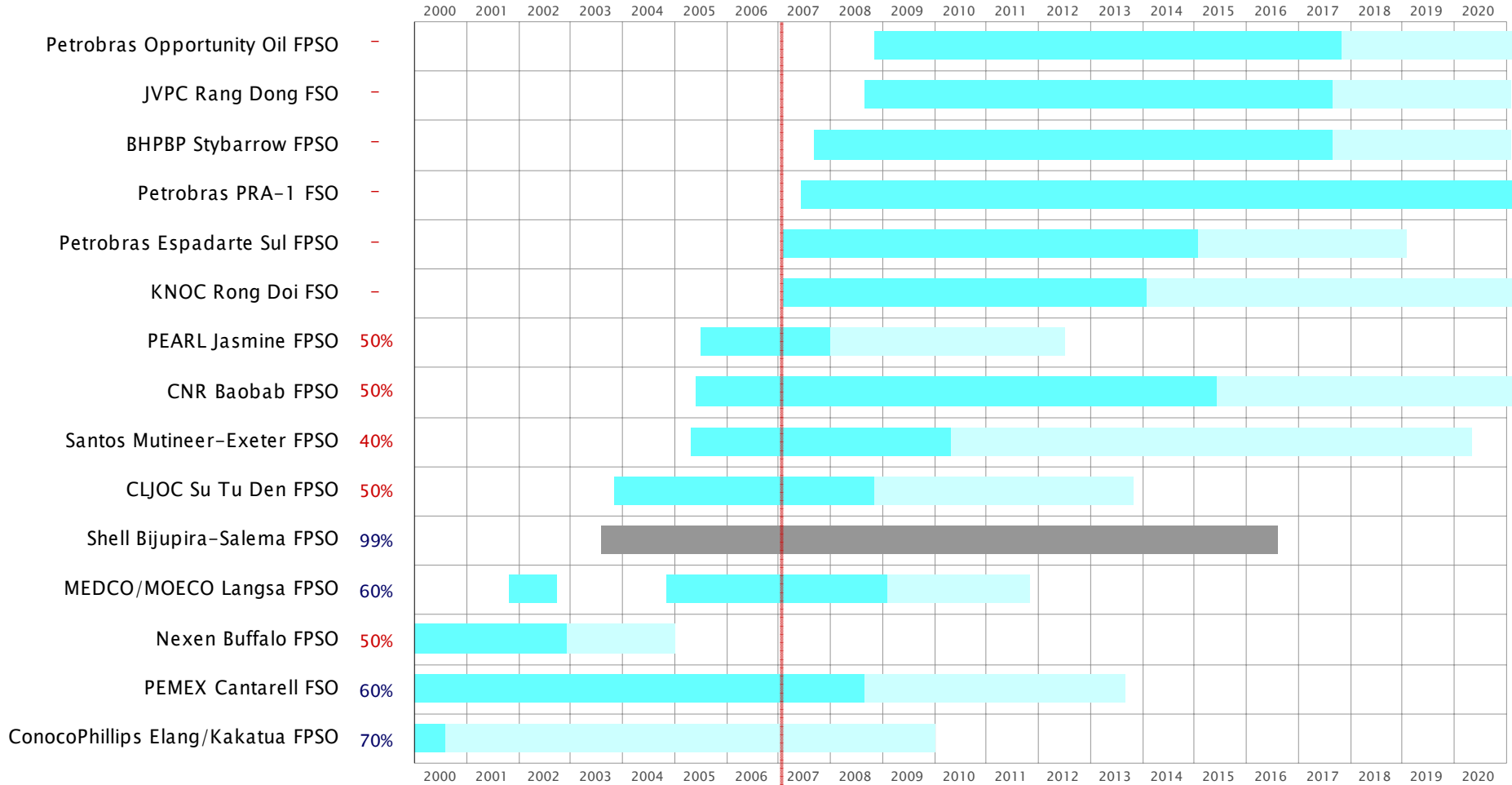
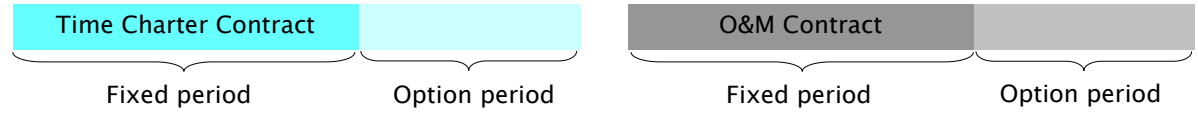


# TIME CHARTER / O&M PROJECTS

- MODEC currently owns 9 FPSO/FSOs and operates 10 FPSO/FSOs
- MODEC will add 4 more FPSO/FSOs by the end of 2008 leading to 14 FPSO/FSOs operations



# TIME CHARTER / O&M PERIOD

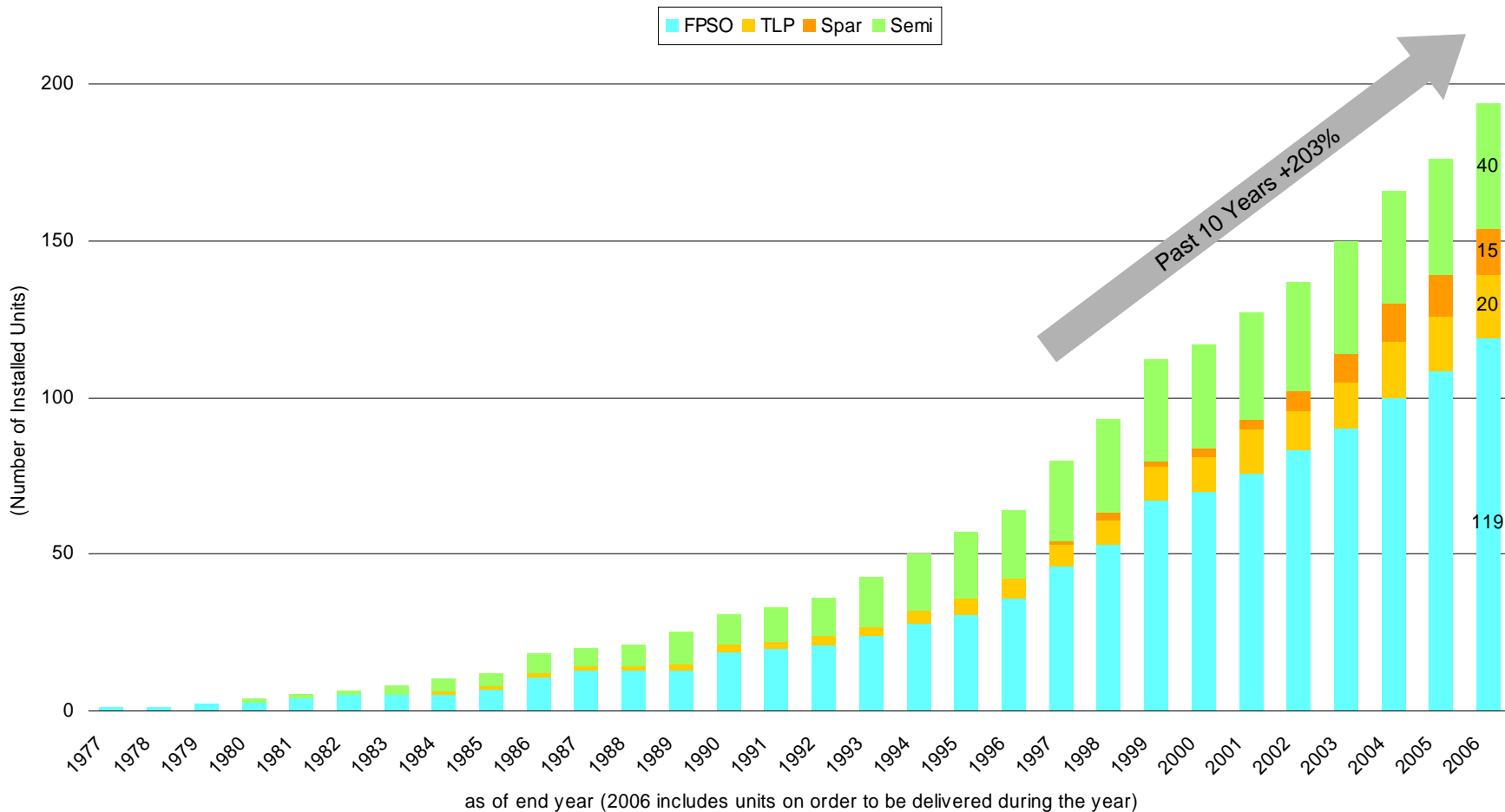


Blue: Consolidated Subsidiary  
 Red: Affiliates accounted for by the Equity Method

January 2007 : Time Charter: 9 FPSO/FSOs, O&M: 1 FPSO

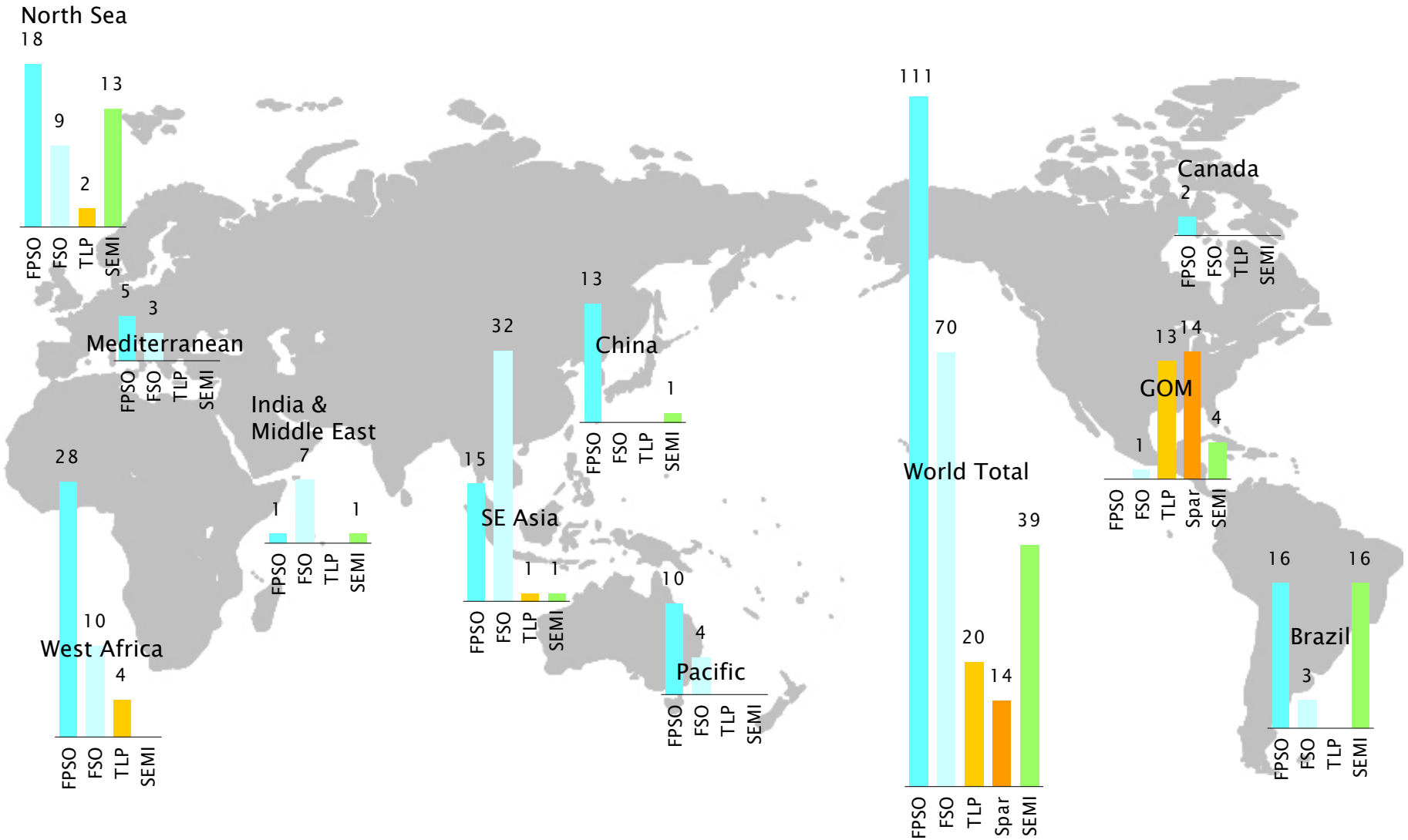
# HISTORICAL FLOATING PRODUCTION SYSTEMS INSTALLATIONS

Number of floating production systems increased by 203% between 1996 and 2006.



# FLOATING PRODUCTION SYSTEMS IN OPERATION

Projects in Operation as of November 2006



Source: FLOATING PRODUCTION SYSTEMS assessment of the outlook for FPSO vessels, production semis, TLPs and spars – November 2006 (IMA)  
 \*Not shown are 1 FPSO and 3 production semis that are off-field.



# PROJECTS ON ORDER & PROJECTS BEING PLANNED OR STUDIED

