

# MODEC, Inc. 2010 Financial Results Analysts Presentation

February 25, 2011



# Market Overview & Operations Review

## Financial Results & Outlook



# Market Overview

- Global demand for oil and gas steadily increases
- Impact of BP Macondo incident will remain few years in Gulf of Mexico
- Demand for Floating Production Systems continues to grow
  - US\$ 80 billion worth investment in Floating Production systems expected during the next 5 years, mainly in Brazil and West Africa
  - Development of Brazil's pre-salt alone calls for more than 40 FPSOs
- Gas Development
  - MODEC/Velocys/TEC target the commercialization of GTL facilities for offshore application in 2012
  - MODEC aims to pursue FLNG opportunity

# 2010 Overview

- MODEC delivered 4 FPSOs in 2010
- New order: FPSO Cidade de Sao Paulo MV23 (Petrobras Guara FPSO)
- Downside impact of appreciation of yen
- Capital increase of JPY 15.6 billion; Equity ratio improved
- Proposed dividend (per annum)
  - FY2011: JPY 25.00/share
  - FY2010: JPY 22.50/share



# MODEC delivered 4 FPSOs in 2010



**FPSO Cidade de Santos  
MV20 (Opportunity Gas)**  
Urugua/Tambau Fields,  
Brazil



**FPSO Cidade de Angra  
dos Reis MV22**  
Tupi Field, Brazil



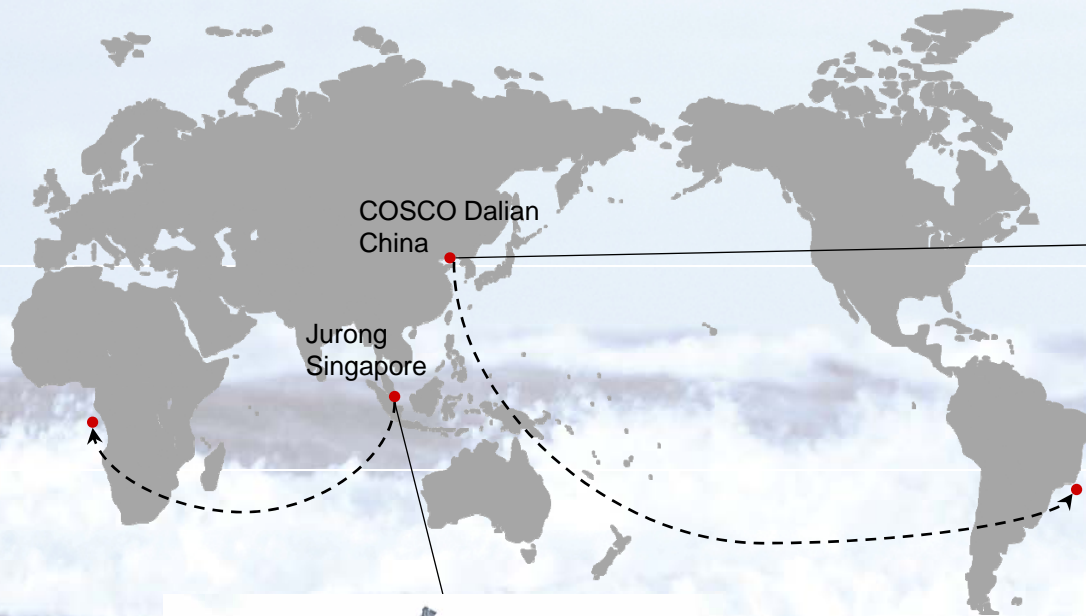
**FPSO Kwame Nkrumah  
MV21**  
Jubilee Field, Ghana



**FPSO Pyrenees Venture**  
Pyrenees Field, Australia



## 2 FPSOs are under construction



**FPSO Cidade de Sao Paulo MV23 (Guara)**  
Scope of Work: EPC + Time Charter  
First Oil: Planned 1Q 2013  
Guara Field, Brazil  
Brazilian local content requirement 65%



### **FPSO PSVM**

Scope of Work: EPCI  
First Oil: Planned 2011  
Plutão, Saturno, Vênus and Marte Fields, Angola

# Prospective Projects

## Russia

Shtokman Internal Disconnectable Turret (SOFEC)

Russia

## Southeast Asia & Australia

### Malaysia

Shell Malikai TLWP

### Indonesia

INPEX Masela FLNG

### Australia

Woodside Browse LNG Development

West  
Africa

Southeast  
Asia  
&  
Australia

Brazil

## West Africa

### Ghana

Tullow Jubilee No.2 FPSO

### Angola

Chevron Lucapa Block 14 FPSO  
Maersk Chissonga Block 16 FPSO

## Brazil

Petrobras Guara 2 FPSO  
Petrobras FLNG EPC  
OSX Waimea FPSO



# MODEC operates 17 FPSO/FSOs at 2010 yearend

FPSO MV 8  
Langsa  
Venture



FPSO  
Jasmine  
Venture MV7



FPSO Song  
Doc Pride  
MV19



FSO Rang  
Dong MV17



FSO Rong  
Doi MV12



FSO  
Ta'Kuntah



FPSO  
Fluminense



FPSO Cidade  
do Rio de  
Janeiro MV14



FSO Cidade  
de Macae  
MV15



FPSO Cidade  
de Niteroi  
MV18



FPSO Cidade  
de Santos  
MV20



FPSO Cidade  
de Angra dos  
Reis MV22



FPSO  
Baobab  
Ivoirien  
MV10



FPSO  
Kwame  
Nkrumah  
MV21



FPSO  
Stybarrow  
Venture  
MV16



FPSO  
Pyrenees  
Venture

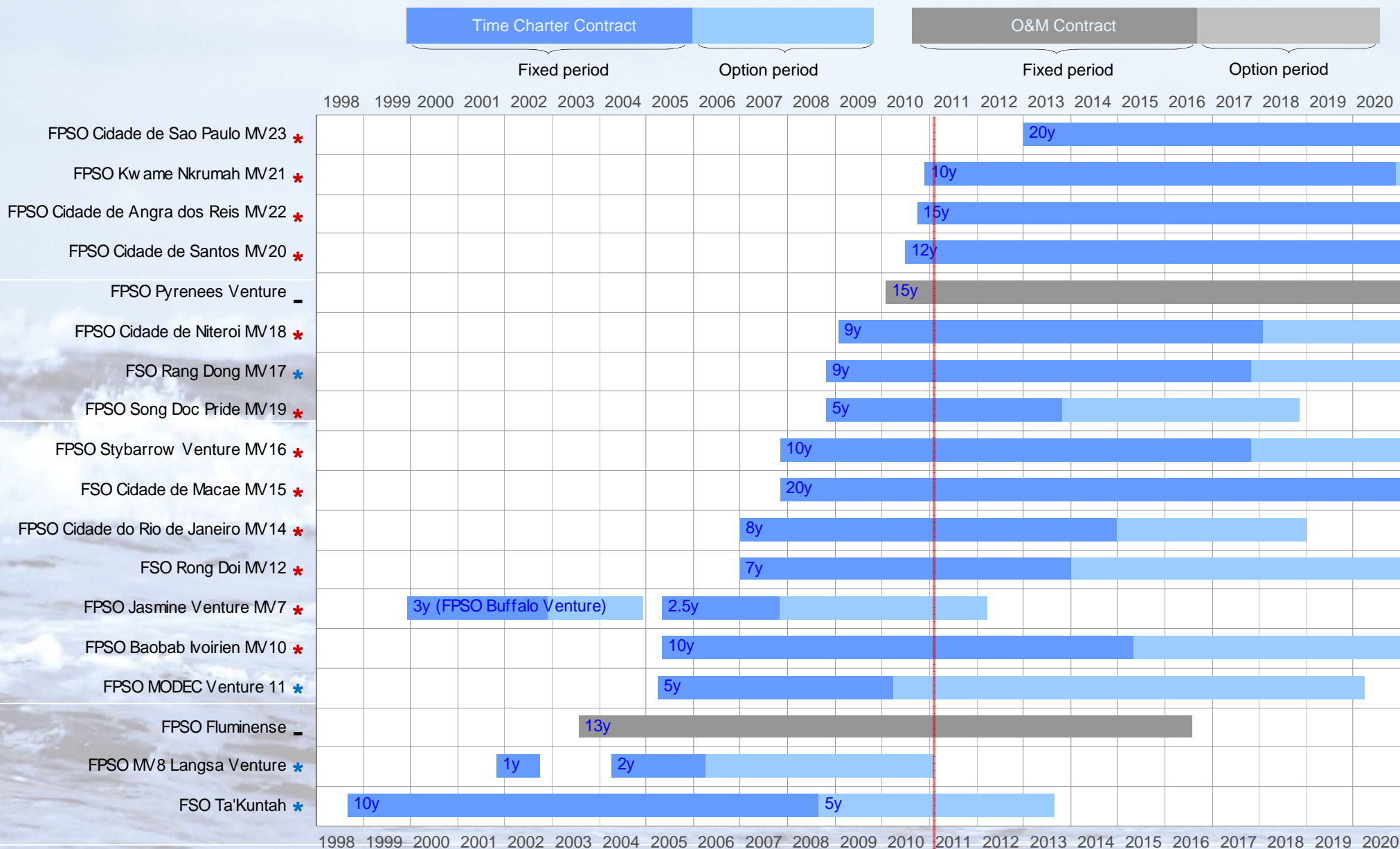


FPSO  
MODEC  
Venture 11





# FPSO/FSO Time Charter / O&M Period



\* Consolidated Subsidiary

\* Affiliates accounted for by the Equity Method

February 2011

Time Charter : 14 FPSO/FSOs

O&M : 2 FPSOs



# Market Overview & Operations Review

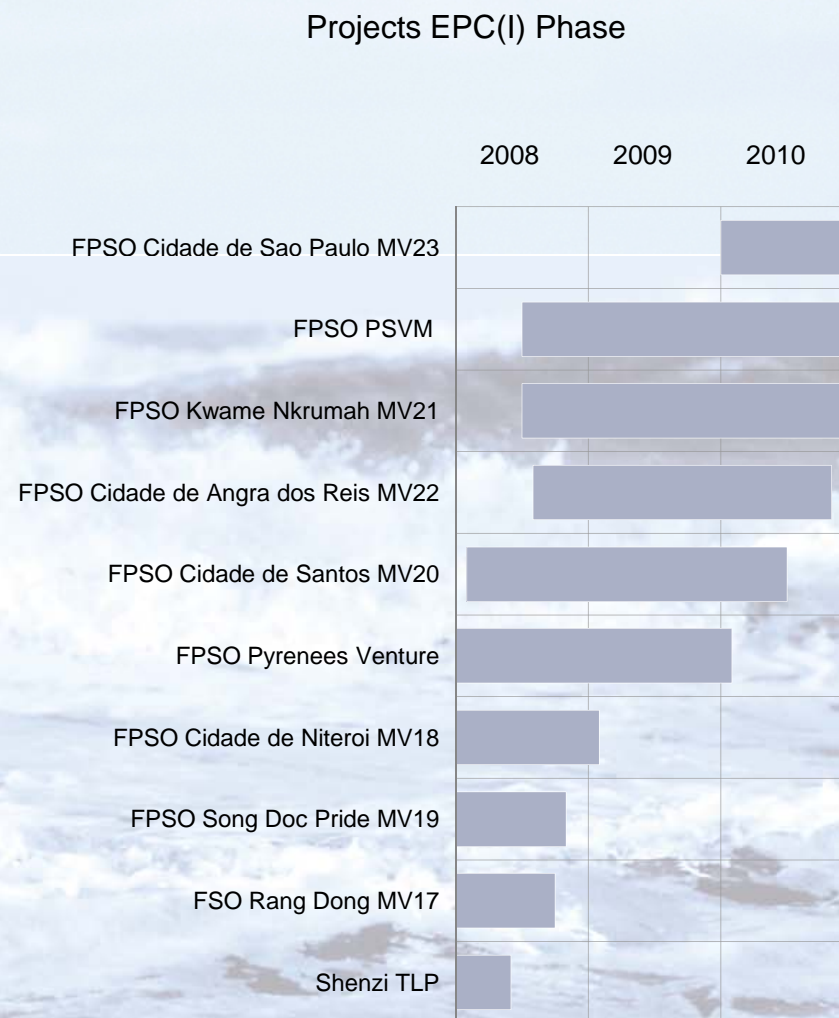
## Financial Results & Outlook



# Revenue

	(Mil. JPY)			
	2009	2010	Variance	Remarks
Revenue	204,225	146,660	(57,565)	Total revenue decreased due to the completion of 4 FPSO projects
<b>Gross Profit</b>	<b>11,549</b>	<b>12,065</b>	<b>516</b>	Although the revenue decreased, gross profit increased due to better project cost and process management
Gross Profit margin	5.7%	8.2%	2.6%	Gross profit margin improved
Selling, General and Administrative Expenses	7,380	8,501	1,121	SG&A increased mainly due to the increase in proposal expenses and legal fees, etc.
<b>Operating Profit</b>	<b>4,169</b>	<b>3,563</b>	<b>(606)</b>	Operating profit decreased due to the increase in deferred profit and SG&A
Other Income (A)	4,628	4,717	89	
Other Expense (B)	1,343	2,123	780	Exchange loss on USD based loans receivable was posted due to the appreciation of yen
Total Other Income/Expenses (C=A-B)	3,285	2,594	(691)	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	2,362	2,568	206	Increased due to the charter start of Opportunity Gas, Tupi and Jubilee FPSOs
(Exchange gain/loss and Gain/loss on revaluation of derivatives included in C)	380	(1,075)	(1,455)	
<b>Ordinary Profit</b>	<b>7,454</b>	<b>6,156</b>	<b>(1,298)</b>	Decreased mainly due to the foreign exchange loss from the appreciation of yen
Extraordinary Profit	139	314	175	
Extraordinary Loss	3,282	639	(2,643)	2009: MV1 write-off 2010: Exchange loss from MFBV liquidation
<b>Income before Income Taxes and Minority Interests</b>	<b>4,311</b>	<b>5,831</b>	<b>1,520</b>	Increased mainly due to the decrease in extraordinary loss
<b>Net Income</b>	<b>2,413</b>	<b>2,735</b>	<b>322</b>	Shrink in increase mainly due to the negative impact of minority interest by JPY 0.8 billion
Exchange Rate (USD)	¥92.10	¥81.52	(¥10.58)	Downside impact of the appreciation of yen: Revenue JPY 20 billion, ordinary profit 0.8 billion, net profit 0.3 billion

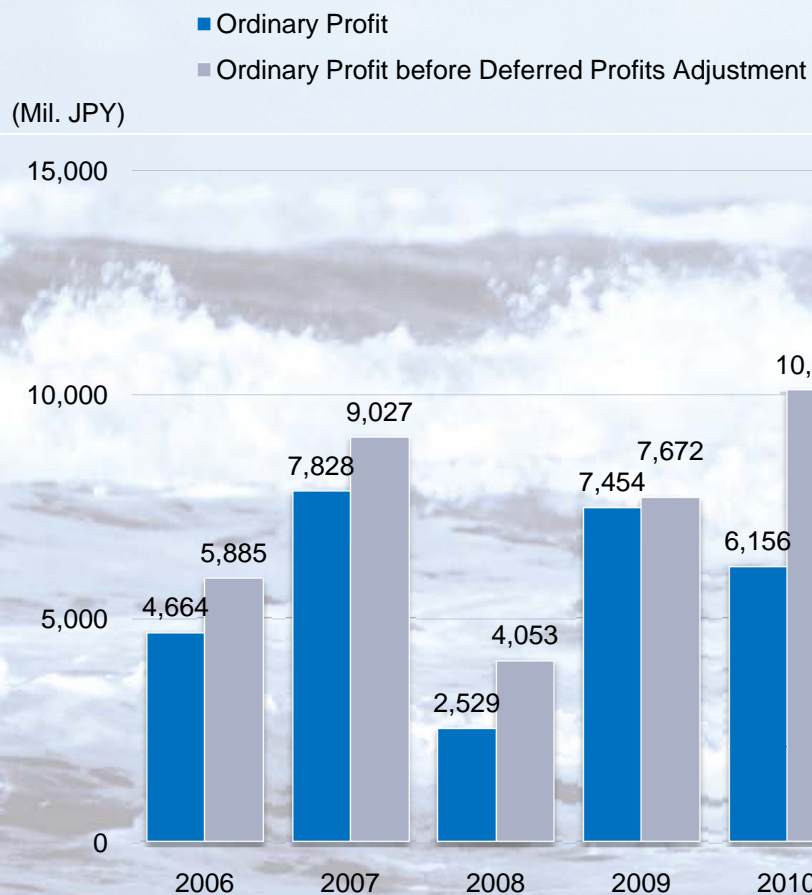
# Revenue by Service Types



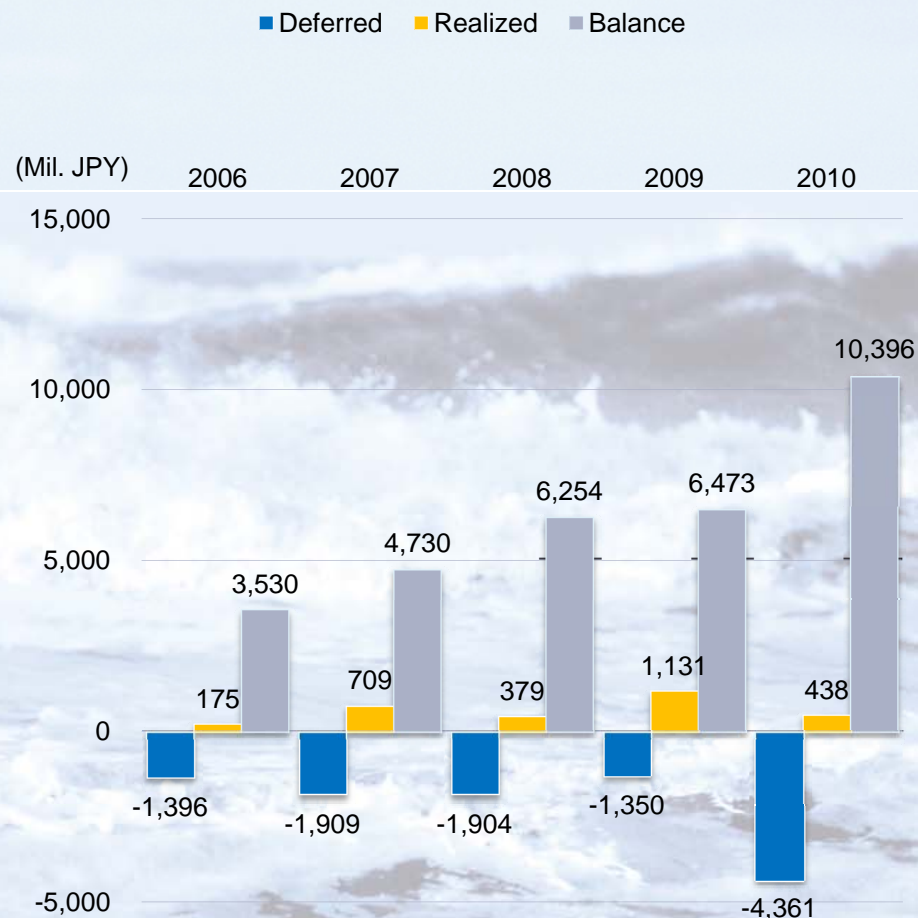


# Ordinary Profit

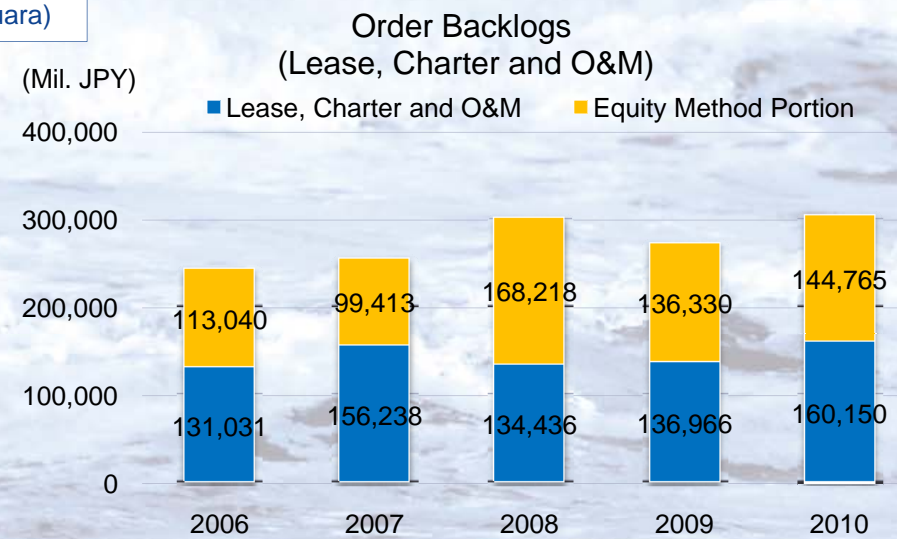
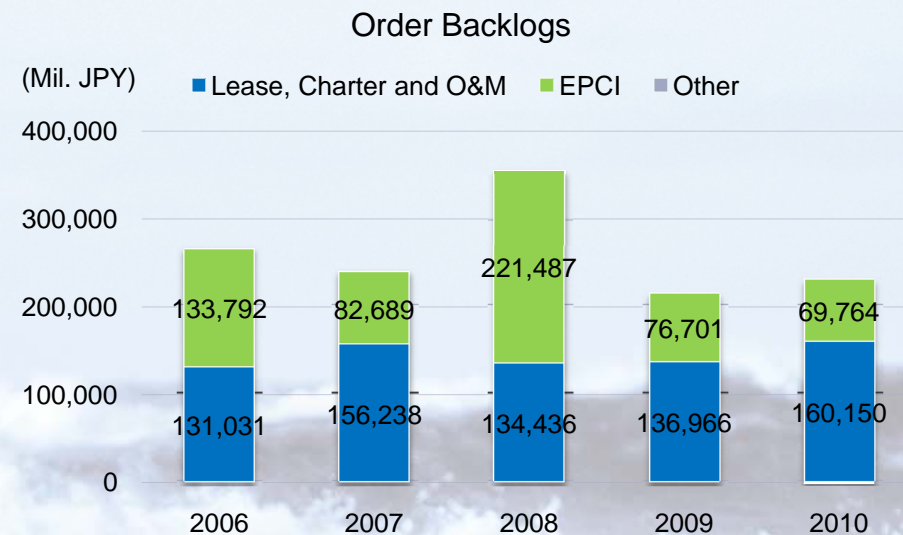
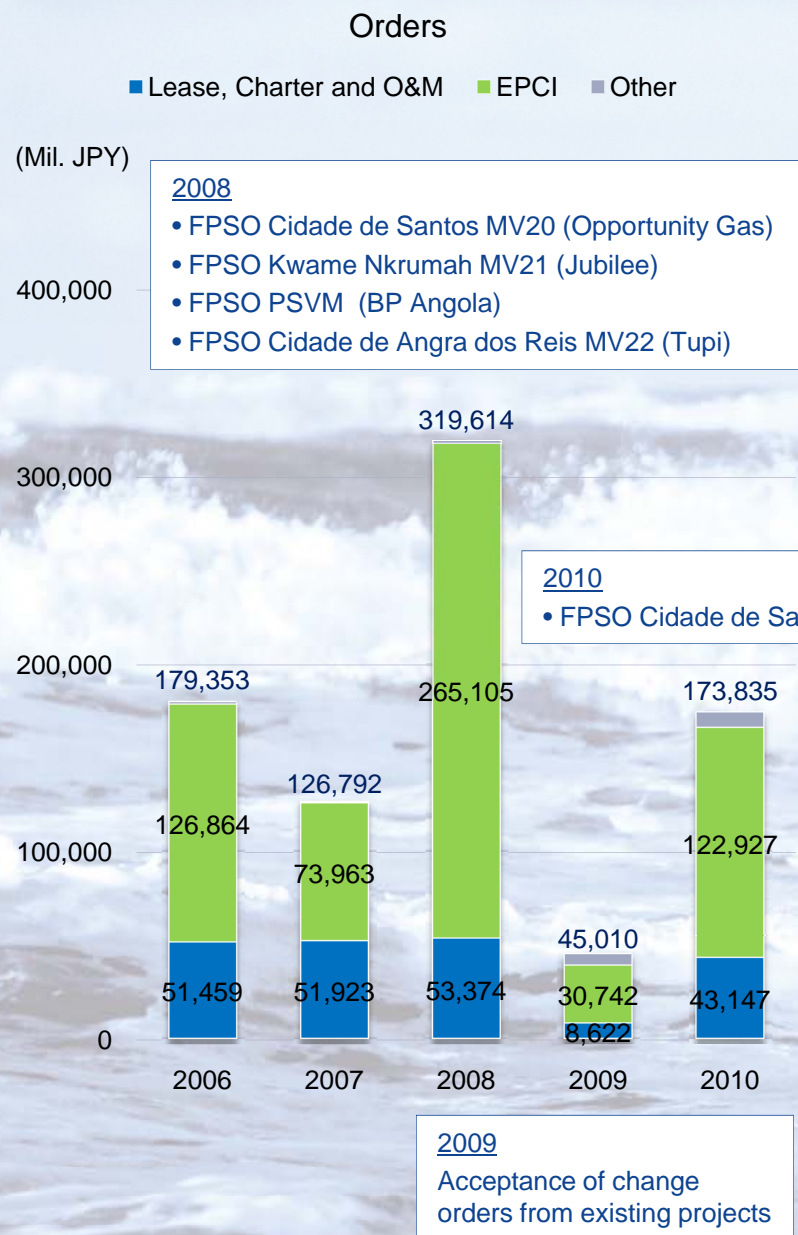
Ordinary Profit & Ordinary Profit before  
Deferred Profits Adjustment



Influence of Deferred Profits



# Orders & Order Backlogs by Service Types





# Balance Sheet

(Mil. JPY)

2009

2010

Variance

Remarks

Cash and Time Deposits	31,505	12,122	(19,383)	<b>Total Assets:</b> 1. Cash decreased due to reinforcement of Group cash management and allocation for repayment of loans 2. Accounts receivable decreased due to the completion of projects 3. Loans receivable increased from MV23(Guara) as a construction finance 4. Property and equipment increased due to MV11 & MV17 change from affiliates accounted for by equity method to consolidated subsidiaries
Total Current Assets	127,732	98,135	(29,597)	
Property and Equipment	1,516	15,033	13,517	
Intangible Assets	7,272	6,820	(452)	
Investments and Other Assets	31,843	26,638	(5,205)	
Total Fixed Assets	40,632	48,492	7,860	
<b>Total Assets</b>	<b>168,365</b>	<b>146,627</b>	<b>(21,738)</b>	
Short-term Loans Payable	43,327	23,237	(20,090)	<b>Total Liabilities:</b> 1. Short-term and long-term loans payable decreased mainly due to reinforcement of Group cash management and allocation for repayment of loans 2. Accounts payable decreased due to the completion of projects
Total Current Liabilities	110,535	77,816	(32,719)	
Long-term Loans Payable	13,472	8,140	(5,332)	
Total Long-term Liabilities	17,755	10,486	(7,269)	
<b>Total Liabilities</b>	<b>128,291</b>	<b>88,303</b>	<b>(39,988)</b>	
Total Shareholders Equity	44,761	62,166	17,405	<b>Total Net Assets:</b> 1. Capital increase of JPY 15.6 billion by third party allotment; Equity ratio improved from 22% to 36% 2. Foreign translation adjustments decreased due to appreciation of yen 3. Minority interests increased due to MV11 & MV17 change from affiliates accounted for by equity method to consolidated subsidiaries
Total Accumulated Losses from Valuation and Translation Adjustments	(6,525)	(8,535)	(2,010)	
Minority Interests in Consolidated Subsidiaries	1,838	4,693	2,855	
<b>Total Net Assets</b>	<b>40,074</b>	<b>58,324</b>	<b>18,250</b>	
<b>Total Liabilities, Net Assets</b>	<b>168,365</b>	<b>146,627</b>	<b>(21,738)</b>	

# Cash Flow

## Cash Flow

- Cash Flow from Operating Activities
- Cash Flow from Investing Activities
- Cash Flow from Financing Activities

### CF from Operating Activities

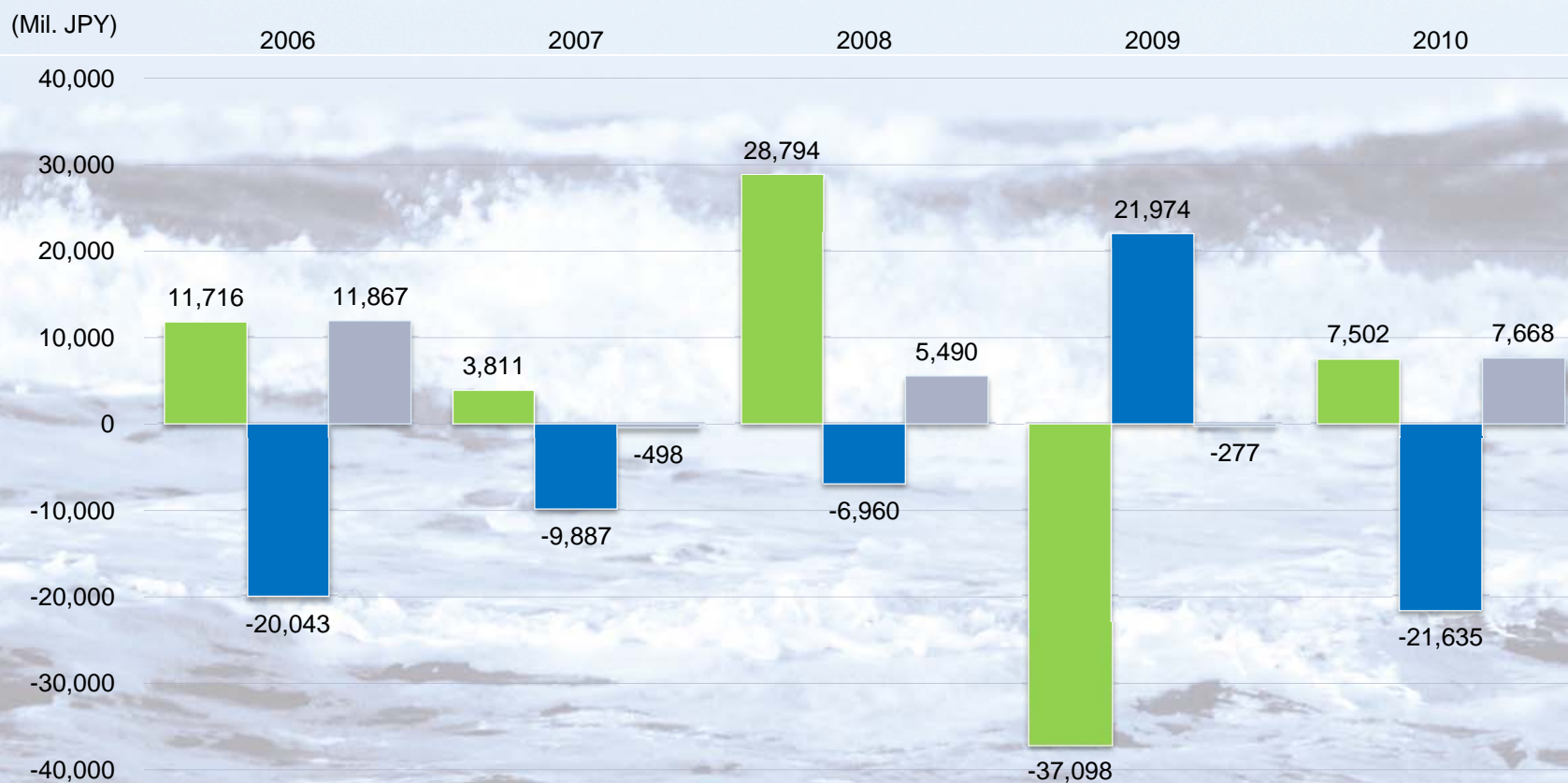
Net income before tax + depreciation, as working capital was balanced

### CF from Investing Activities

Increase in construction loan financing to SPC

### CF from Financing Activities

- Repayment of long-term loans: JPY 9.6 billion
- New share issuance: JPY 15.6 billion





# Key Financial Figures

(Mil. JPY)

	2006	2007	2008	2009	2010
Operating profit	3,494	6,959	1,973	4,169	3,563
Depreciation and amortization	662	1,656	1,619	1,380	958
Amortization of consolidated differences	26	13	26	264	211
Collection of lease receivable (Cantarell FSO, Inc., S.A. de C.V.)	2,340	2,834	1,818	-	-
<b>EBITDA</b>	<b>6,522</b>	<b>11,462</b>	<b>5,436</b>	<b>5,813</b>	<b>4,732</b>
Operating profit (equity method portion)	3,151	4,252	4,613	6,242	6,607
Depreciation and amortization (equity method portion)	2,566	3,848	3,945	5,142	5,611
Collection of lease receivable (equity method portion)	1,019	1,081	1,213	1,350	1,588
<b>EBITDA (after adjustment)</b>	<b>13,258</b>	<b>20,643</b>	<b>15,207</b>	<b>18,547</b>	<b>18,538</b>
Interest income	3,545	3,564	2,222	1,444	1,957
Interest expense	3,661	3,679	1,905	1,288	486
Interest expense (equity method portion)	1,023	975	2,303	2,978	3,324
<b>Net Interest expense (after adjustment)</b>	<b>1,139</b>	<b>1,090</b>	<b>1,986</b>	<b>2,822</b>	<b>1,853</b>
<b>EBITDA Interest Coverage Ratio (x times)</b>	<b>11.6</b>	<b>18.9</b>	<b>7.7</b>	<b>6.6</b>	<b>10.0</b>

	2006	2007	2008	2009	2010
Liabilities with interest	49,950	46,810	43,021	56,800	31,377
Liabilities with interest (equity method portion)	15,836	18,448	46,008	69,061	79,677
Cash and time deposits	28,827	21,499	45,082	31,505	12,122
Cash and time deposits (equity method portion)	1,697	2,873	4,183	4,606	7,848
<b>Net liabilities with interest (after adjustment)</b>	<b>35,262</b>	<b>40,886</b>	<b>39,764</b>	<b>89,750</b>	<b>91,084</b>
<b>Net liabilities with interest / EBITDA (x times)</b>	<b>2.7</b>	<b>2.0</b>	<b>2.6</b>	<b>4.8</b>	<b>4.9</b>

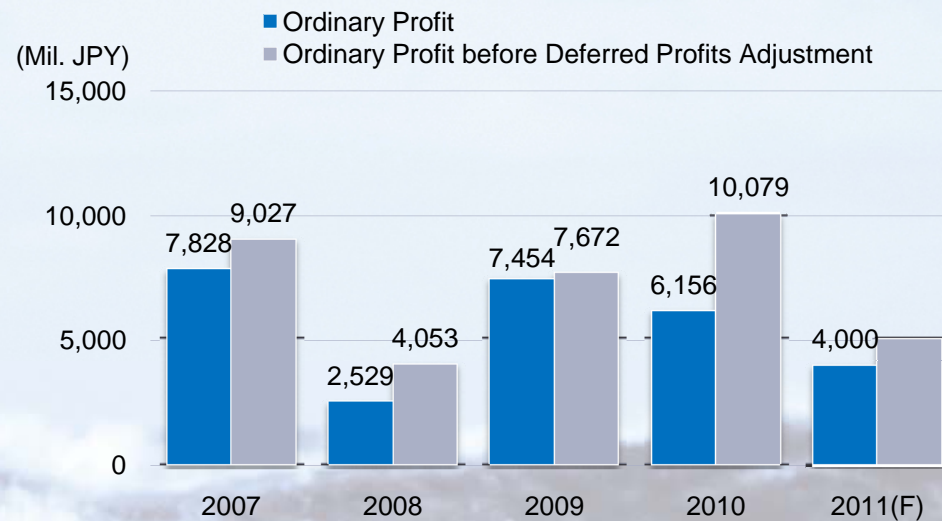
	2006	2007	2008	2009	2010
ROE (%)	8.4	10.7	3.4	6.4	6.0
ROA (%)	2.9	3.4	1.0	1.6	1.7
Equity Ratio (%)	33.1	32.3	26.2	22.7	36.6

# Forecast for FY2011

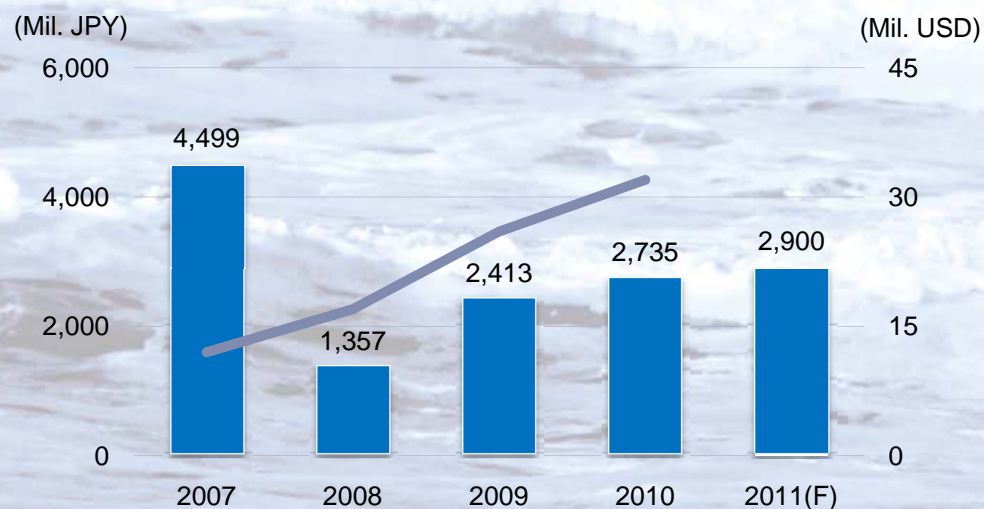
## Revenue



## Ordinary Profit



## Net Income & Equity in Earnings of Affiliates and Unconsolidated Subsidiaries



### <2011 Forecast Assumption>

New orders of  
 - 2 FPSOs  
 - 1 TLP

Percentage of completion method (2011)  
 - Existing projects: Past the peak phase  
 - New projects: Slow pace in initial phase

— Net Income (Mil. JPY)  
 — Equity in Earnings of Affiliates and Unconsolidated Subsidiaries (Mil. USD)

Exchange Rate 114.16 91.04 92.10 81.52 85.00(F)

