

# MODEC, Inc. 2011 Half-Year Financial Results Analysts Presentation

August 19, 2011



Operations Review

Financial Results & Outlook



# 2011 Half-Year Overview: Financial

- Revenue generated steadily mainly in accordance with the progress of Petrobras Guara FPSO project
  - Revenue booked in line with the forecast despite the appreciation of yen
- Additional expenses in relation to an FPSO construction
  - 1.8 billion JPY of operating loss in 2011 2Q
- Equity in earnings of affiliates exceeded the forecast
  - 4.8 billion JPY of equity in earnings of affiliates due to temporary reasons including the gain on FPSO sale

# 2011 Half-Year Overview: Projects

- New order
  - *OSX-3 FPSO* (Brazil)
- 2 FPSOs under construction
  - *FPSO PSVM* (BP Angola FPSO)
  - *FPSO Cidade de Sao Paulo MV23* (Petrobras Guara FPSO)
- Charter terminated
  - *FPSO MV8 Langsa Venture* (Indonesia) Charter terminated in January 2011
  - *FPSO Jasmine Venture MV7* (Thailand) Charter terminated in July 2011

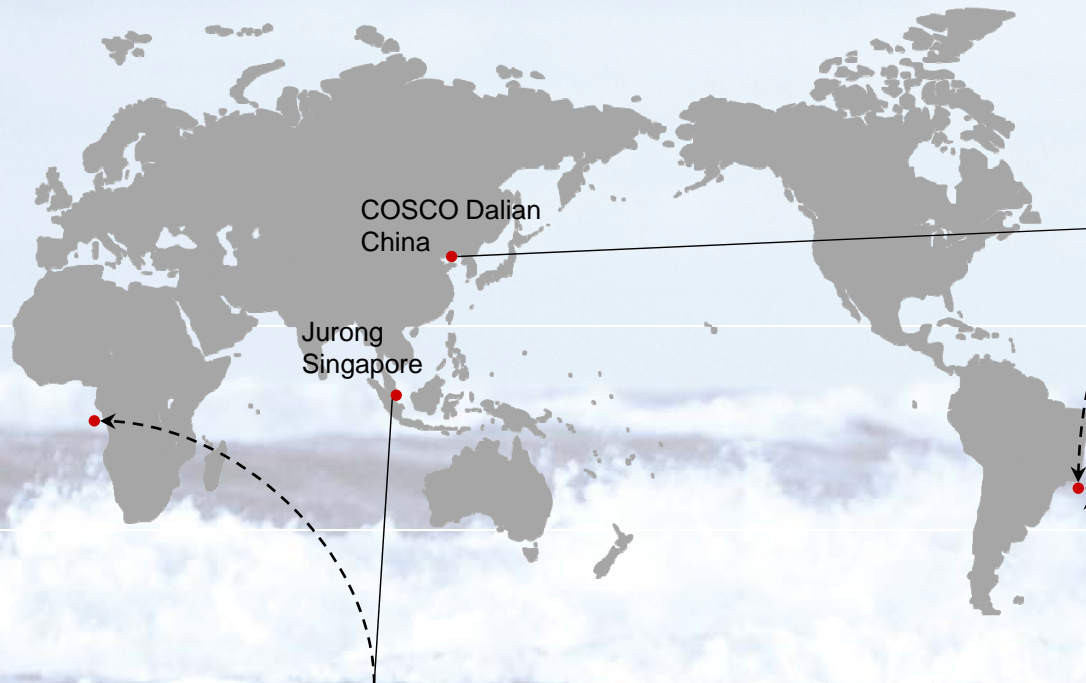


# New Order : OSX-3 FPSO

Client	OSX 3 Leasing B.V.
Scope of Work	EPCI
First Oil	Targeted late September 2013
Field	Waikiki Pero Inga Fields, Brazil
Water Depth	110 m
New/Conv.	Conversion
Mooring	SOFEC External Turret
Storage Capacity	1,300,000 bbls
Oil Production	100,000 bopd
Water Injection	150,000 bwpd



# 3 FPSOs are under construction



COSCO Dalian  
China

Jurong  
Singapore



## **FPSO Cidade de Sao Paulo MV23**

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

## **OSX-3 FPSO**

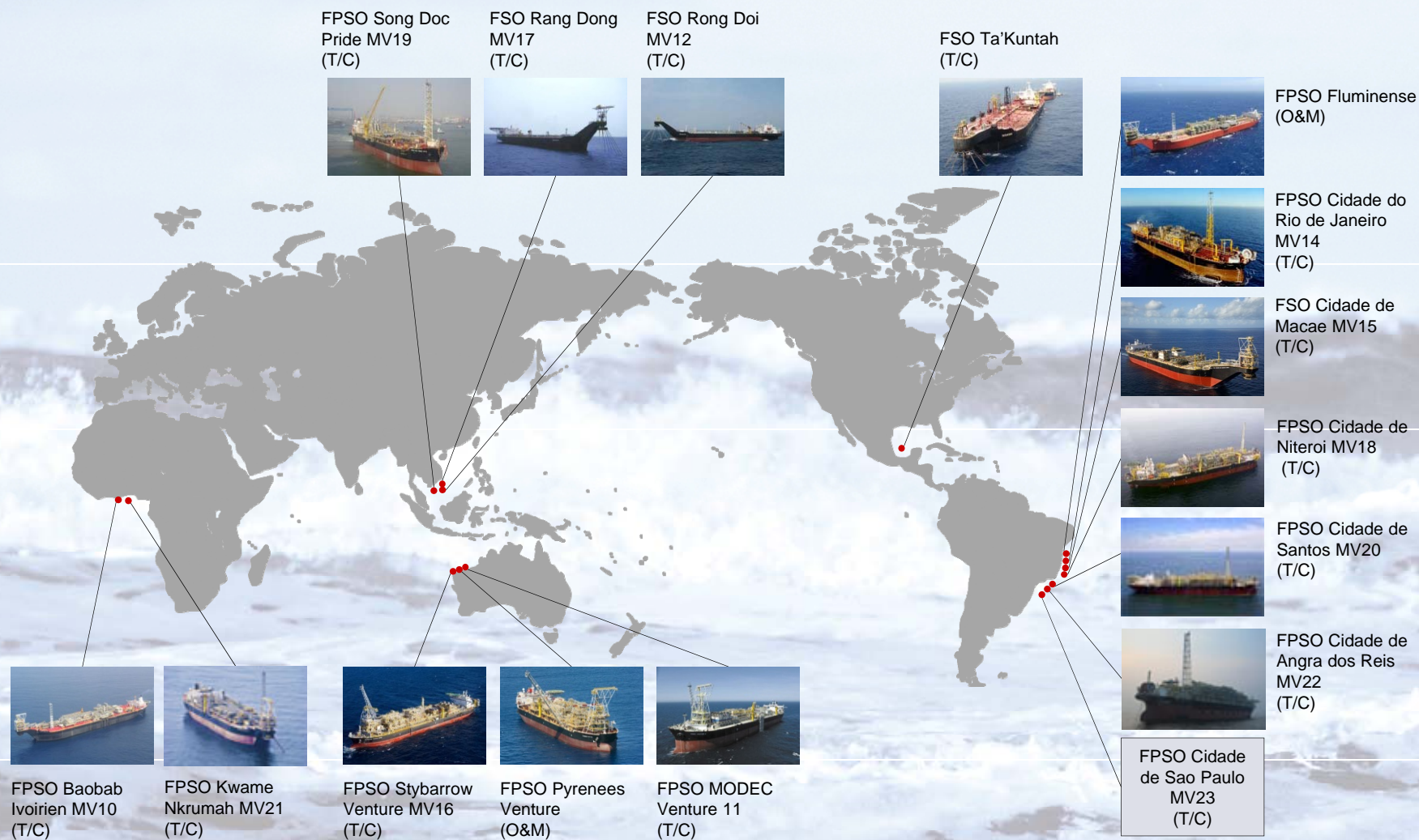
Scope of Work: EPCI


First Oil: Targeted September 2013

Waikiki Pero Inga Fields, Brazil

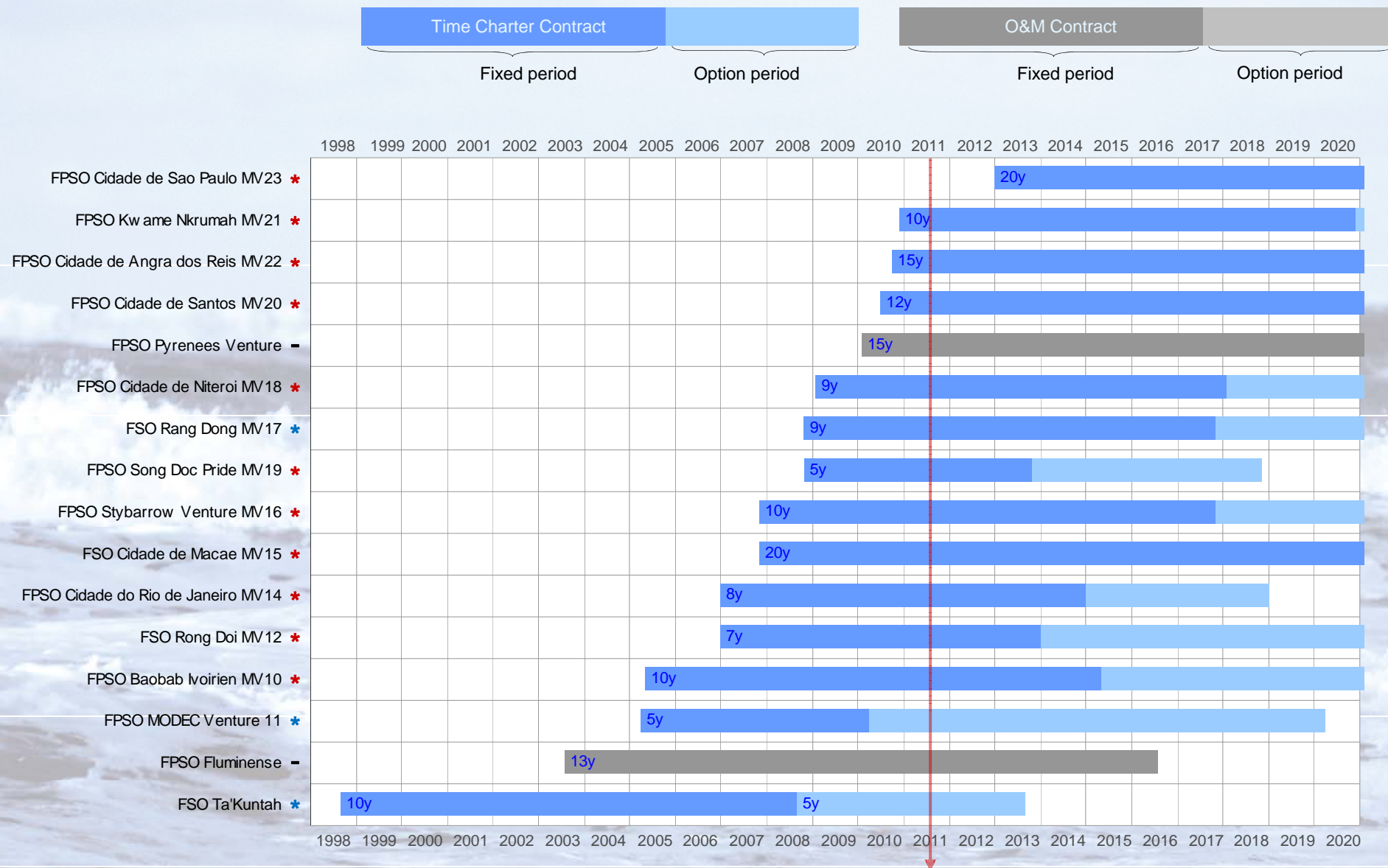


# FPSO/FSO Time Charter / O&M Projects (As of August 2011)



 : Under construction  
 T/C : Own & Operate  
 O&M : Operate

# FPSO/FSO Time Charter / O&M Period (As of August 2011)



\* Consolidated Subsidiary  
\* Affiliates accounted for by the Equity Method

August 2011  
Time Charter : 13 FPSO/FSOs  
O&M : 2 FPSOs





# Prospective Projects

- Shtokman Internal Disconnectable Turret (SOFEC)

Russia

- PEMEX Ta'Kuntah FSO Life Extension
- PEMEX SPM (SOFEC)

Gulf of Mexico

West Africa

Southeast Asia & Pacific

Brazil

## Ghana

- Tullow Jubilee No.2 FPSO

## Angola

- Chevron Lucapa Block 14 FPSO
- Maersk Chissonga Block 16 FPSO
- Total Block 32 FPSO

## Congo

- Total Moho Nord TLP

## Vietnam

- Chevron Block B Turret (SOFEC)
- PC Vietnam Block 102&106 FPSO

## Malaysia

- Shell Malikai TLWP

## Indonesia

- INPEX Masela FLNG

## Australia

- Woodside Browse LNG Development
- Woodside Lady Nora FPSO

- Petrobras Cernambi Sul FPSO
- Petrobras Siri FPSO
- Petrobras Guanambi FPSO
- BG FSO

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# Profit & Loss

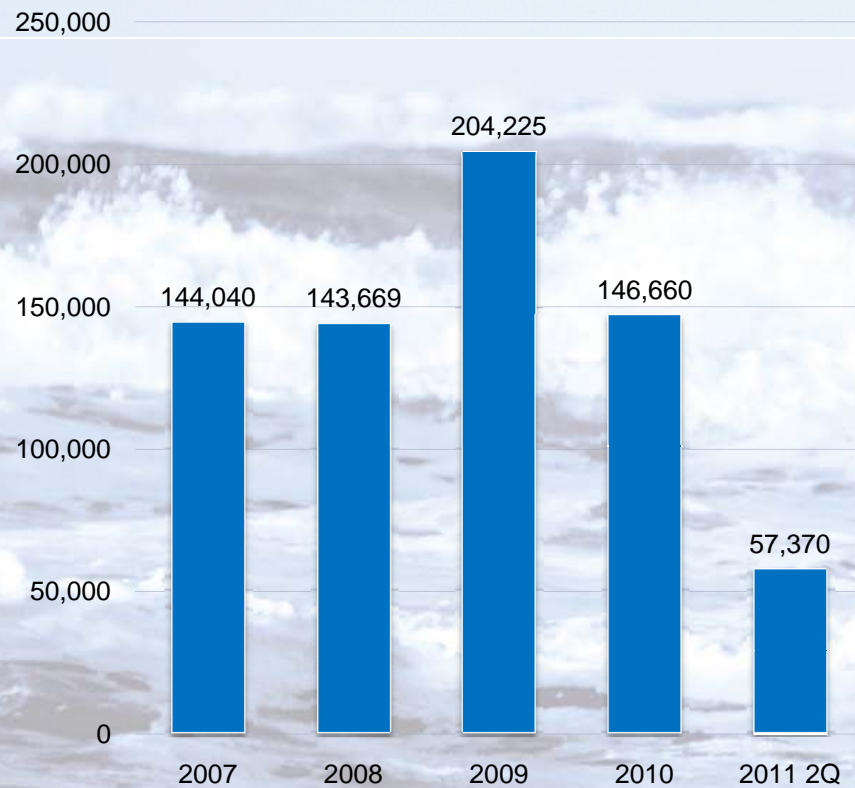
(Mil. JPY)

	2010 2Q	2011 2Q	Variance 2010 2Q- 2011 2Q	2010	Remarks
Revenue	89,199	57,370	(31,829)	146,660	After MV21 & MV22 FPSOs were delivered, number of EPCI projects decreased from 4 to 2
<b>Gross Profit</b>	<b>5,440</b>	<b>1,921</b>	<b>(3,519)</b>	<b>12,065</b>	Profit declined due to additional expenses and completion of projects
Gross Profit margin	6.1%	3.3%	-2.8%	8.2%	
Selling, General and Administrative Expenses	3,396	3,805	409	8,501	
<b>Operating Profit</b>	<b>2,043</b>	<b>(1,883)</b>	<b>(3,926)</b>	<b>3,563</b>	
Other Income (A)	1,919	5,647	3,728	4,717	Equity in earnings of affiliates increased
Other Expense (B)	827	1,067	240	2,123	
Total Other Income/Expenses (C=A-B)	1,092	4,580	3,488	2,594	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	944	4,835	3,891	2,568	Increased due to the purchase option exercise by the client and temporary increase in equity of SPC
(Exchange gain/loss and Gain/loss on revaluation of derivatives included in C)	(302)	(682)	(380)	(1,075)	
<b>Ordinary Profit</b>	<b>3,136</b>	<b>2,696</b>	<b>(440)</b>	<b>6,156</b>	Increase in equity in earnings of affiliates offset the operating loss
Extraordinary Profit	141	65	(76)	314	Profit from the purchase of MV8 FPSO by the client
Extraordinary Loss	-	-	-	639	2010: Exchange loss due to the liquidation of SPC
<b>Income before Income Taxes and Minority Interests</b>	<b>3,277</b>	<b>2,761</b>	<b>(516)</b>	<b>5,831</b>	
<b>Net Income</b>	<b>1,758</b>	<b>2,623</b>	<b>865</b>	<b>2,735</b>	Tax decreased as a result of decline in operating profit
Exchange Rate (USD)	¥88.52	¥80.68	(¥7.84)	¥81.52	Downside impact of the appreciation of yen (original forecast: 85.00 yen per US Dollar) - Revenue: 3 billion JPY - Ordinary profit & net income: 140 million JPY

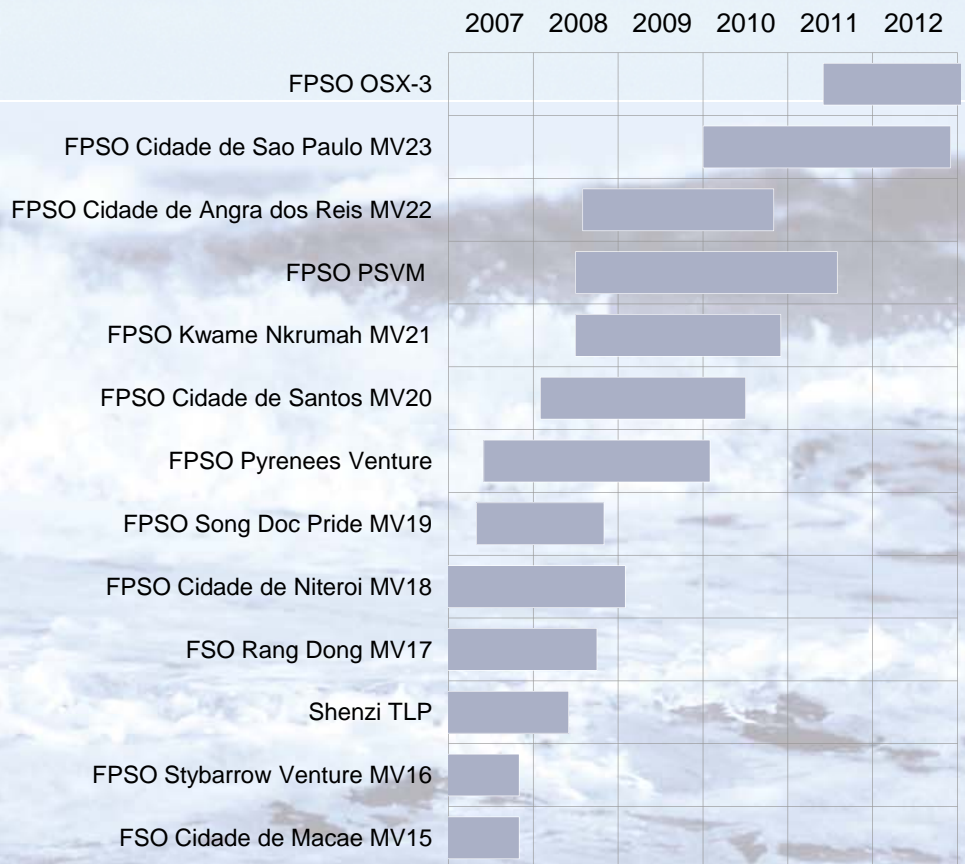
# Revenue

Revenue

(Mil. JPY)



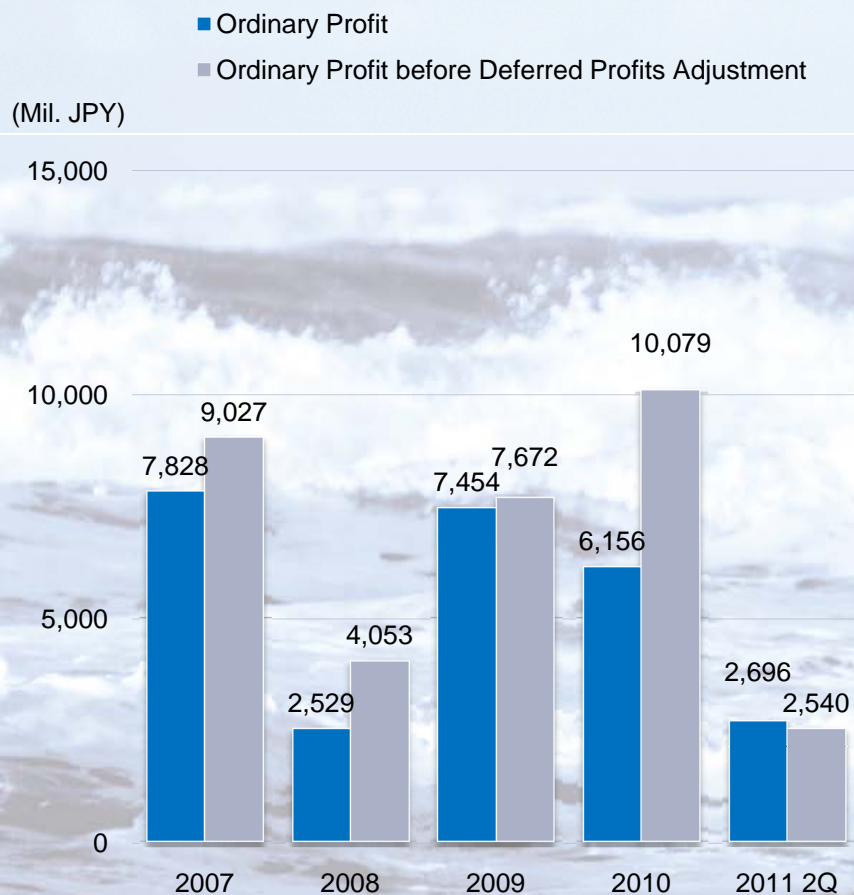
Projects EPC(I) Phase



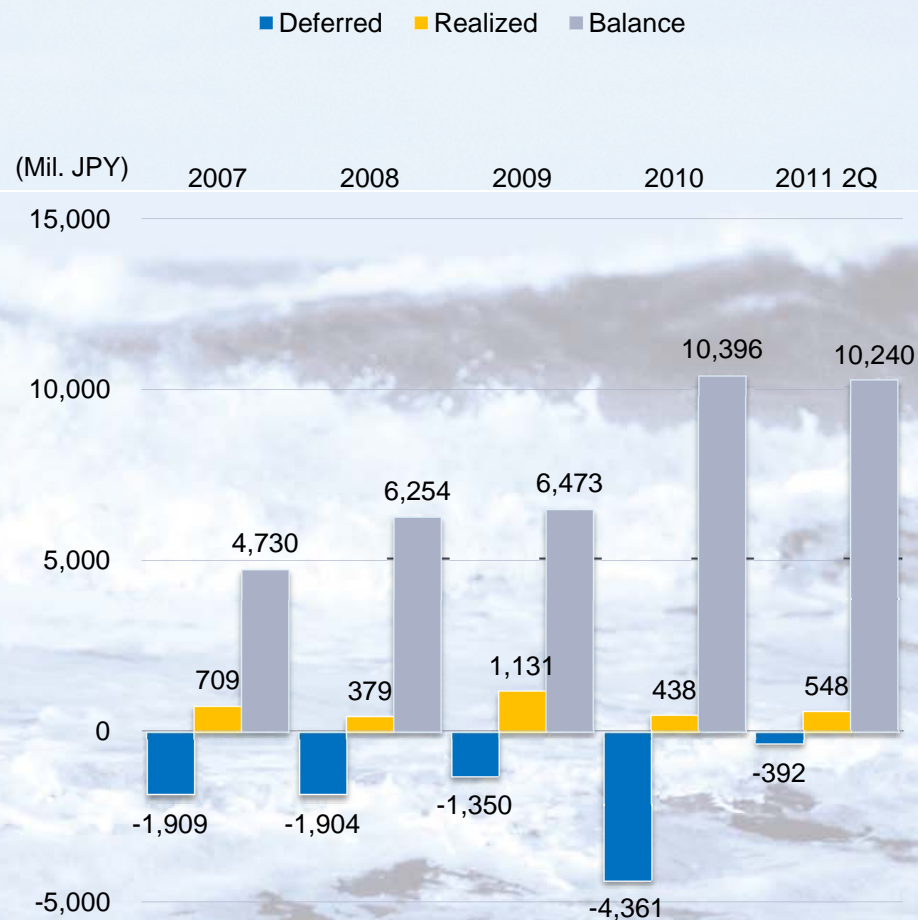


# Ordinary Profit


Ordinary Profit & Ordinary Profit before  
Deferred Profits Adjustment



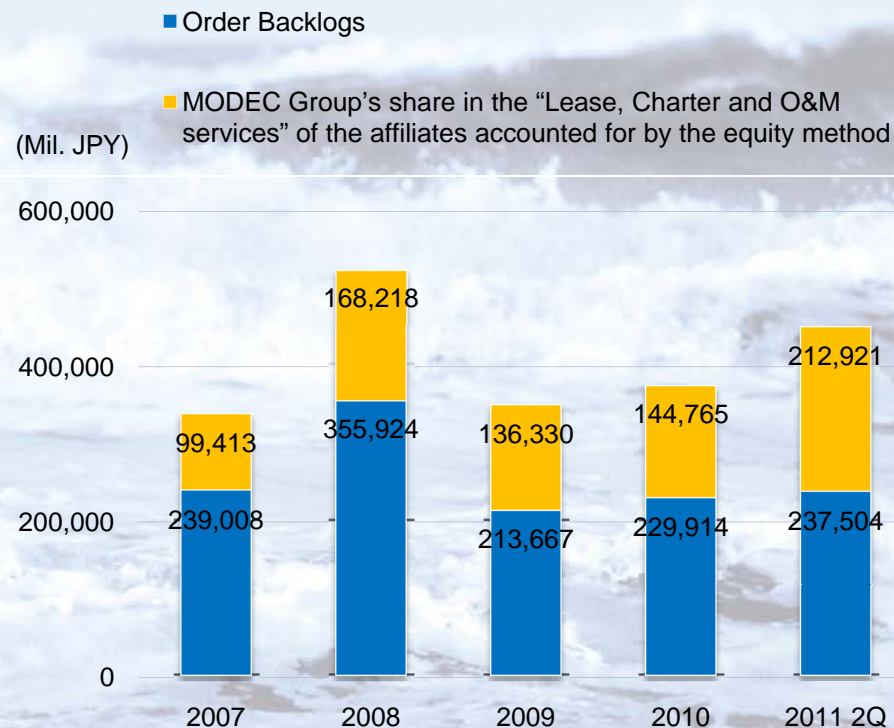
Influence of Deferred Profits



# Orders & Order Backlogs

Received Orders	2008	<ul style="list-style-type: none"> <li>• FPSO Cidade de Santos MV20 (Opportunity Gas)</li> <li>• FPSO Kwame Nkrumah MV21 (Jubilee)</li> <li>• FPSO PSVM (BP Angola)</li> <li>• FPSO Cidade de Angra dos Reis MV22 (Tupi)</li> </ul>
	2009	• Acceptance of change orders from existing projects
	2010	• FPSO Cidade de Sao Paulo MV23 (Guara)
	2011	• OSX-3 FPSO 

## Order Backlogs





# Balance Sheet

(Mil. JPY)

	2010	2011 2Q	Variance	Remarks
Cash and Time Deposits	12,122	13,939	1,817	<b>Total Assets:</b> 1. Loans receivable decreased as a result of the collection from SPC 2. Fixed asset decreased due to the sale of FPSO to the client
Total Current Assets	98,135	90,081	(8,054)	
Property and Equipment	15,033	13,411	(1,622)	
Intangible Assets	6,820	6,729	(91)	
Investments and Other Assets	26,638	25,417	(1,221)	
Total Fixed Assets	48,492	45,557	(2,935)	
<b>Total Assets</b>	<b>146,627</b>	<b>135,639</b>	<b>(10,988)</b>	
Short-term Loans Payable	23,237	16,616	(6,621)	<b>Total Liabilities:</b> 1. Loans payable decreased which corresponded to the loans receivable from SPC
Total Current Liabilities	77,816	67,923	(9,893)	
Long-term Loans Payable	8,140	8,157	17	
Total Long-term Liabilities	10,486	11,413	927	
<b>Total Liabilities</b>	<b>88,303</b>	<b>79,336</b>	<b>(8,967)</b>	
Total Shareholders Equity	62,166	64,263	2,097	<b>Total Net Assets:</b> 1. Foreign currency translation adjustments decreased due to the influence of the appreciation of yen 2. Deferred losses on hedging derivative increased in connection with the interest rate swap for fixing the long term interest rate
Total Accumulated Losses from Valuation and Translation Adjustments	(8,535)	(12,657)	(4,122)	
Minority Interests in Consolidated Subsidiaries	4,693	4,697	4	
<b>Total Net Assets</b>	<b>58,324</b>	<b>56,303</b>	<b>(2,021)</b>	
<b>Total Liabilities, Net Assets</b>	<b>146,627</b>	<b>135,639</b>	<b>(10,988)</b>	

# Key Financial Figures

(Mil. JPY)

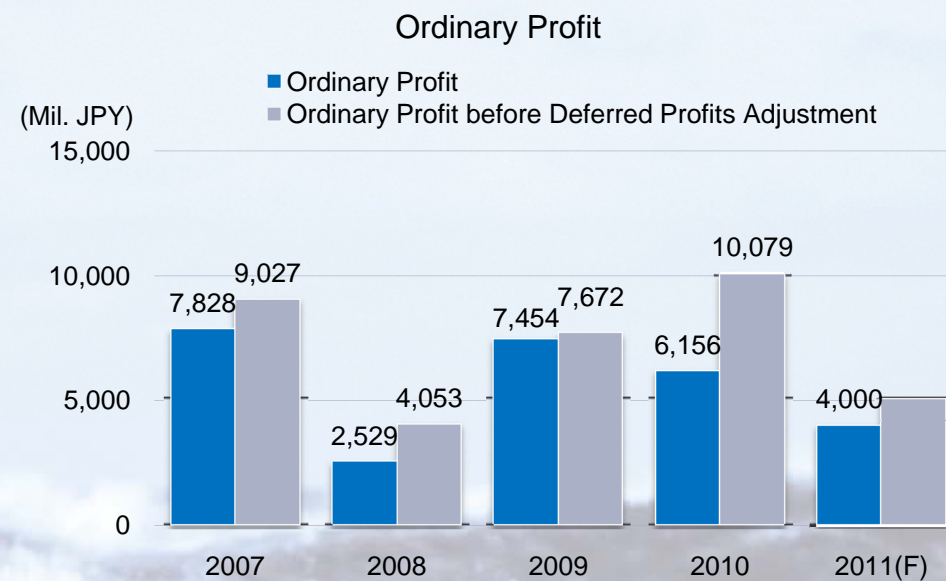
	2007	2008	2009	2010	2011 2Q
Operating profit	6,959	1,973	4,169	3,563	(1,883)
Depreciation and amortization	1,656	1,619	1,380	958	1,461
Amortization of consolidated differences	13	26	264	211	134
Collection of lease receivable (Cantarell FSO, Inc., S.A. de C.V.)	2,834	1,818	-	-	-
<b>EBITDA</b>	<b>11,462</b>	<b>5,436</b>	<b>5,813</b>	<b>4,732</b>	<b>(288)</b>
Operating profit (equity method portion)	4,252	4,613	6,242	6,607	7,149
Depreciation and amortization (equity method portion)	3,848	3,945	5,142	5,611	3,165
Collection of lease receivable (equity method portion)	1,081	1,213	1,350	1,588	2,853
<b>EBITDA (after adjustment)</b>	<b>20,643</b>	<b>15,207</b>	<b>18,547</b>	<b>18,538</b>	<b>12,879</b>
Interest income	3,564	2,222	1,444	1,957	601
Interest expense	3,679	1,905	1,288	486	387
Interest expense (equity method portion)	975	2,303	2,978	3,324	3,060
<b>Net Interest expense (after adjustment)</b>	<b>1,090</b>	<b>1,986</b>	<b>2,822</b>	<b>1,853</b>	<b>2,846</b>
<b>EBITDA Interest Coverage Ratio (x times)</b>	<b>18.9</b>	<b>7.7</b>	<b>6.6</b>	<b>10.0</b>	<b>4.5</b>

	2007	2008	2009	2010	2011 2Q
Liabilities with interest	46,810	43,021	56,800	31,377	24,775
Liabilities with interest (equity method portion)	18,448	46,008	69,061	79,677	100,710
Cash and time deposits	21,499	45,082	31,505	12,122	13,940
Cash and time deposits (equity method portion)	2,873	4,183	4,606	7,848	8,181
<b>Net liabilities with interest (after adjustment)</b>	<b>40,886</b>	<b>39,764</b>	<b>89,750</b>	<b>91,084</b>	<b>103,364</b>
<b>Net liabilities with interest / EBITDA (x times)</b>	<b>2.0</b>	<b>2.6</b>	<b>4.8</b>	<b>4.9</b>	<b>8.0</b>

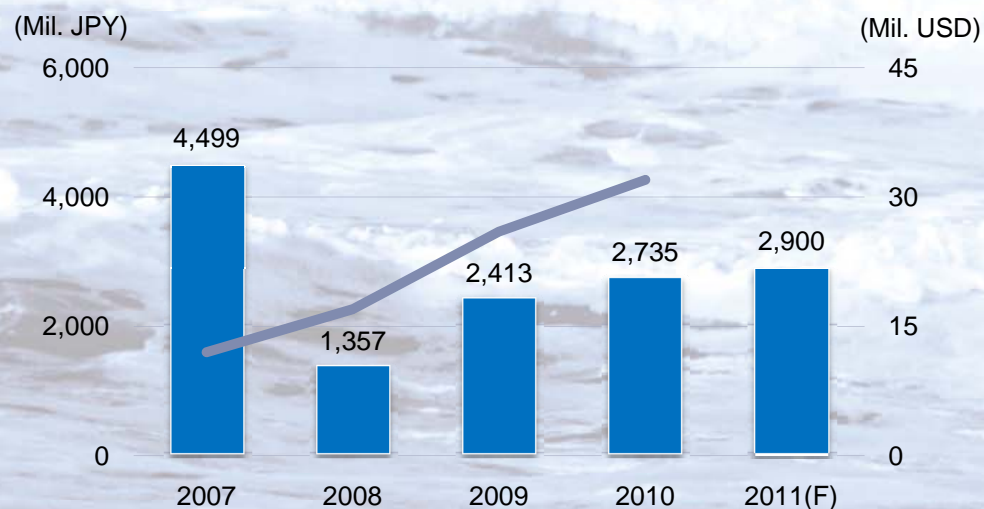
	2007	2008	2009	2010	2011 2Q*
ROE (%) *After annualized rate	10.7	3.4	6.4	6.0	10.0
ROA (%) *After annualized rate	3.4	1.0	1.6	1.7	3.7
Equity Ratio (%)	32.3	26.2	22.7	36.6	38.0



# Forecast for FY2011



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



### <2011 Forecast Assumption>

New orders of  
- 2 FPSOs

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

Exchange Rate    114.16    91.04    92.10    81.52    80.00(F)

