

MODEC, Inc. 2016 Financial Results Analysts Presentation

February 9, 2017



MODEC, Inc. 2016 Financial Results

Highlights

Market Review
& Outlook

Financial
Results

FY2016 : Delivered Units

FPSO Prof. John Evans Atta Mills (MV25)



Client	Tullow Oil
Charter period	10 years (10 one-year options)
Field	TEN (Tweneboa, Enyenra, Ntomme) Field, Ghana
Water depth	1,500m
Production	80,000 bpd, 180 mmscfd
Storage	1,700,000 bbls

- Production started in August 2016

FPSO Cidade de Caraguatatuba MV27



Client	Petrobras
Charter period	20 years
Field	Lapa field, Brazil
Water depth	2,126m
Production	100,000 bpd, 177 mmscfd
Storage	1,600,000 bbls

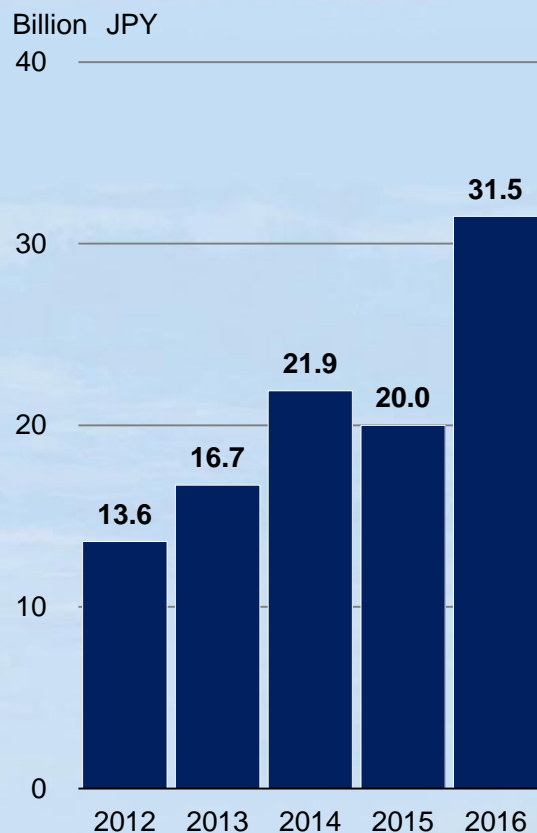
- Charter started in December 2016
- MODEC's 9th FPSO for Petrobras & 5th FPSO for pre-salt

FY2016 : Highlights

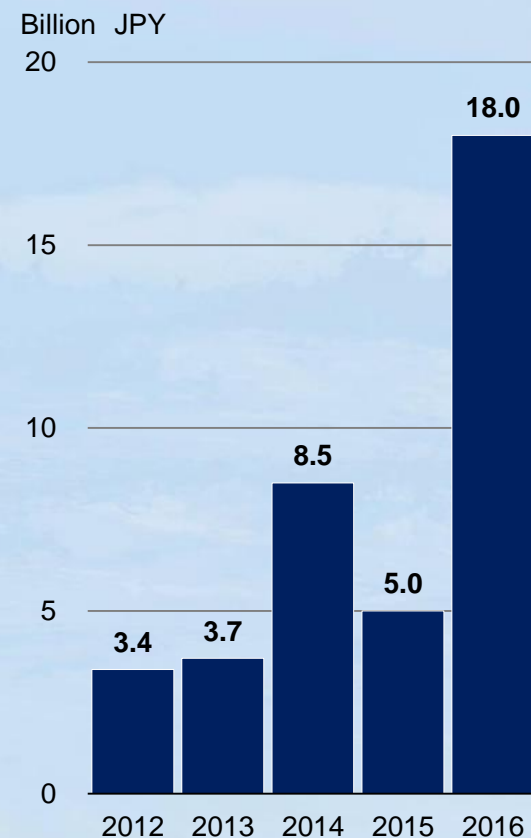
Revenue



Gross Profit



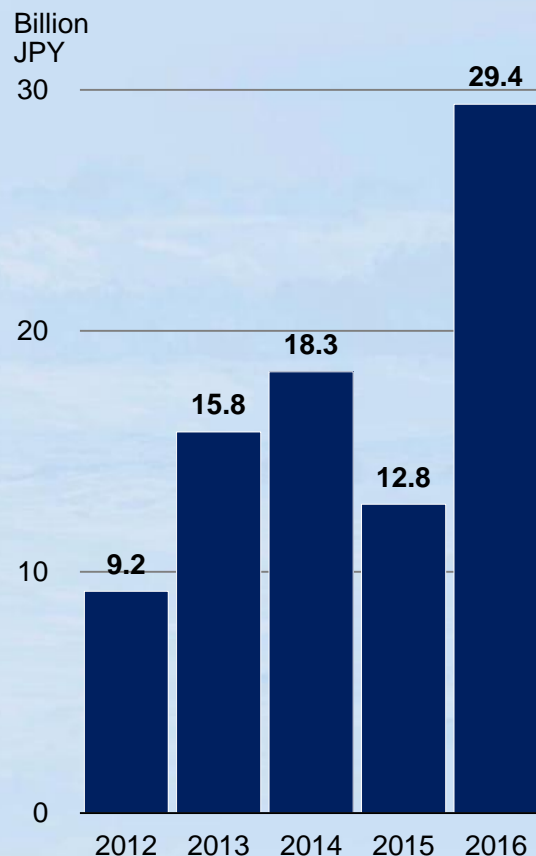
Operating Profit



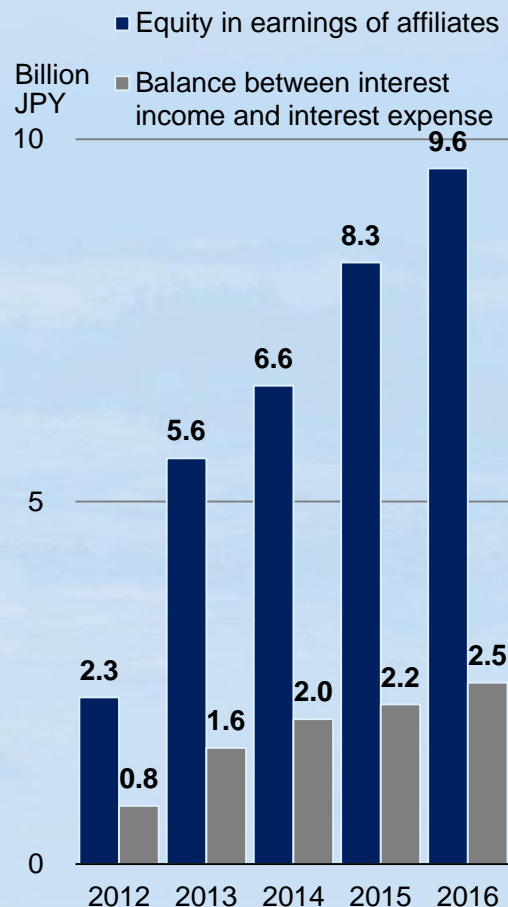
- Gross profit and operating profit hit a record high
- EPC profits have improved; O&M challenges to be closed out

FY2016 : Highlights

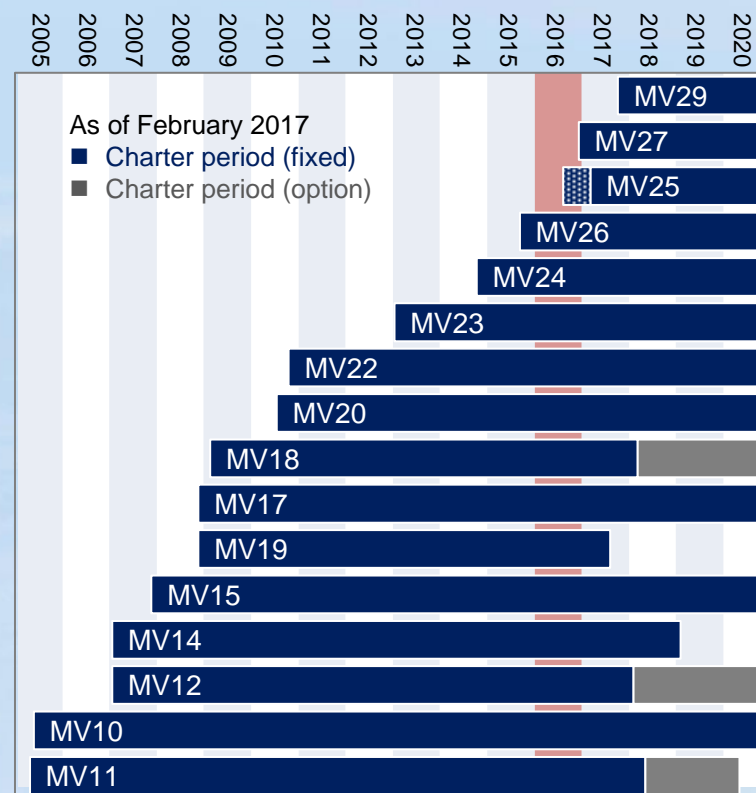
Ordinary Profit



Other Income



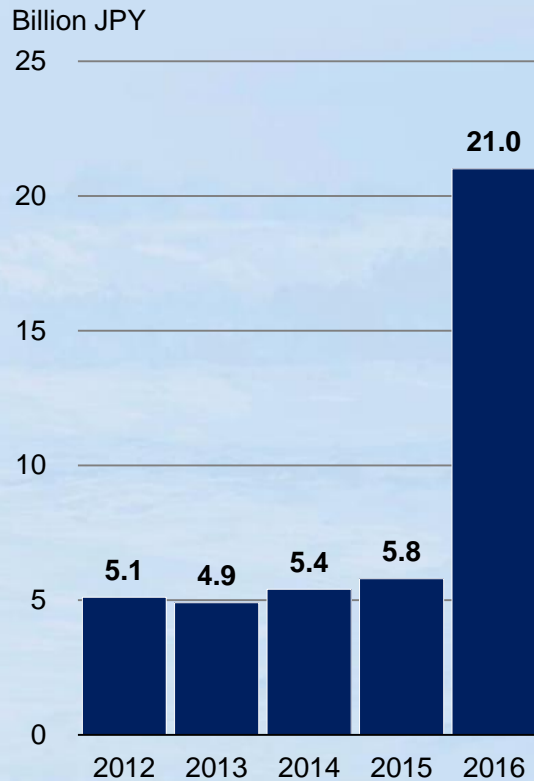
Leased Units



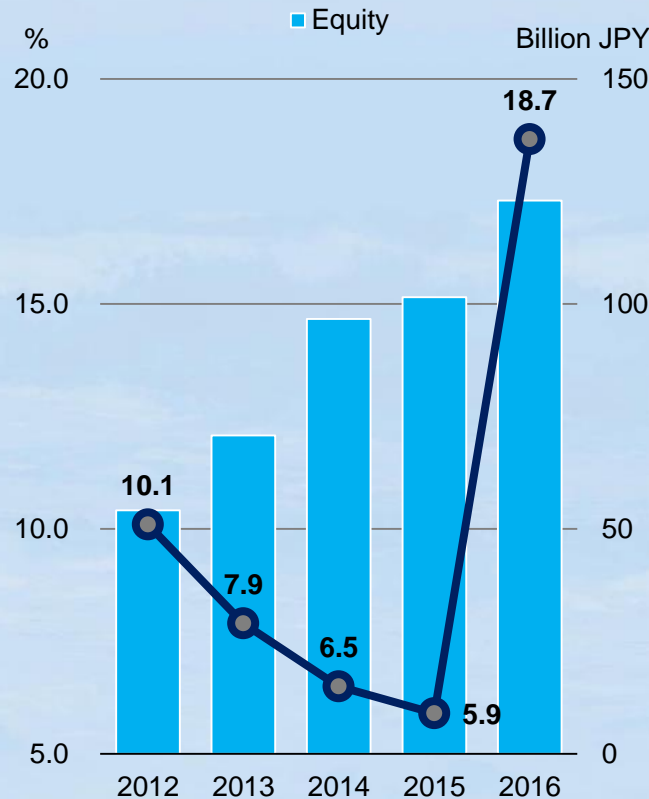
- MV27 for Petrobras was added to the leased units in 2016
- Increased number of leased units raised other income (equity in earnings of affiliates, interest income)

FY2016 : Highlights

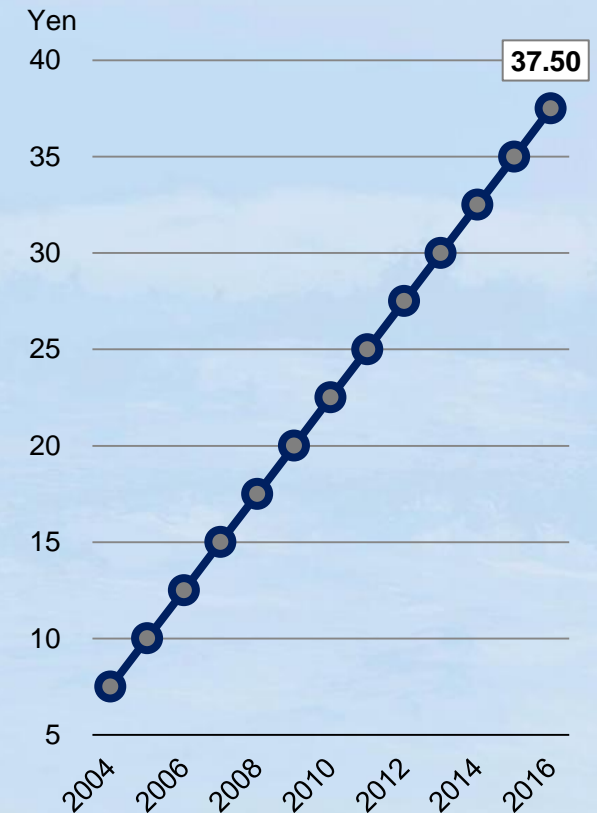
Profit Attributable to Owners of Parent



ROE



Dividends per Share



- Targets of the Mid-term Business Plan 2017 (Profit attributable to owners of parent & ROE 10%) were achieved one year ahead of schedule; recovered from the impact from the capital increase in 2014
- Proposed annual dividends of 37.50 yen per share; dividends for FY2017 to increase (13 consecutive years)

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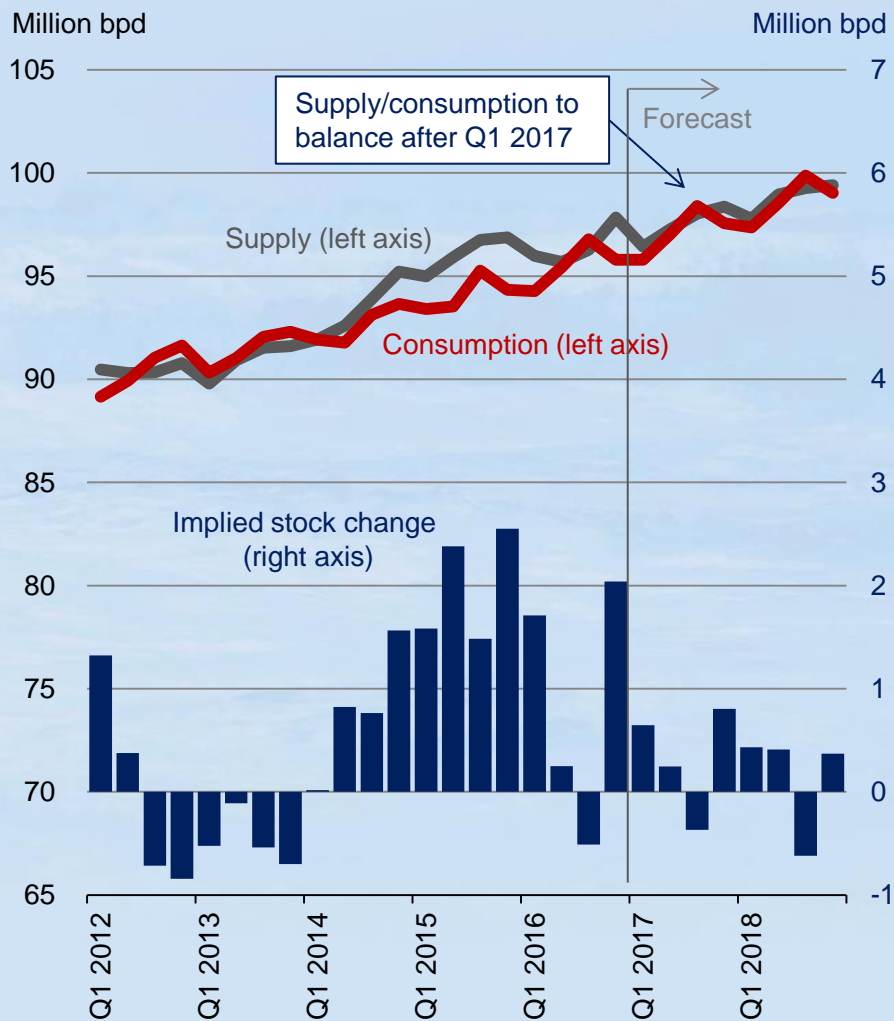
Financial
Results

“We estimate that, if new project approvals remain low for a third year in a row in 2017, then it becomes increasingly unlikely that demand and supply can be matched in the early 2020s without the start of a new boom/bust cycle for the industry.”

- World Energy Outlook 2016 -

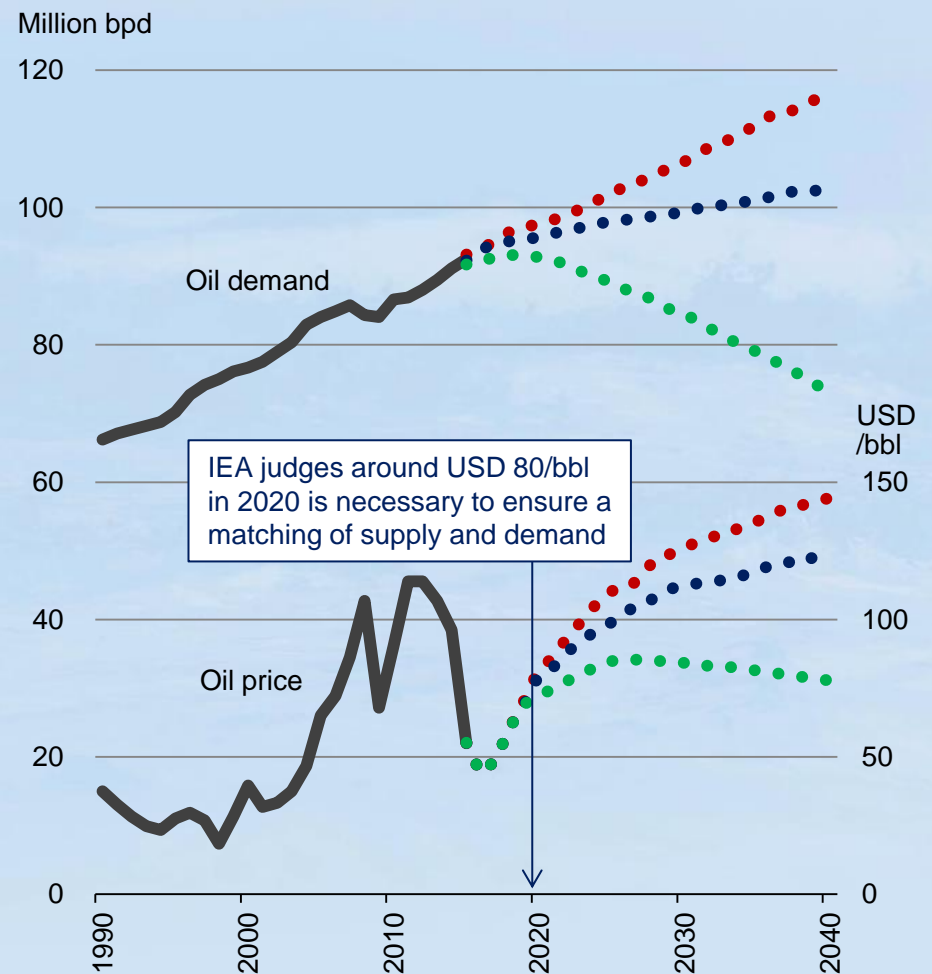
Market Review

Oil Supply & Consumption



Source: EIA

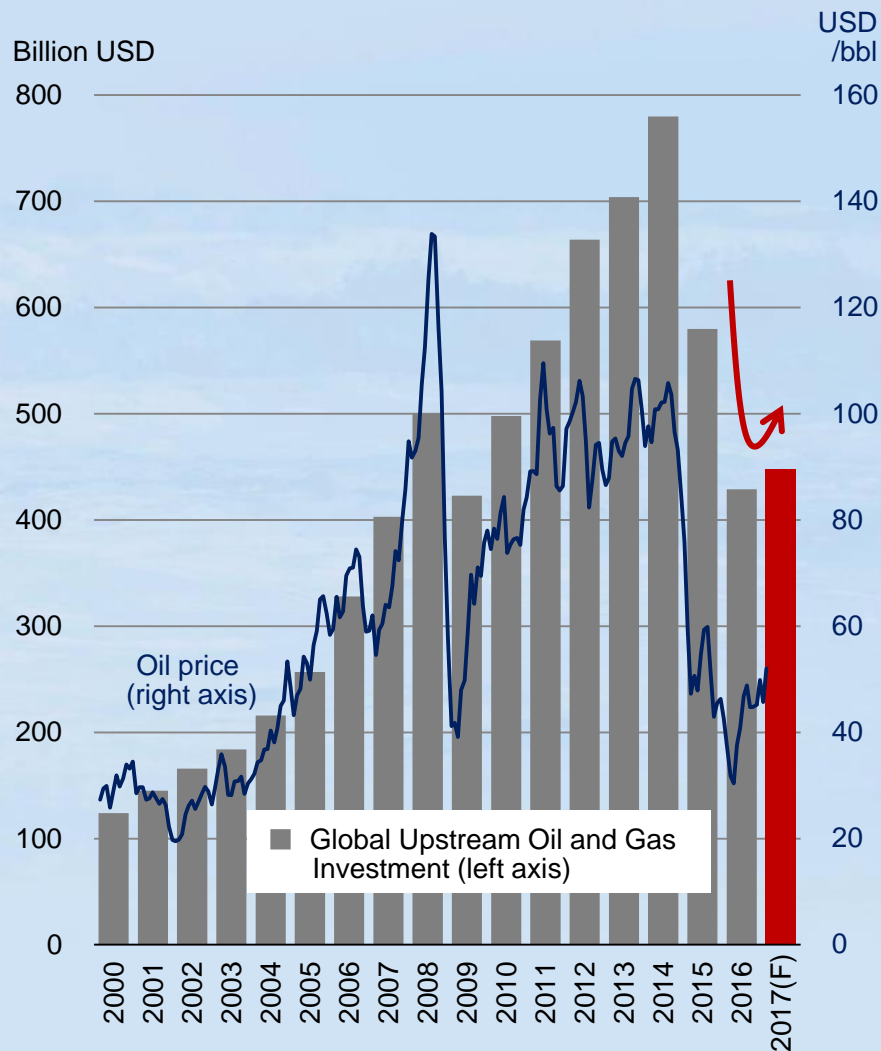
Oil Demand & Price



Source: World Energy Outlook 2016 (IEA)

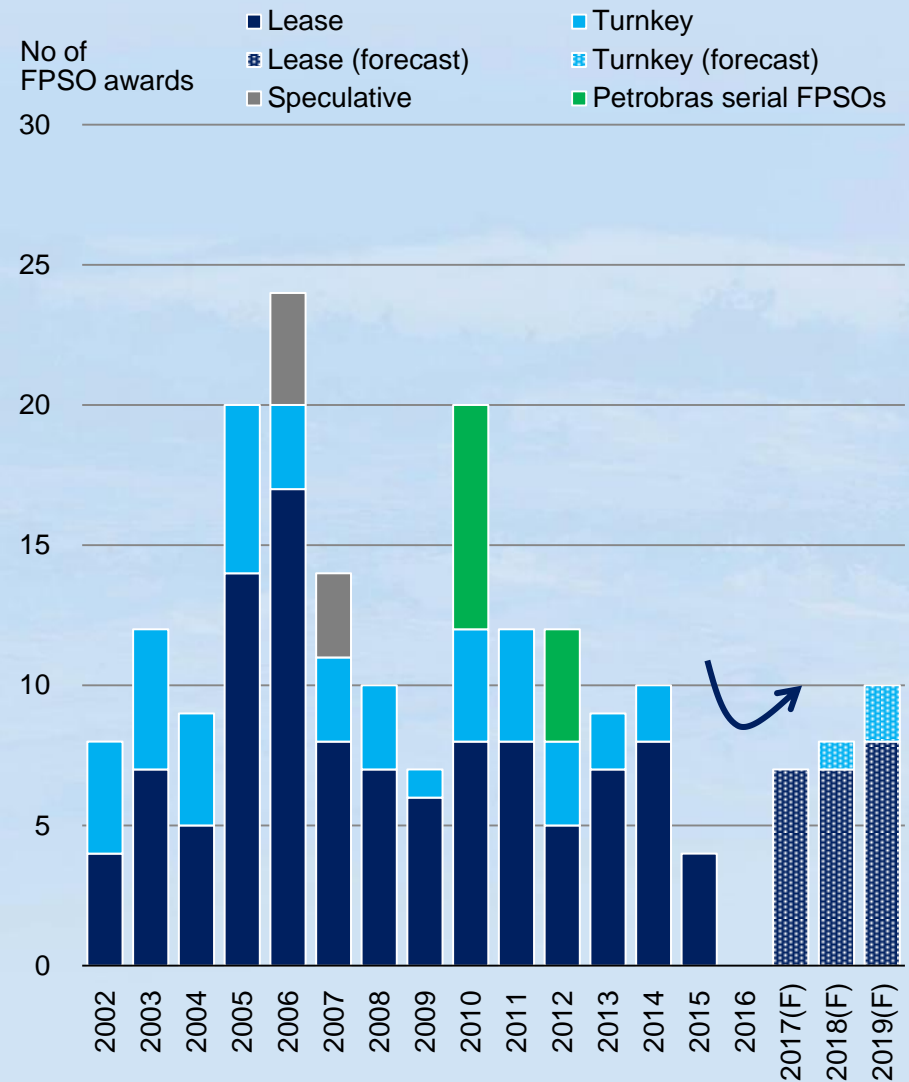
Market Review

Oil Price (WTI) Global Upstream Oil and Gas Investment



Source: World Energy Outlook 2015 & 2016 (IEA), EIA

FPSO Awards (Historical + Forecast)

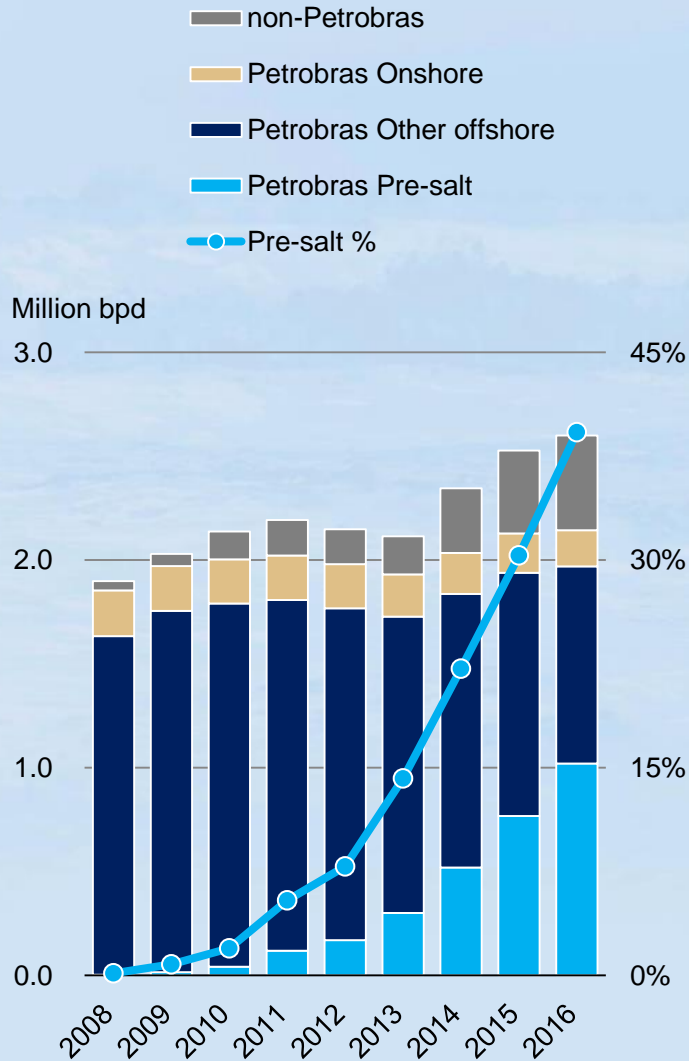


Source: Fearnley Offshore

*Number of FPSO awards in 2010 was adjusted by MODEC.

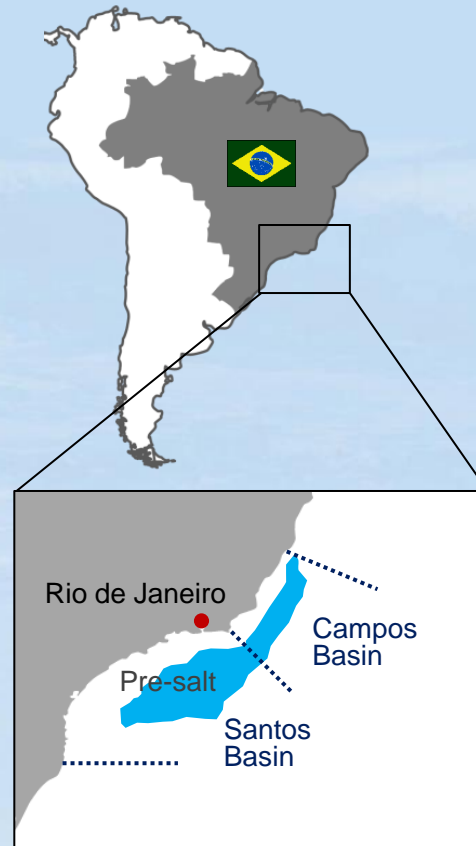
Offshore Oil Production in Brazil

Oil Production in Brazil

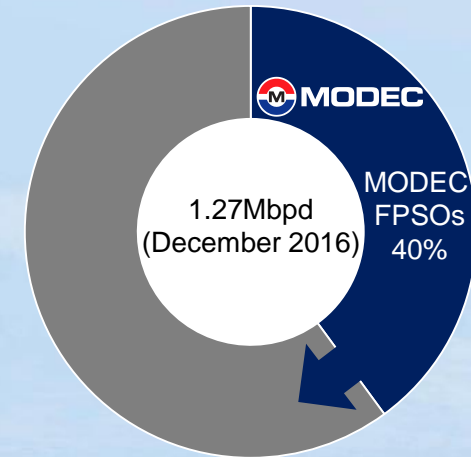


Source: BP Statistical Review of World Energy 2016, Petrobras website
 * Non-Petrobras oil production in 2016 is MODEC's assumption for reference purposes only.

Oil Production from Pre-salt

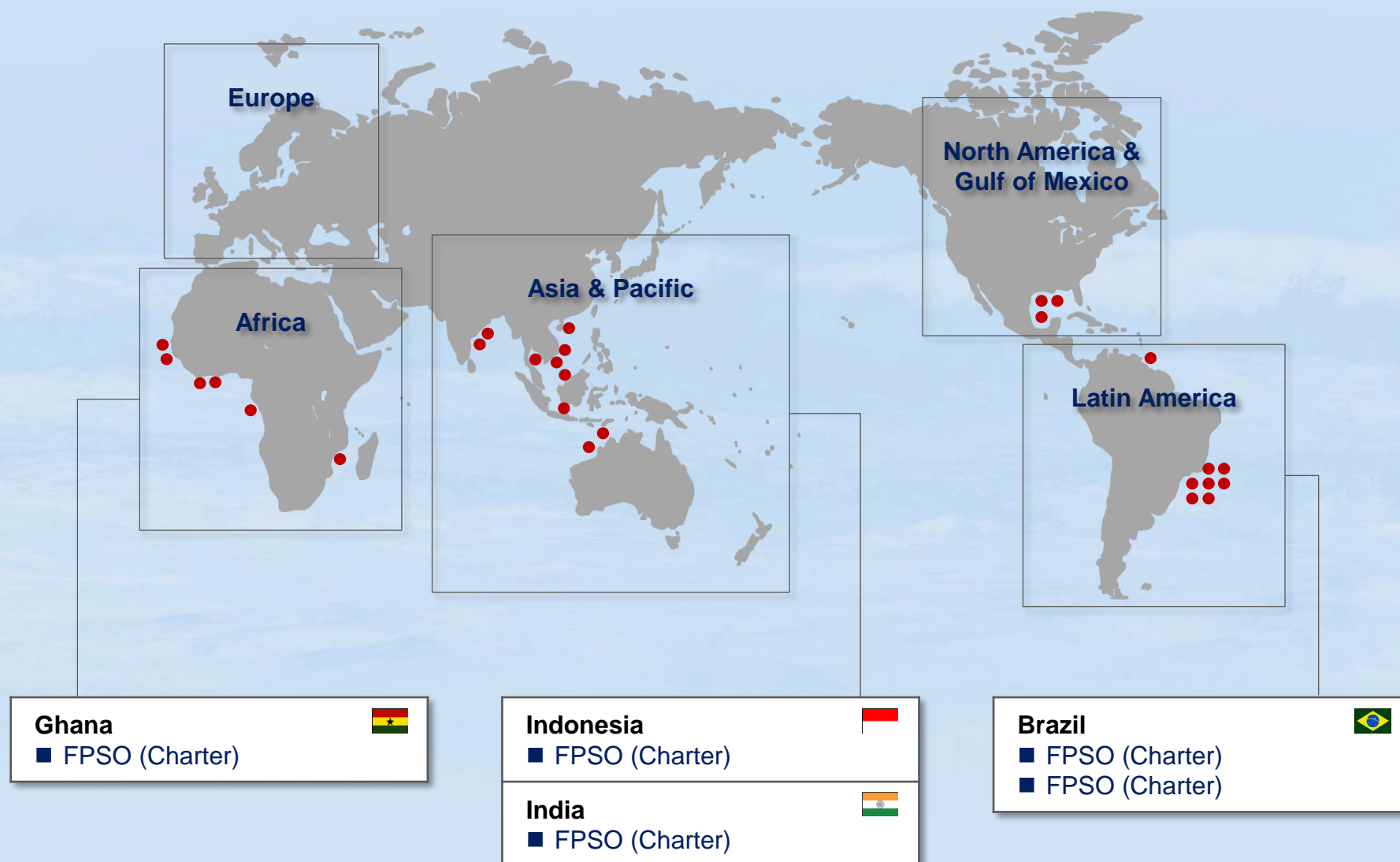


Source: Petrobras



Santos Basin		Campos Basin	
	MV27 2016~ ★		MV29 2017~
	MV26 2015~ ★		MV18 2009~
	MV24 2014~ ★		MV15 2007~
	MV23 2013~ ★		MV14 2007~
	MV22 2010~ ★		Fluminense (O&M) 2003~
	MV20 2010~	★ Pre-salt	

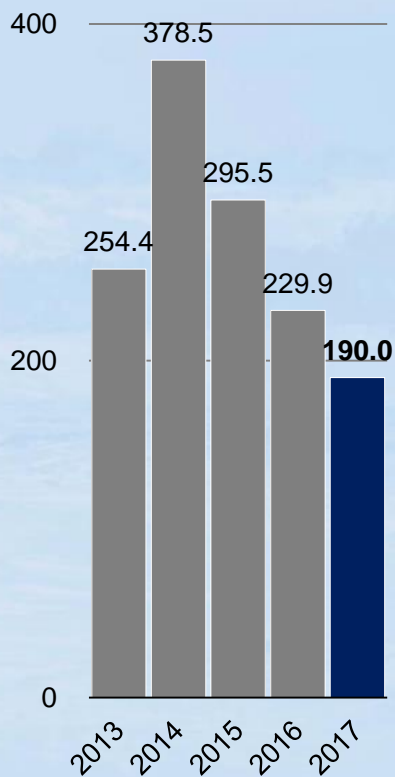
Main Prospective Projects (as of February 2017)



FY2017 : Outlook

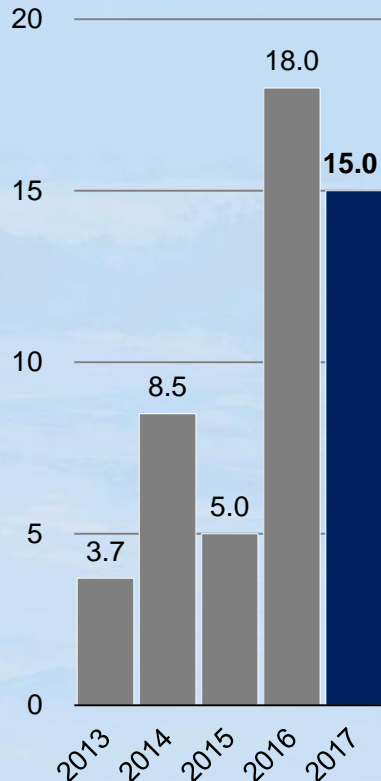
Revenue

Billion JPY



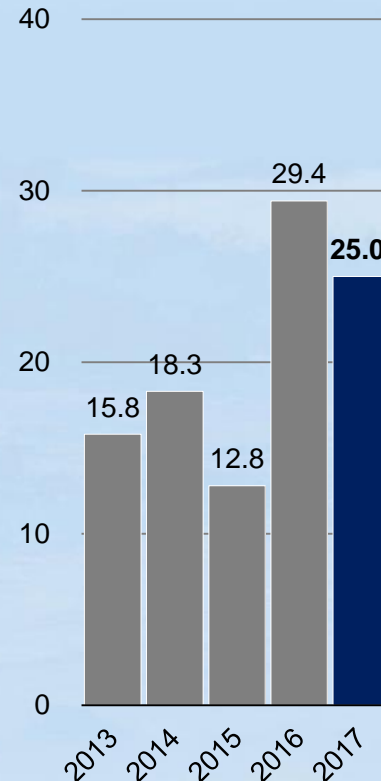
Operating Profit

Billion JPY



Ordinary Profit

Billion JPY



Profit Attributable to Owners of Parent

Billion JPY



- MV29 to start charter in 2017 2H



FPSO Cidade de Campos dos Goytacazes MV29



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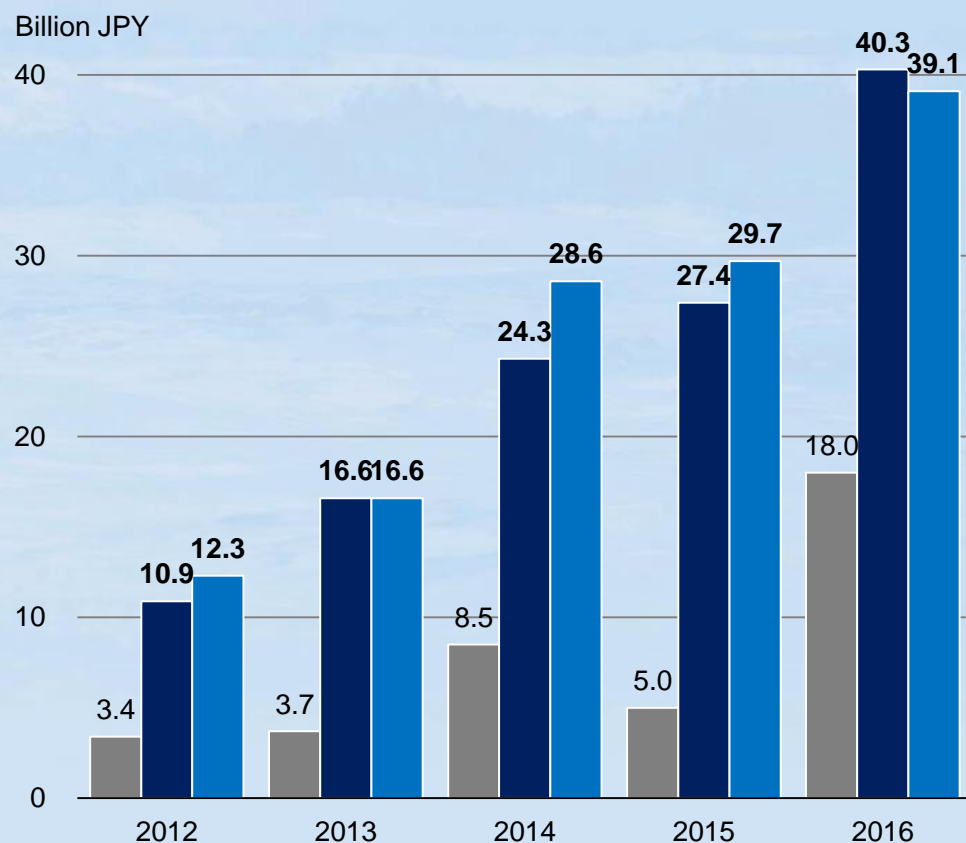
Profit & Loss

	2015	2016	Variance	Million JPY
Revenue	295,596	229,987	(65,609)	
Gross Profit	20,078	31,544	11,466	<ul style="list-style-type: none"> Gross profit increased by 11.4 billion yen year-on-year due to EPC profit improvements and additional revenue from early delivery of an FPSO
Selling, General and Administrative Expenses	15,003	13,526	(1,477)	
Operating Profit	5,075	18,018	12,943	<ul style="list-style-type: none"> Operating profit increased by 12.9 billion yen year-on-year due to increased gross profit and reduction in SG&A
Other Income (A)	14,717	14,736	19	
Other Expenses (B)	6,972	3,346	(3,626)	
Total Other Income/Expenses (C=A-B)	7,745	11,390	3,645	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	8,345	9,618	1,273	<ul style="list-style-type: none"> Number of leased units increased
(Exchange gain/loss and Gain/loss on revaluation of derivatives included in C)	(3,228)	(1,410)	1,818	<ul style="list-style-type: none"> Loss on foreign currency revaluation was recorded due to yen appreciation
Ordinary Profit	12,819	29,409	16,590	
Extraordinary Profit	3,715	-	-	
Extraordinary Loss	1,705	1,632	(73)	
Income before Income Taxes and Non-controlling Interests	14,829	27,776	12,947	
Profit Attributable to Owners of Parent	5,824	21,012	15,188	
Exchange Rate (USD)	¥120.53	¥116.49	(¥4.04)	

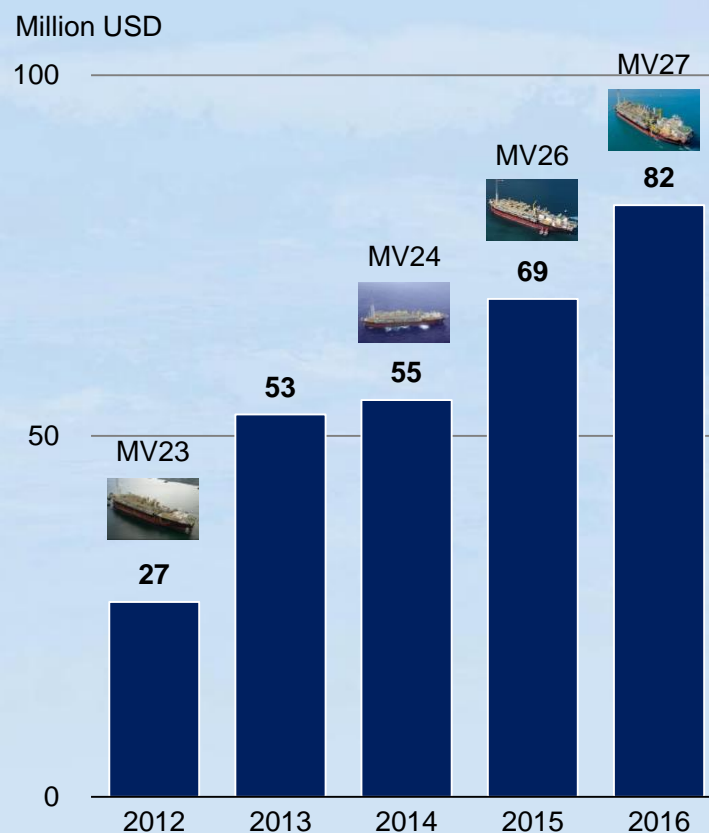
Equity in Earnings of Affiliates

Operating Profit (as if consolidating affiliates basis)

- A A : Consolidated Operating Profit
- A + B B : Operating Profit (equity method portion)
- A + B + C C : Influence of Deferred/Realized Profits

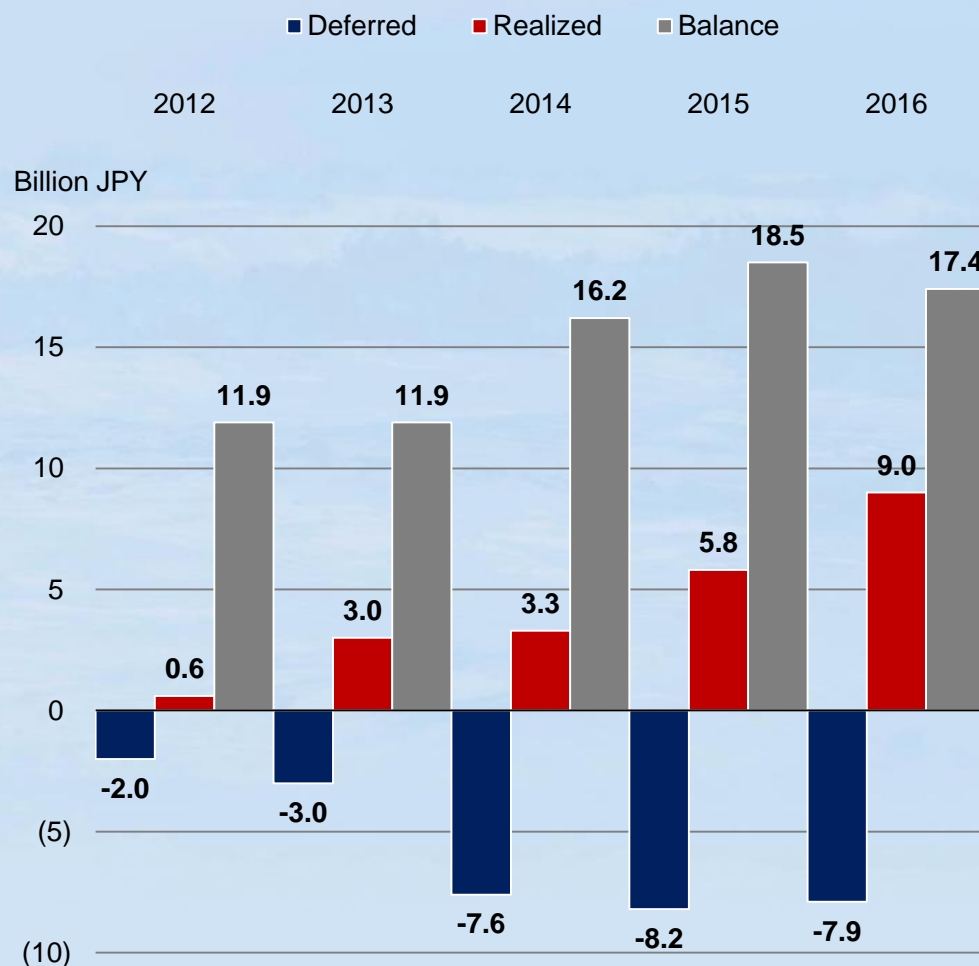


Equity in Earnings of Affiliates



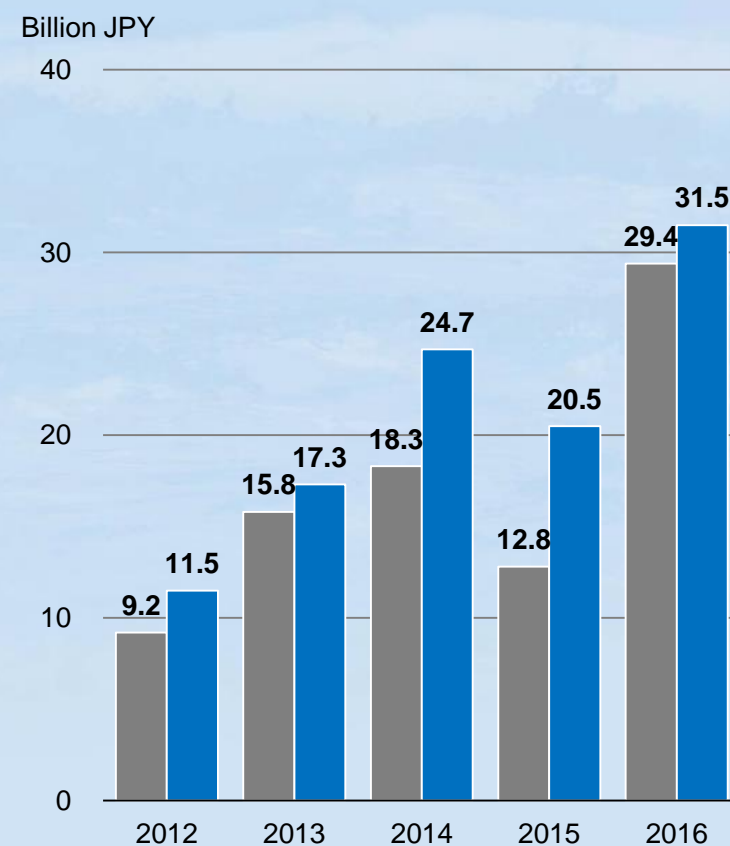
Ordinary Profit

Influence of Deferred/Realized Profits



Ordinary Profit (as if consolidating affiliates basis)

- A A : Consolidated Ordinary Profit
 ■ A + B + C B : Ordinary Profit (equity method portion)
 C : Influence of Deferred/Realized Profits

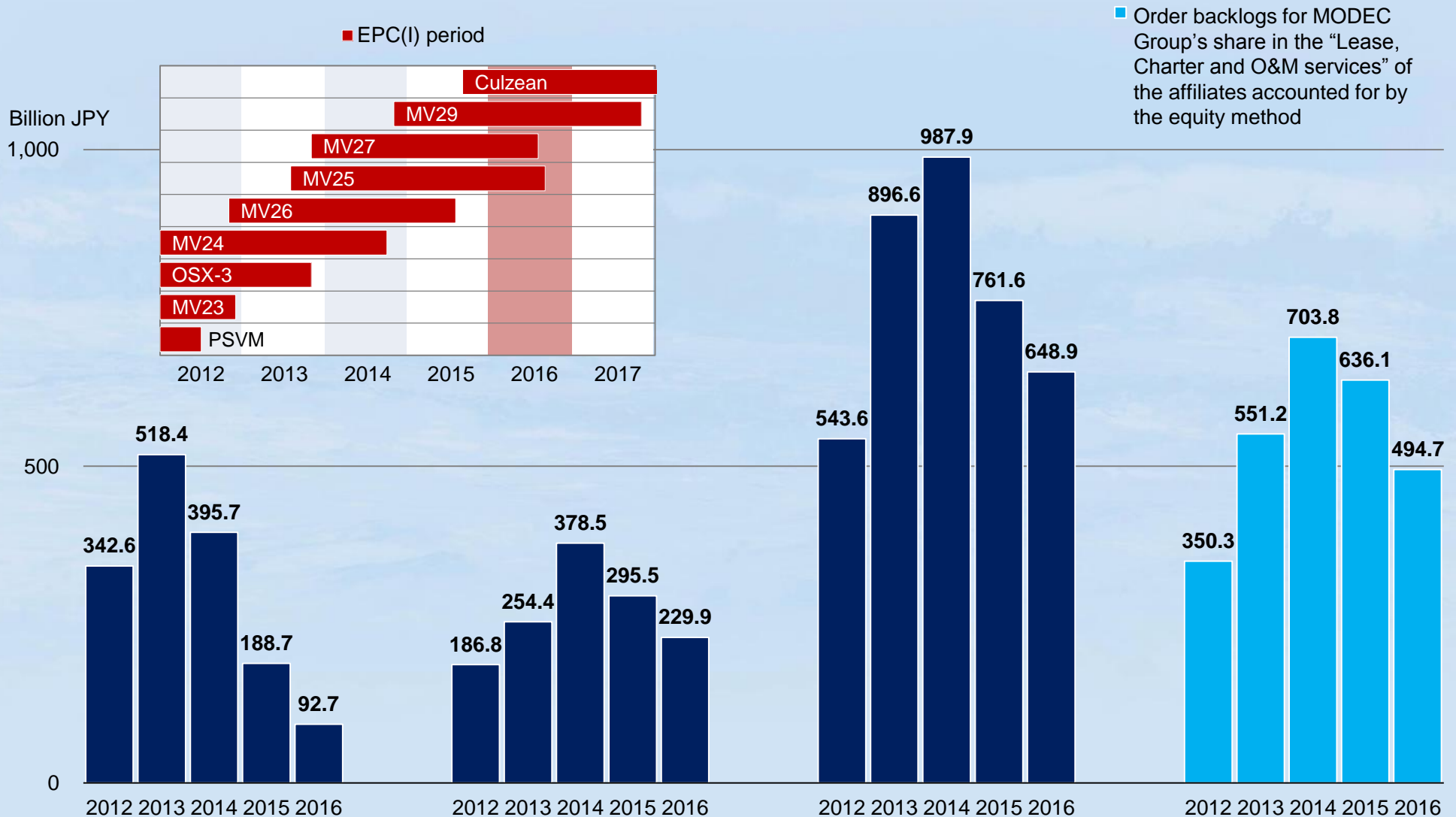


New Orders / Revenue / Order Backlogs

New Orders

Revenue

Order Backlogs

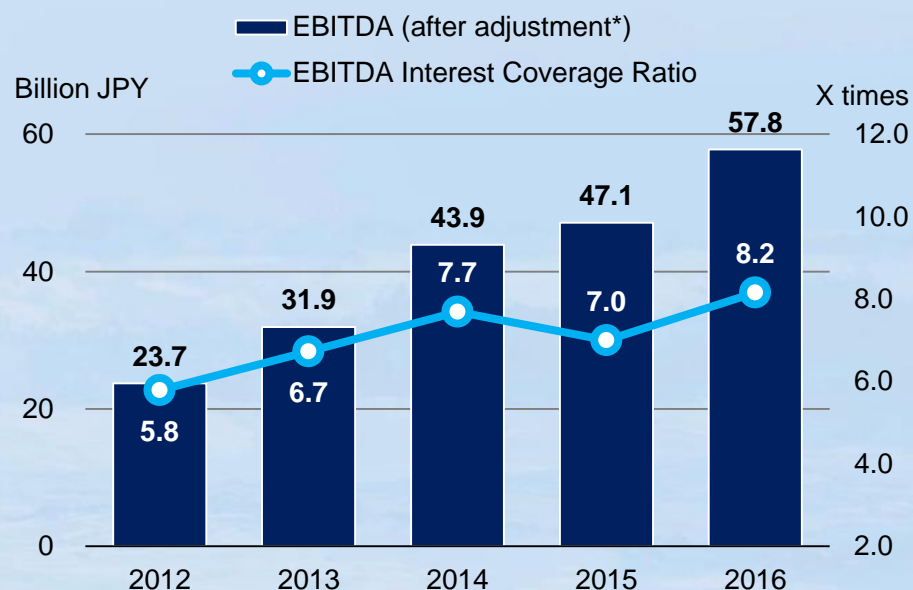


Balance Sheet

	2015	2016	Variance	Million JPY
Accounts Receivable - trade	145,752	95,544	(50,208)	● Accounts receivable decreased due to timing difference between EPC(I) progress and receiving of payment
Short-term Loans Receivable	20,239	55,012	34,773	
Total Current Assets	242,120	218,042	(24,078)	
Property and Equipment	18,485	14,161	(4,324)	
Intangible Assets	7,476	7,420	(56)	
Investments and Other Assets	86,381	93,624	7,243	
Total Fixed Assets	112,343	115,206	2,863	
Total Assets	354,464	333,249	(21,215)	
	2015	2016	Variance	
Accounts Payable - trade	145,230	96,738	(48,492)	● Accounts payable decreased in line with EPC(I) progress
Short-term Loans Payable	6,044	7,812	1,768	
Total Current Liabilities	177,251	142,536	(34,715)	
Long-term Loans Payable	50,219	42,478	(7,741)	● Long-term loans payable decreased due to repayment of loans
Total Long-term Liabilities	62,229	56,102	(6,127)	
Total Liabilities	239,481	198,639	(40,842)	
Total Shareholders Equity	99,232	118,200	18,968	
Total Accumulated Other Comprehensive Income	2,322	4,849	2,527	
Minority Interests in Consolidated Subsidiaries	13,428	11,560	(1,868)	
Total Net Assets	114,983	134,609	19,626	
Total Liabilities, Net Assets	354,464	333,249	(21,215)	

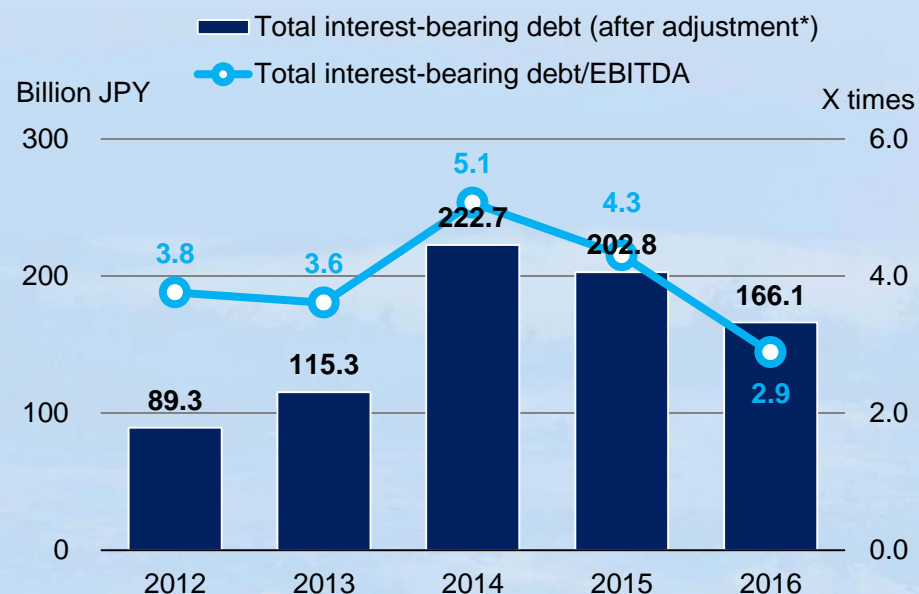
Key Financial Indicators

EBITDA

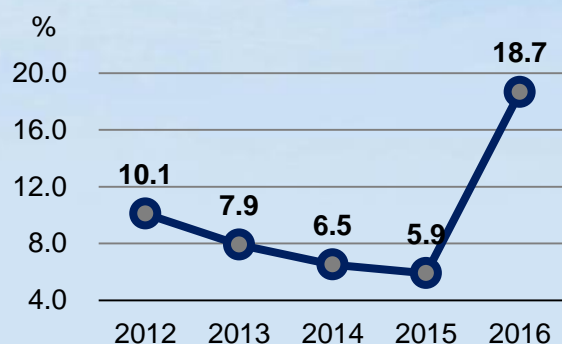


*Adjustment: Adding MODEC group's share in affiliates accounted for by the equity method

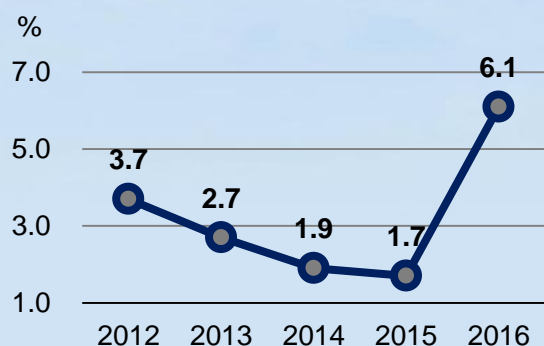
Interest-Bearing Debt



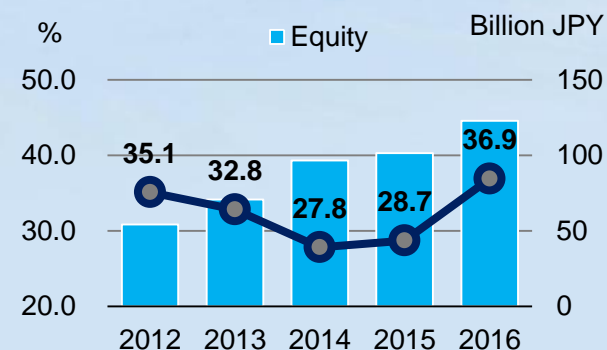
ROE



ROA



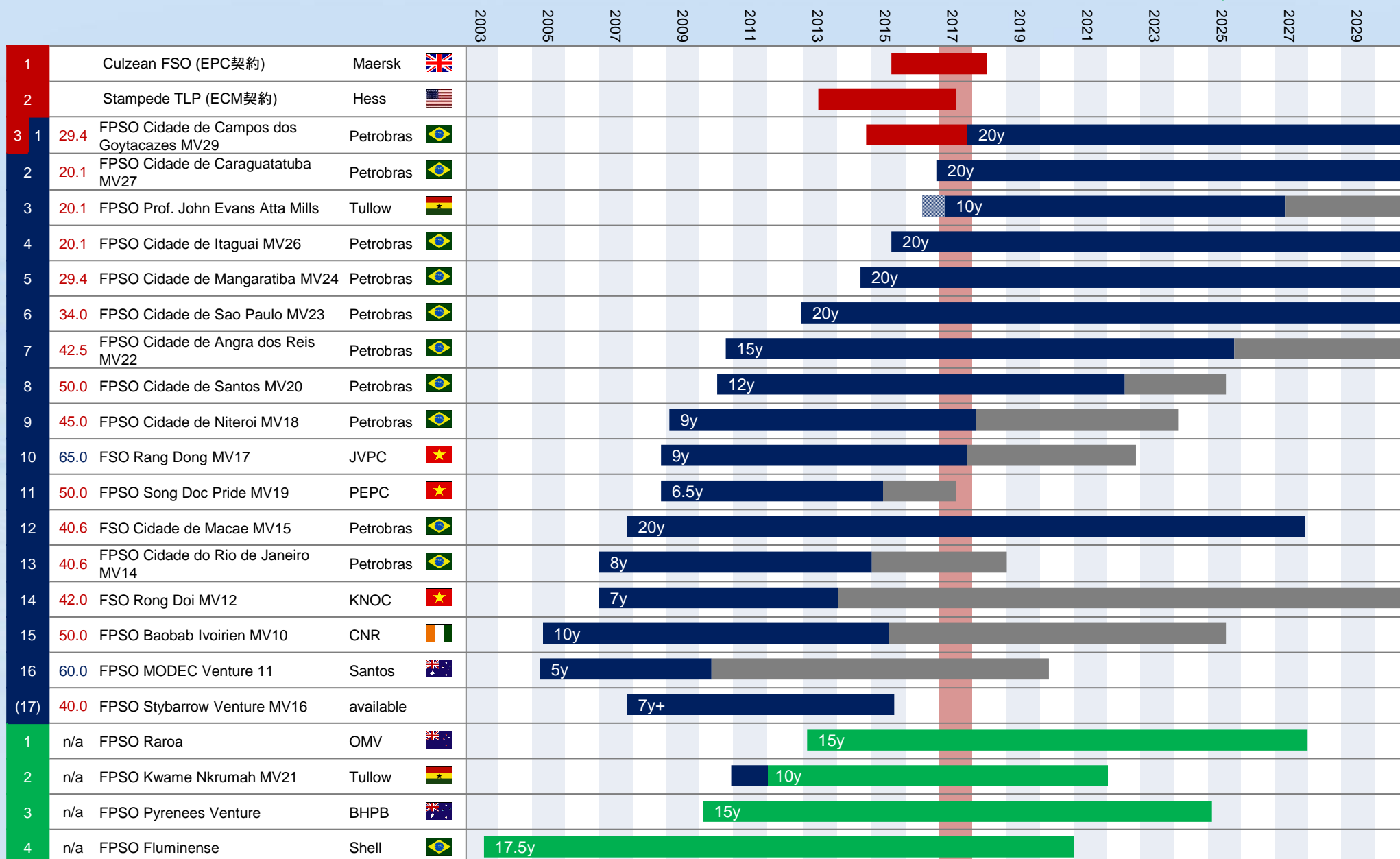
Equity Ratio



EPC(I) / Charter / O&M Period

As of February 2017

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



Owned by MODEC group companies (%)
 Affiliates accounted for by the equity method
 Consolidated subsidiary