



MODEC, Inc.
2018 Financial Results
Analysts Presentation

February 6, 2019



A large offshore oil rig, the 'PROF. JOHN EVANS ATTA MILLS', is shown in the water. The rig has a complex white and yellow structure with multiple decks and a tall derrick. The name 'PROF. JOHN EVANS ATTA MILLS' is visible on the side of the rig's hull.

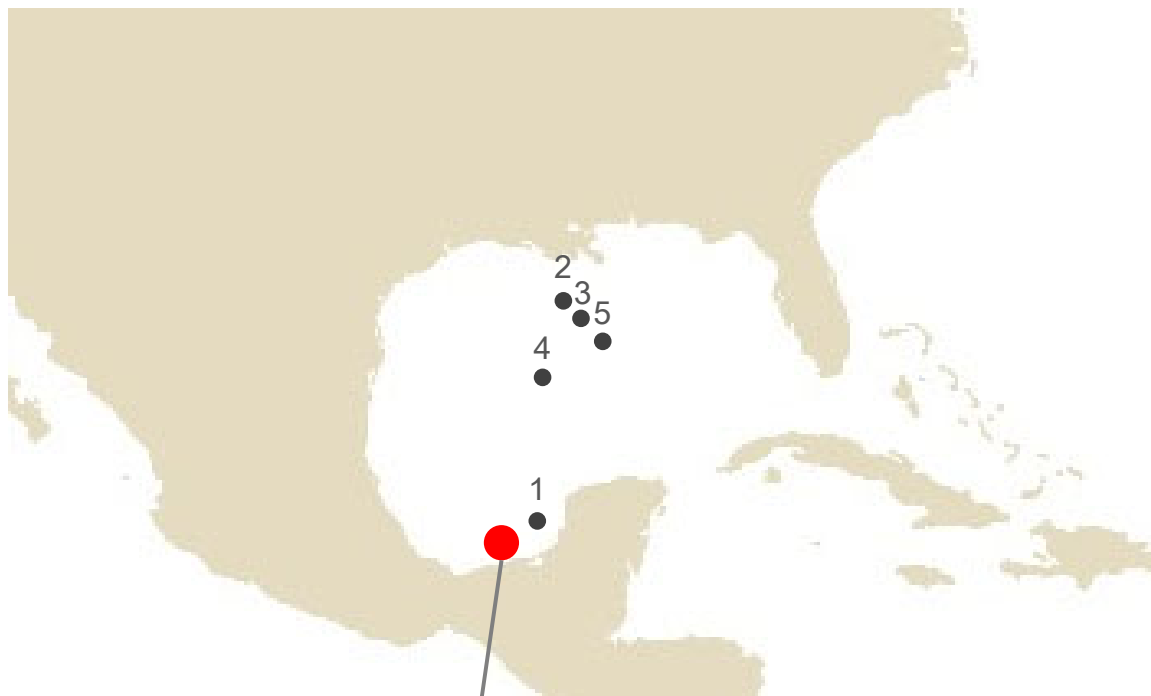
Highlight

Market Review & Outlook

Financial Results

A decorative horizontal bar with a blue-to-red gradient, starting from the left and ending on the right.

FY2018 : New Award



Track Record in Gulf of Mexico

FSO

1



FSO Ta'Kuntah
- EPCI + Time Charter

TLP

2



Stampede TLP
- EPCM + Commissioning

3



Shenzi TLP
- EPC + pre-commissioning

4



Marco Polo TLP
- EPC


5



Prince TLP
- EPCI



Eni Mexico Area 1 FPSO

Client	Eni Mexico S. de R.L. de C.V.
Contract	EPCI + Charter (15years + 5 one-year extension options)
Field Location	Area1 (Mexico) 
Water Depth	32m
Oil Production	90,000 bopd
Gas Production	75 mmscfd
Storage Capacity	900,000 bbls

FY2018: Delivered Units

FSO Ailsa



Client	Maersk
Field	Culzean
Water Depth	90m
Oil Handling	25,000 bopd Inlet
Storage Capacity	430,000 bbls

- Delivered to client in June 2018

*FPSO Cidade de Campos dos Goytacazes
MV29*

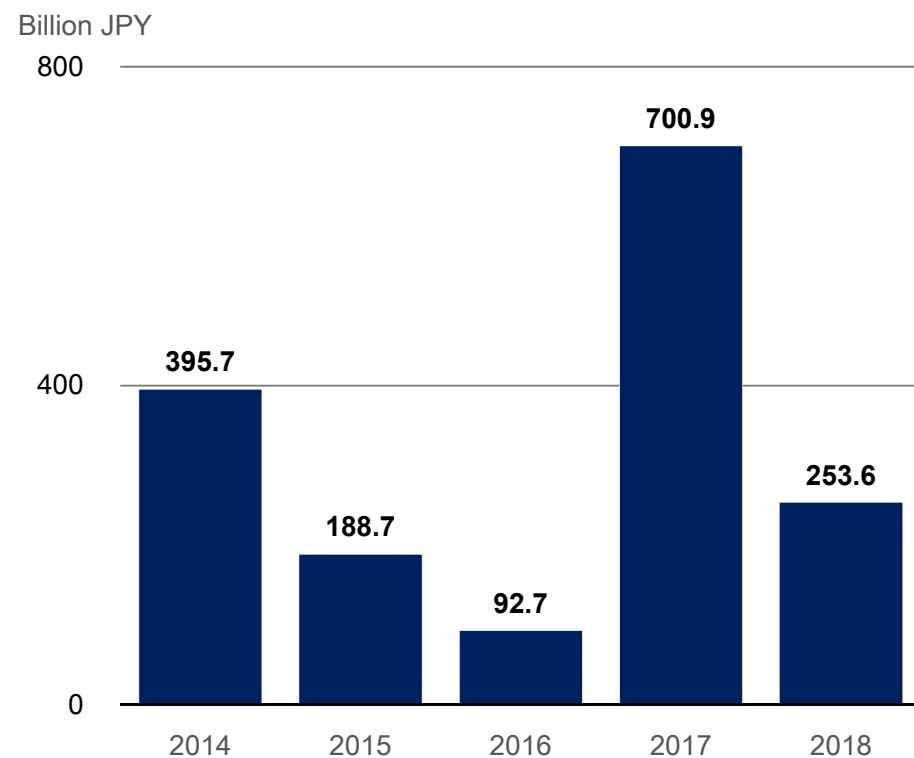


Client	Petrobras
Charter Period	20 years
Field	Tartaruga Verde & Tartaruga Mestiça
Water Depth	765m
Production	150,000 bopd, 176 mmscfd
Storage	1,600,000 bbls

- Charter started in June 2018

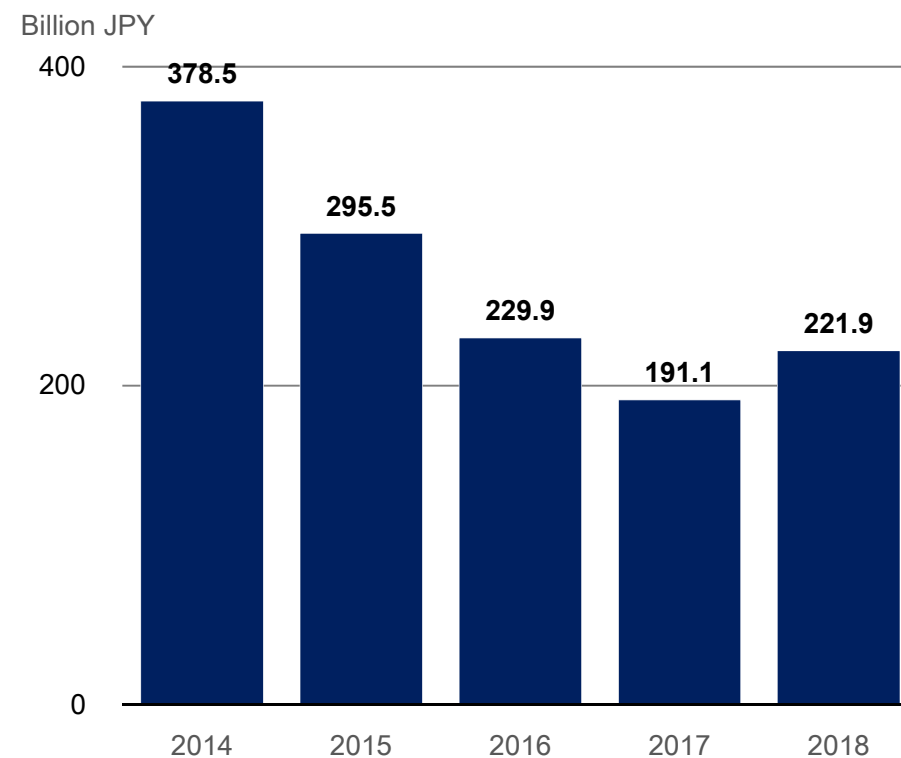
FY2018 : Highlights

New Orders



- Awarded a charter contract from ENI

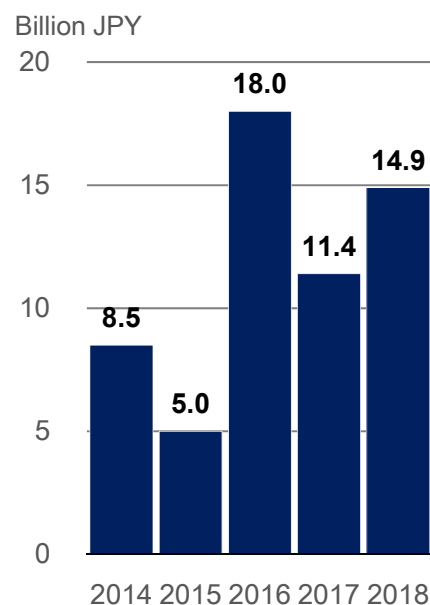
Revenue



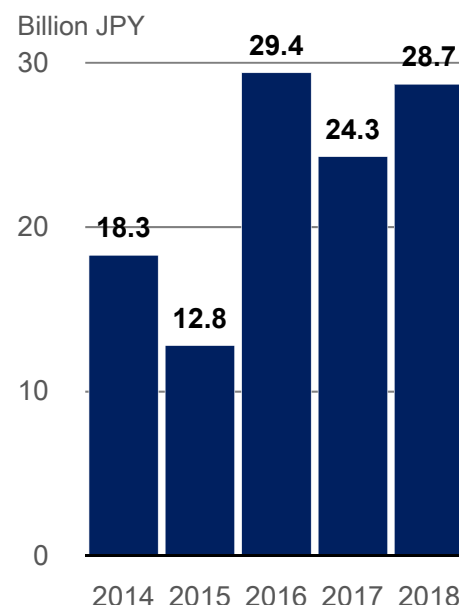
- Revenue from both EPCI and O&M increased

FY2018 : Highlights

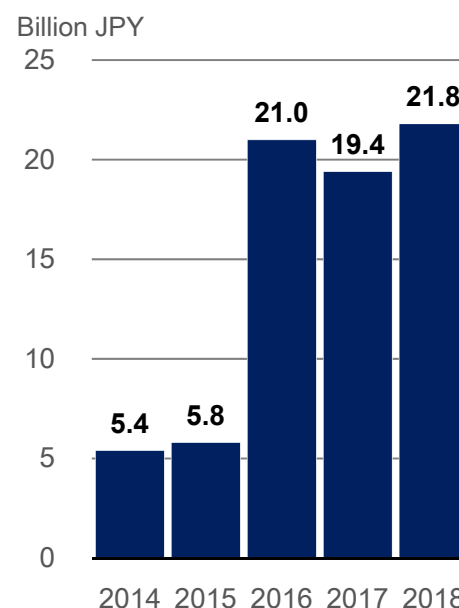
Operating Profit



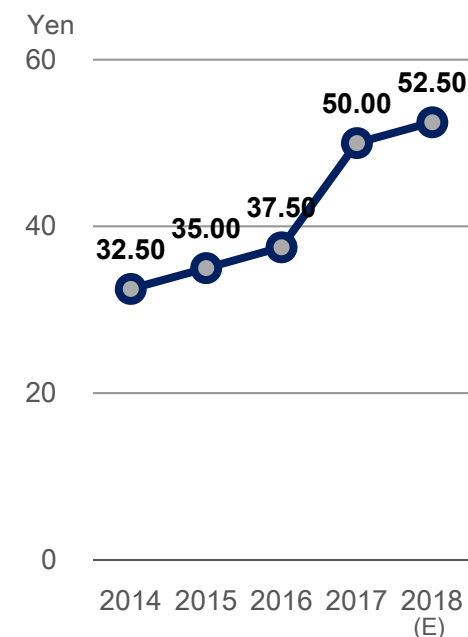
Ordinary Profit



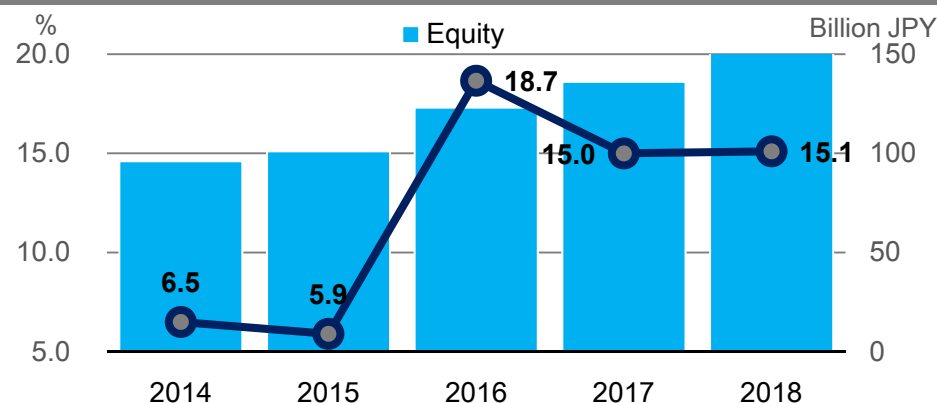
Profit Attributable to Owners of Parent



Dividends per Share



















ROE



- Profit attribute to owners of parent hit a record high of 21.8billion JPY
- Equity increased to 152.6 billion JPY
- Proposed annual dividends of ¥52.50 per share including 50th anniversary commemorative dividend of ¥10.00 per share
 - Dividend has been increasing every year for 14 years.

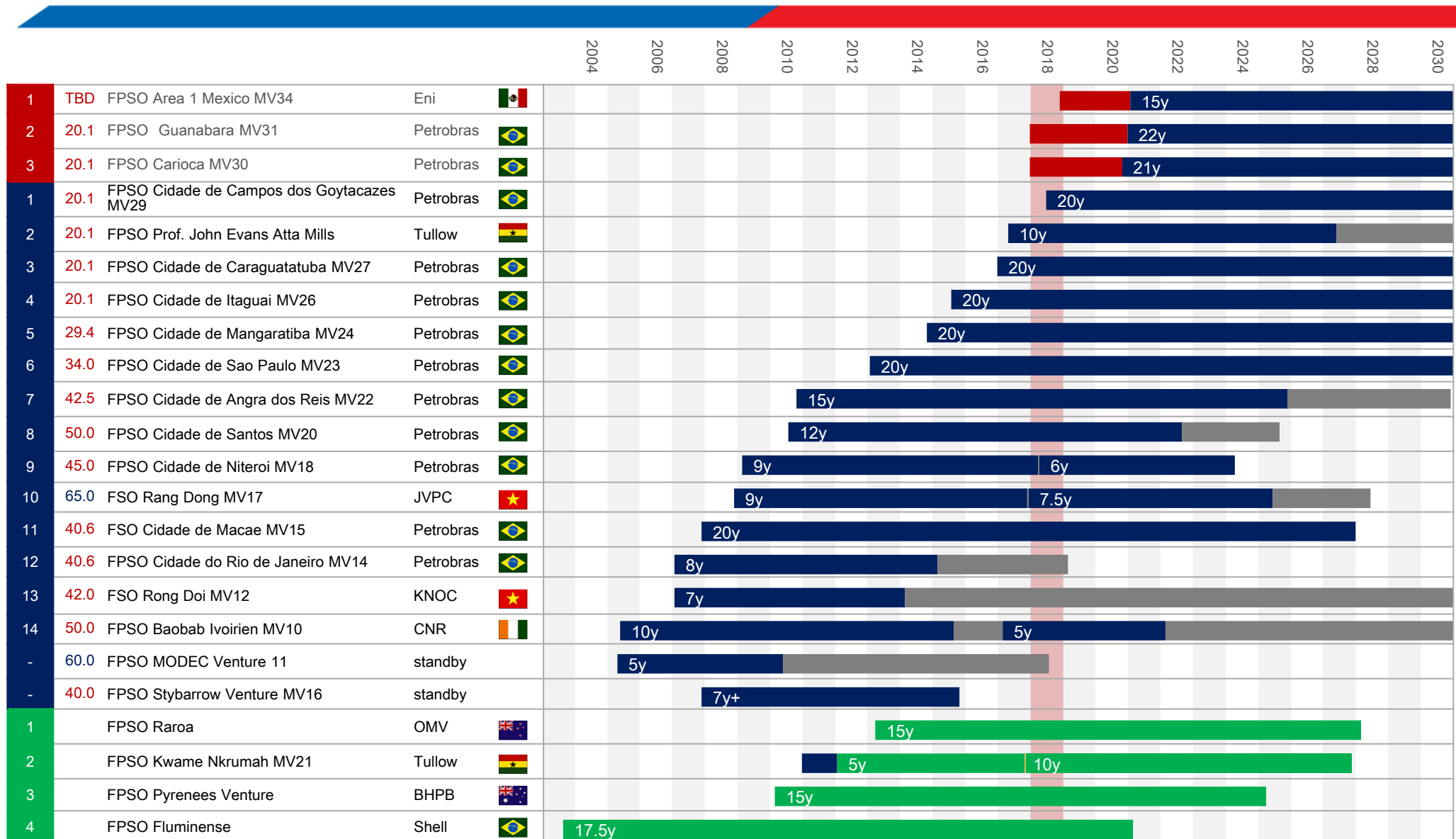
FY2018 : EPC(I)

	FSO Ailsa	FPSO Cidade de Campos dos Goytacazes MV29	FPSO Carioca MV30	FPSO Guanabara MV31	Eni Mexico Area 1 FPSO
Client	Maersk 	Petrobras 	Petrobras 	Petrobras 	Eni 
Contract	EPC	EPCI + Time Charter (20 years)	EPCI + Time Charter (21 years)	EPCI + Time Charter (22 years)	EPCI + Charter (15 years + 5 one-year extension options)
Delivery (Planned)	June, 2018	June, 2018	2021	2021	2021
Field	Culzean	Tartaruga Verde & Tartaruga Mestiça	Sépia	Mero	Area 1
Location	UK 	Brazil 	Brazil 	Brazil 	Mexico 
Water Depth	90 m	765 m	2,200 m	2,100 m	32 m
Storage/ Production	430,000 bbls 25,000 bopd inlet	1,600,000 bbls 150,000 bopd 176 mmscfd	1,400,000 bbls 180,000 bopd 212 mmscfd	1,400,000 bbls 180,000 bopd 424 mmscfd	900,000 bbls 90,000bopd 75 mmscfd
Progress	 	 			Order received in 4Q 2018

EPC(I) / Charter / O&M Period

As of December 2018

- 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

Highlight

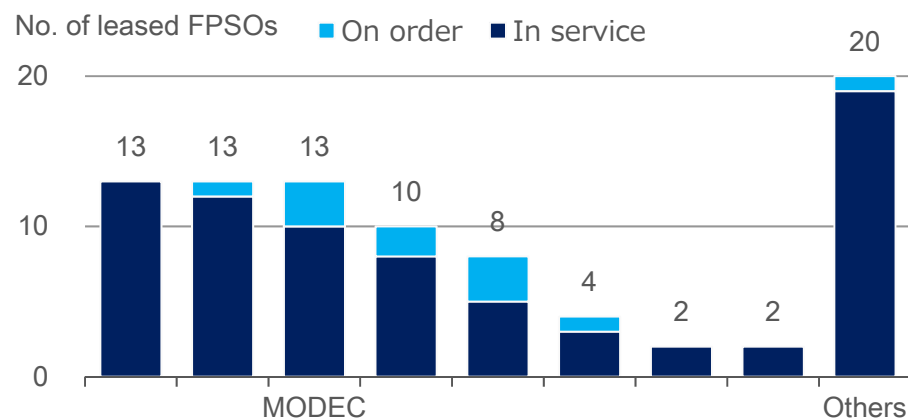
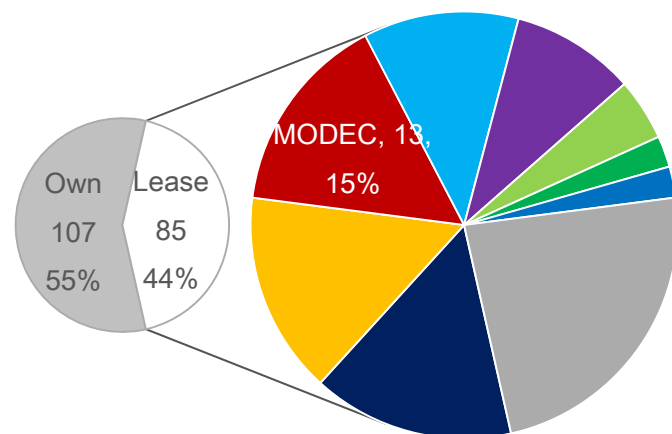
Market Review & Outlook

Financial Results

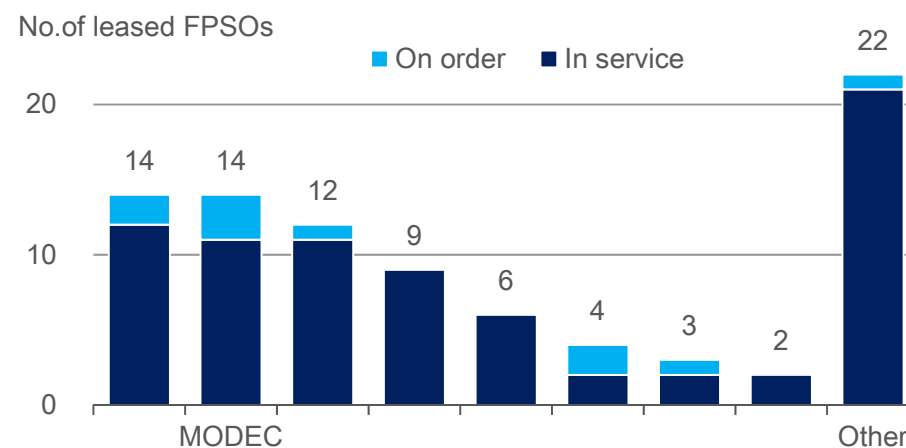
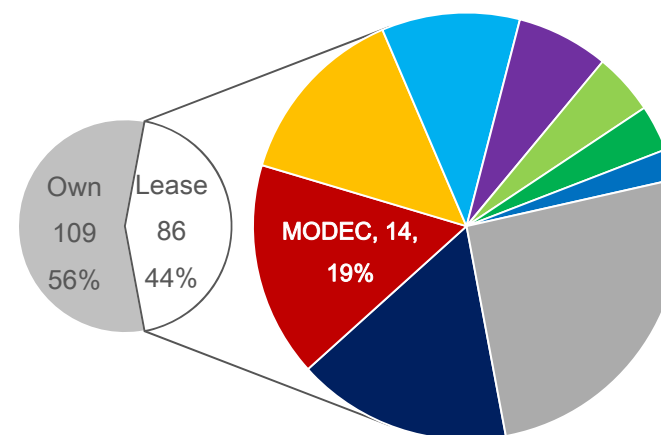
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Leased FPSOs (Share by Number of Leased FPSO))

As of July, 2016

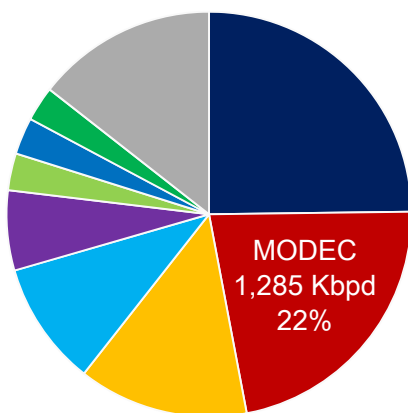


As of December, 2018

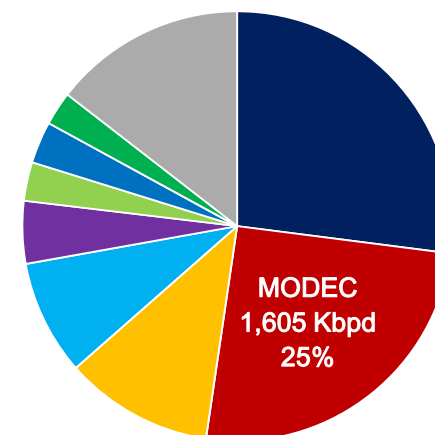


Leased FPSOs (Share by Oil Production Capacity))

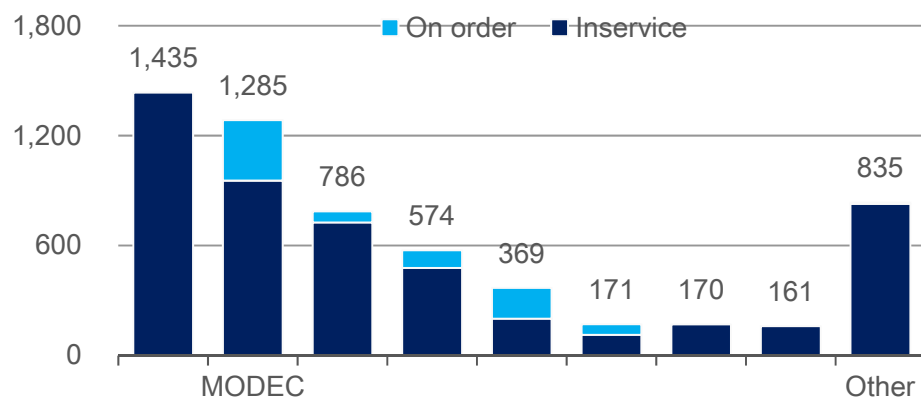
As of July, 2016



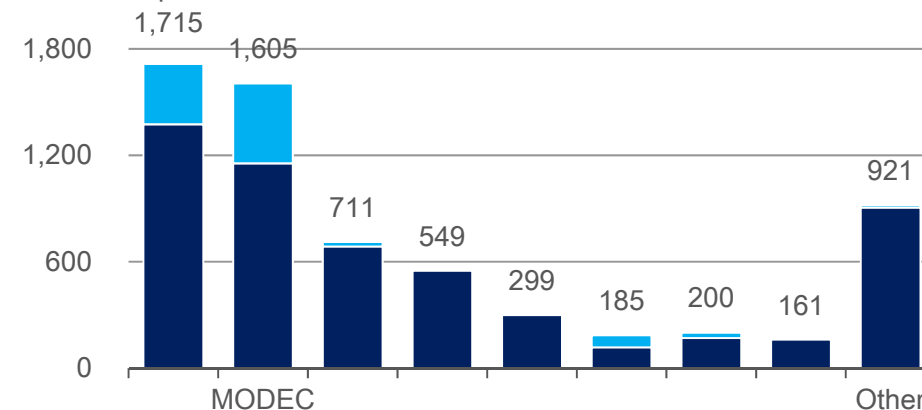
As of December, 2018



Thousand bpd

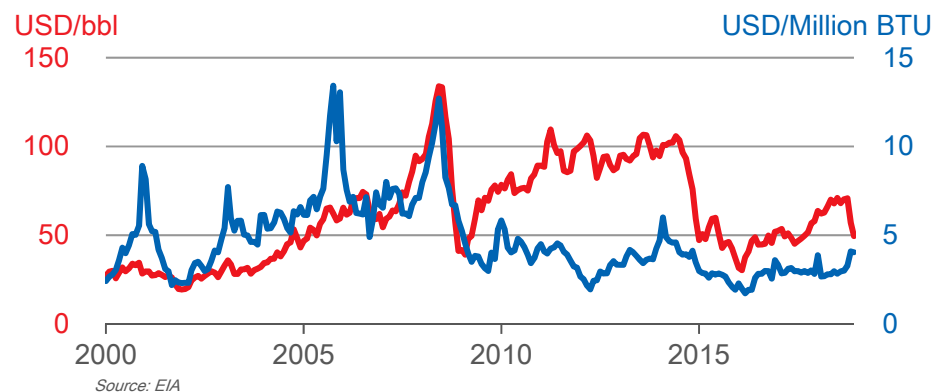


Thousand bpd

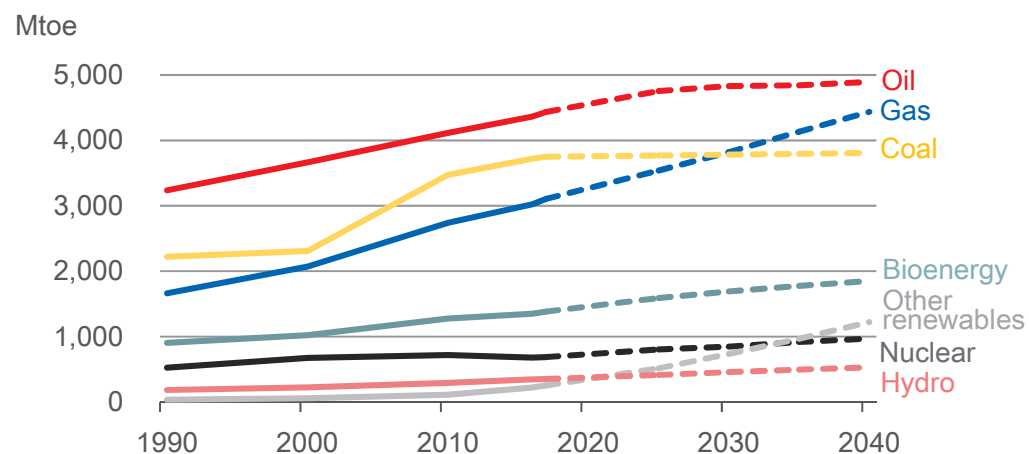


Market View

Oil & Natural Gas Prices (WTI/Henry Hub)

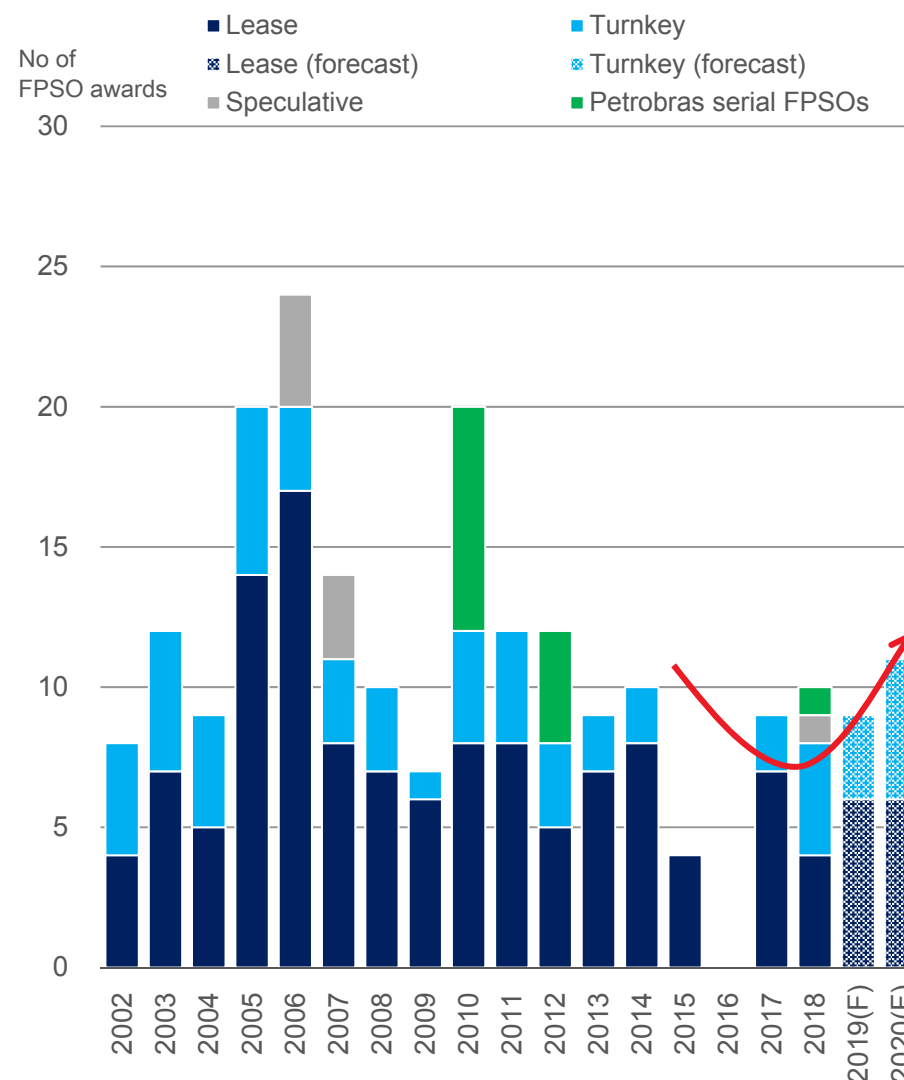


Demand by Energy Type



Source: World Energy Outlook 2012 & 2018 - New Policy Scenario (IEA)

FPSO Awards (Historical + Forecast)

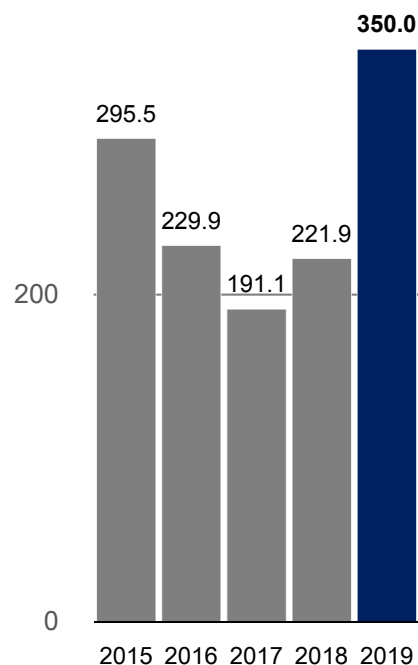


Source: Fearnley Offshore partially adjusted by MODEC.

FY2019 : Outlook

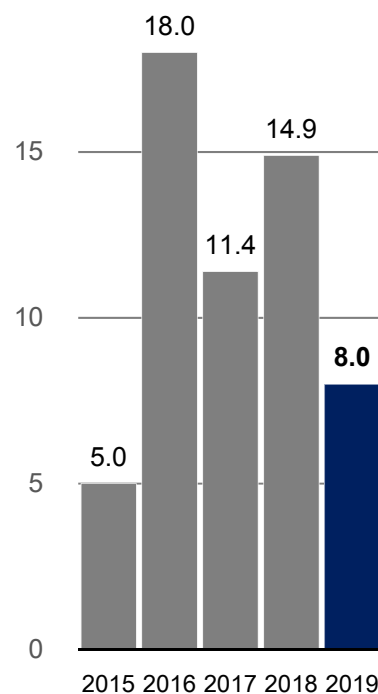
Revenue

Billion JPY
400



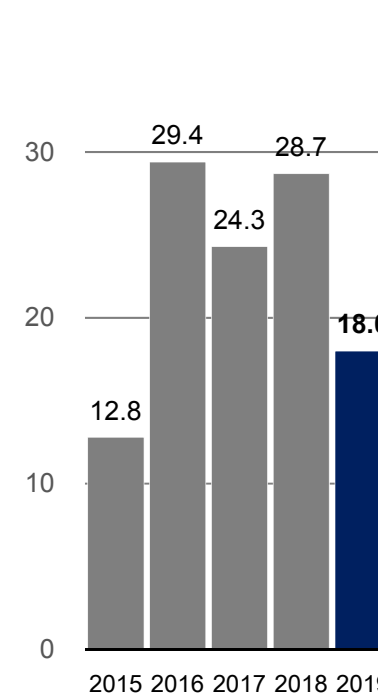
Operating Profit

Billion JPY
20



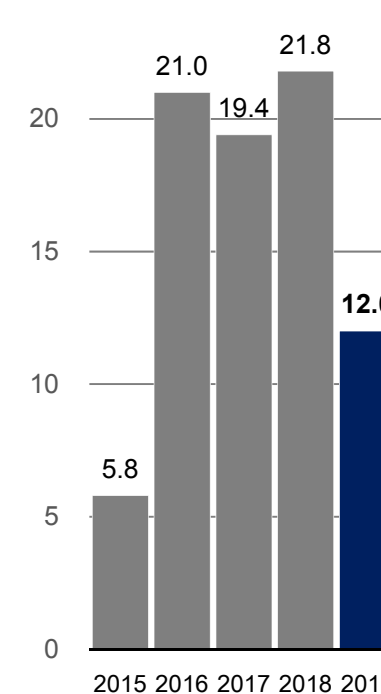
Ordinary Profit

Billion JPY
40



Profit Attributable to Owners of Parent

Billion JPY
25



- Revenue will increase to over 350 billion JPY mainly due to the increase of revenue from EPCI
- Assumed exchange rate for FY2019: 110 yen/USD

Highlight

Market Review & Outlook

Financial Results

A horizontal decorative bar with a blue left half and a red right half.

Profit & Loss

	2017	2018	Variance	Million JPY
Revenue	191,182	221,909	30,727	
Gross Profit	24,804	26,557	1,753	
Selling, General and Administrative Expenses	13,356	11,628	(1,728)	
Operating Income	11,448	14,928	3,480	
Other Income (A)	15,770	16,291	521	
Other Expenses (B)	2,895	2,440	(455)	
Total Other Income/Expenses (C=A-B)	12,875	13,851	976	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	9,686	9,841	155	
(Exchange gain/loss in C)	(1,321)	(1,038)	283	
Ordinary Profit	24,322	28,779	4,457	
Extraordinary Profit	741	0	(741)	
Extraordinary Loss	0	0	0	
Income before Income Taxes and Non-controlling Interests	25,064	28,779	3,715	
Profit Attributable to Owners of Parent	19,454	21,891	2,437	
Exchange Rate (USD)	¥113.00	¥111.02	(¥1.98)	

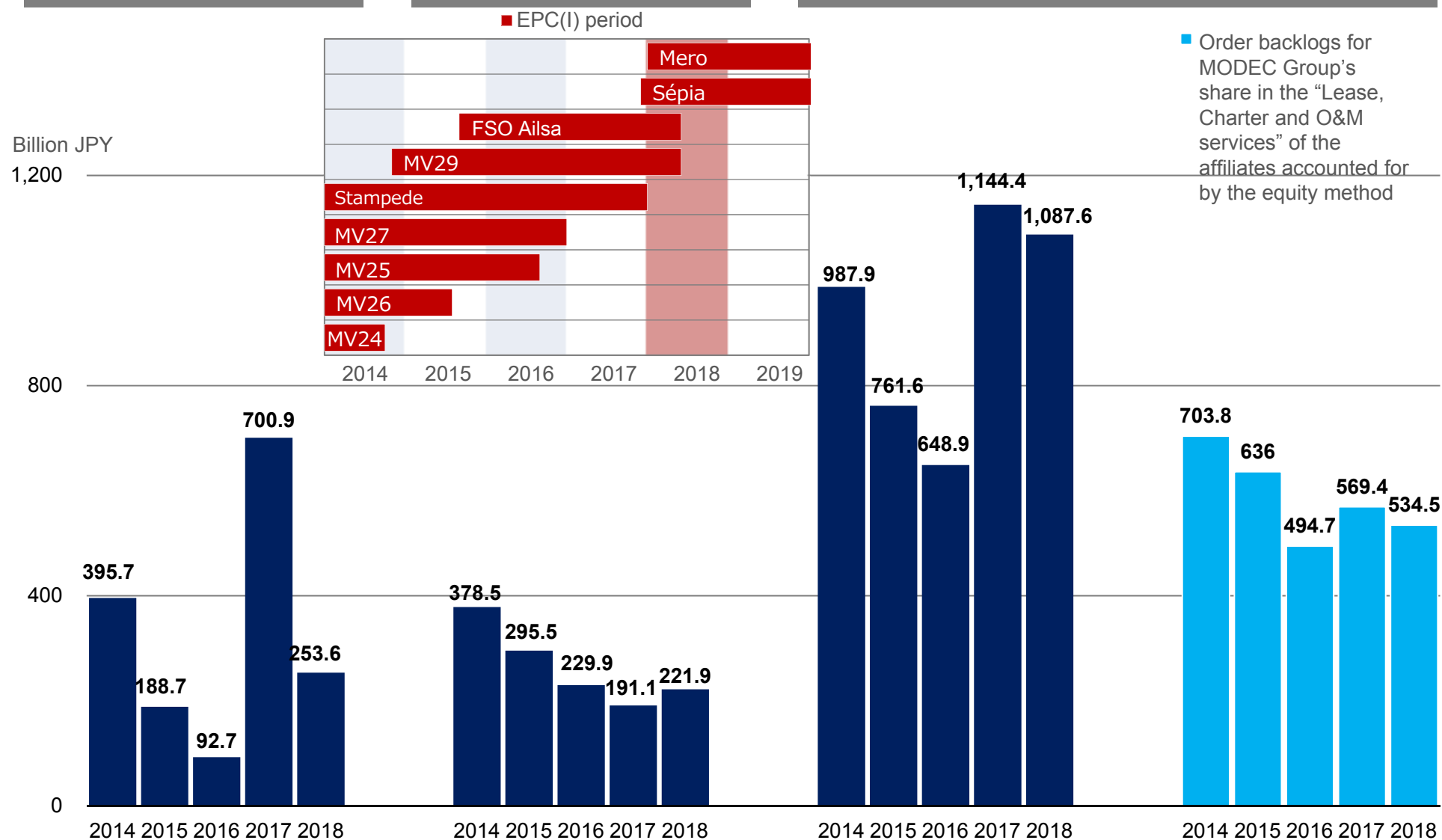
- Gross profit increased by 1.8 billion yen mainly due to increase of EPCI revenue and improvement of profitability of O&M services
- Operating profit increased by 3.5 billion yen due to increased gross profit and reduction in SG&A

New Orders / Revenue / Order Backlogs

New Orders

Revenue

Order Backlogs

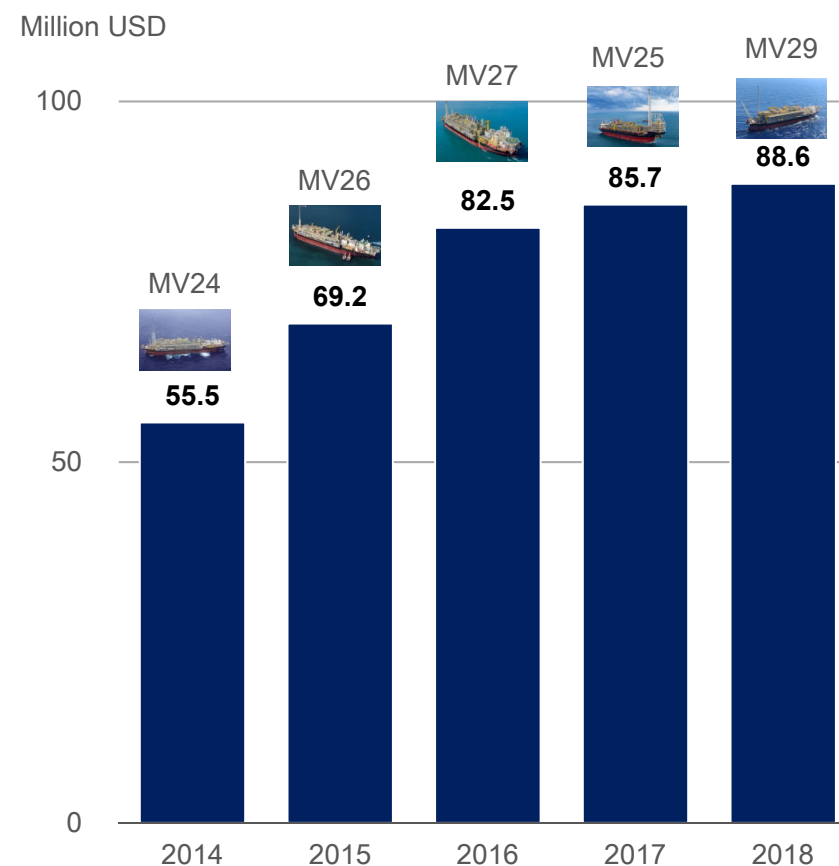
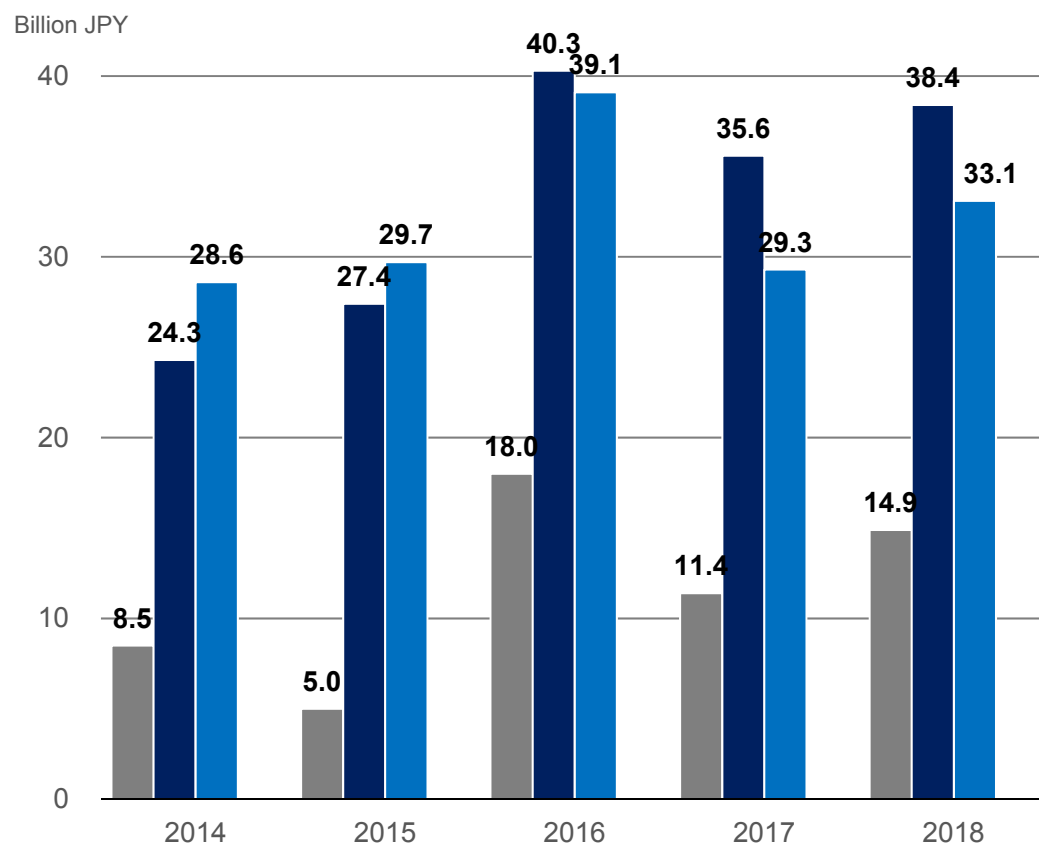


Operating Income/ Equity in Earnings of Affiliates

Operating Profit (as if consolidating affiliates basis)

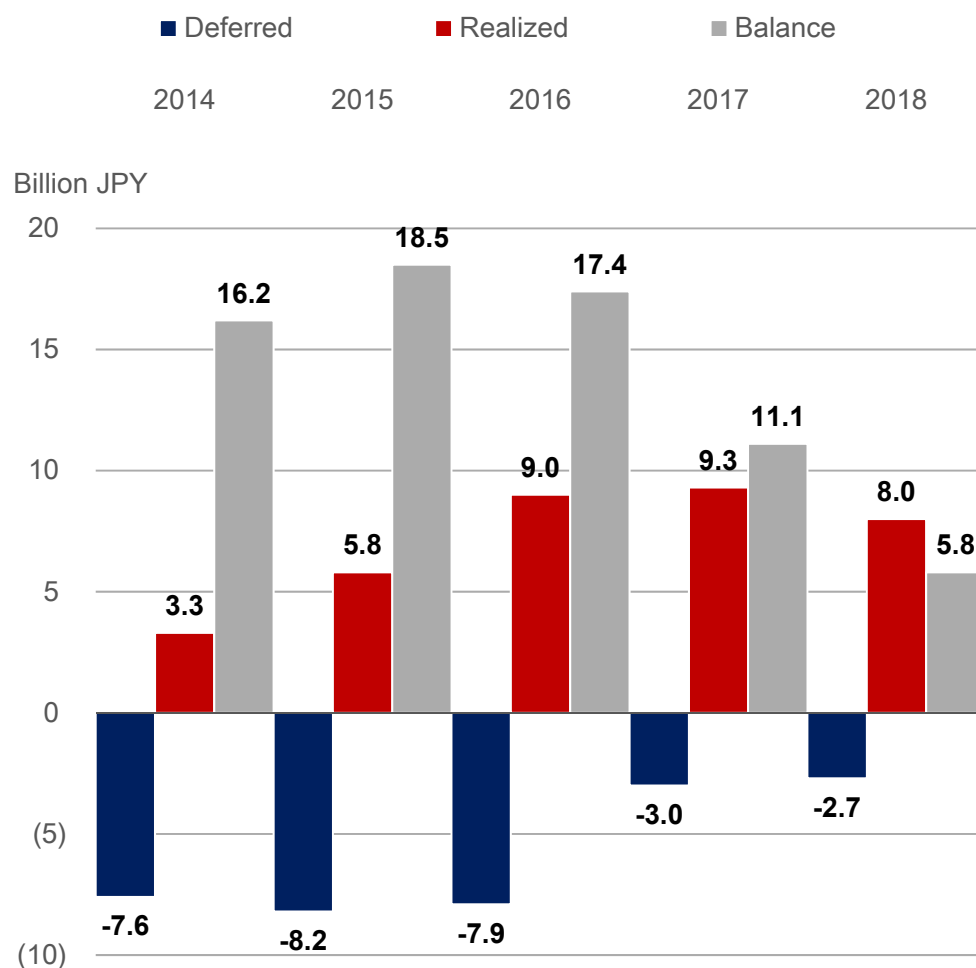
Equity in Earnings of Affiliates

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



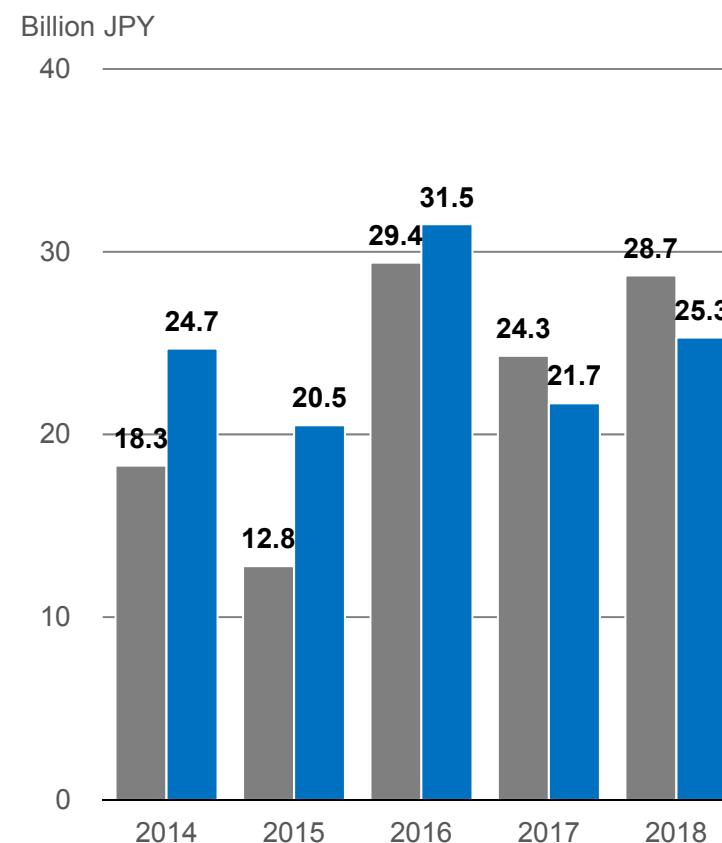
Ordinary Profit

Influence of Unrealized 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

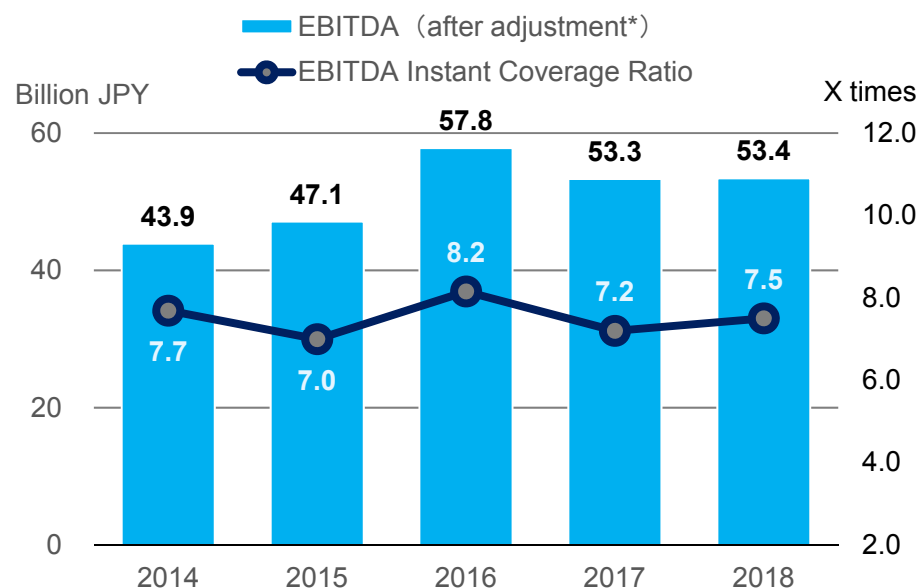


Balance Sheet

	2017	2018	Variance	Million JPY
Cash and Deposits	31,380	51,215	19,835	● Cash and deposits increased due to the temporary retention of construction loan repayment from SPC
Short-term Loans Receivable	46,282	43,021	-3,261	● Short-term loans receivable decreased due to collection of loans receivable from SPCs
Total Current Assets	198,035	211,734	13,699	
Property and Equipment	6,863	2,543	-4,320	● Property and equipment decreased due to the sale of tanker to SPC for conversion
Intangible Assets	7,446	9,260	1,814	
Investments and Other Assets	108,819	119,806	10,987	● Investments and other assets increased due to investment to MV29
Total Fixed Assets	123,129	131,611	8,482	
Total Assets	321,165	343,345	22,180	
	2017	2018	Variance	
Accounts Payable - trade	80,335	97,680	17,345	● Accounts payable increased in line with EPC(I) progress
Short-term Loans Payable	14,467	6,142	-8,325	● Short-term loans payable decreased due to the repayment of loans for working capital
Total Current Liabilities	128,581	144,060	15,479	
Long-term Loans Payable	31,586	24,889	-6,697	● Long-term loans payable decreased due to scheduled repayment
Total Long-term Liabilities	44,197	34,470	-9,727	
Total Liabilities	172,778	178,531	5,753	
Total Shareholders Equity	135,468	154,446	18,978	
Total Accumulated Other Comprehensive Income	1,032	-1,781	-2,813	● Foreign currency translation adjustments decreased due to yen appreciation
Minority Interests in Consolidated Subsidiaries	11,885	12,148	263	
Total Net Assets	148,387	164,814	16,427	
Total Liabilities, Net Assets	321,165	343,345	22,180	

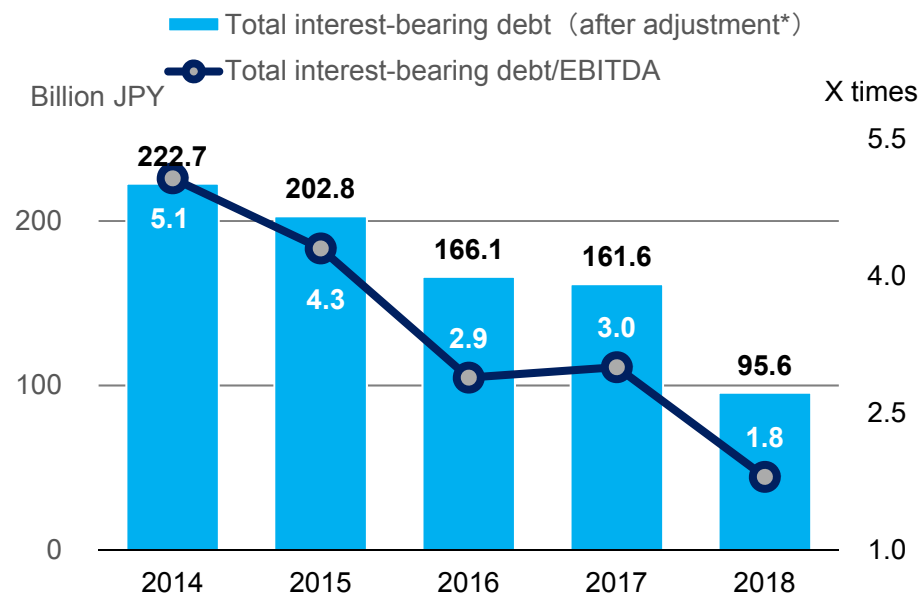
Key Financial Indicators

EBITDA

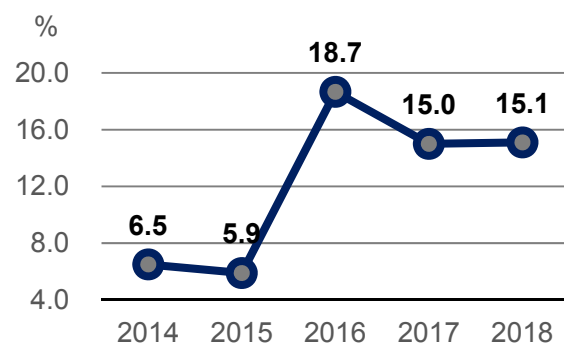


*Adjustment: Adding MODEC group's share in affiliates accounted for by the equity method

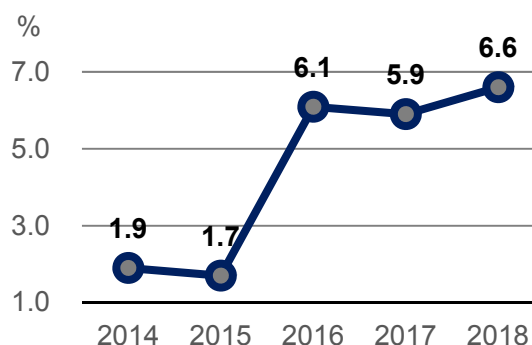
Interest-Bearing Debt



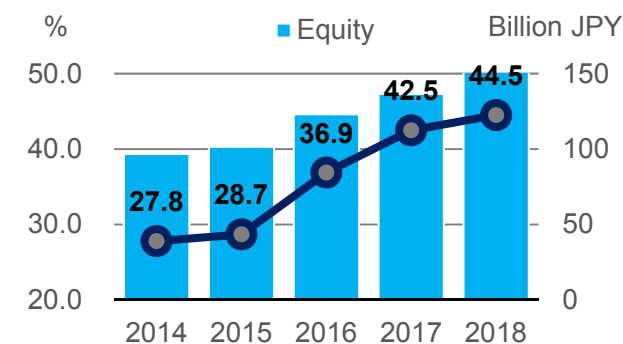
ROE



ROA



Equity Ratio





MODEC

