



MODEC, Inc.
2019 Financial Results
Analysts Presentation

February 6, 2020



Highlight

Financial Results Market Review & Outlook

Financial Results

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FY2019: Highlights

- Awarded 3 FPSOs. Favorable market environment
- Revenue increased to JPY 332.6 billion mainly due to progress of EPCI projects
- First net loss since listed in 2003
 - Recognition of loss provision for EPCI project in Mexico
 - Recognition of extraordinary loss for MV14 repair costs
- Proposed annual dividends: JPY 45.00 yen per share(schedule)
- Established basic policies regarding ESG

FY2019 : New Awards



● Awarded 3 FPSOs

FPSO Almirante Barroso MV32

Client	Petrobras
Contract	EPCI + Time Charter (21 years)
Field Location	Búzios Field (Brazil)
Water Depth	1,900m
Oil Production	150,000 bopd
Gas Production	212 mmscfd
Storage Capacity	1,400,000 bbls

















FPSO Barossa

Client	ConocoPhillips
Contract	EPCI
Field Location	Barossa Field (Australia)
Water Depth	260m
Oil Production	-
Gas Production	600 mmscfd
Storage Capacity	-

FPSO Anita Garibaldi MV33

Client	Petrobras
Contract	EPCI + Time Charter (25 years)
Field Location	Marlim Field (Brazil)
Water Depth	670m
Oil Production	80,000 bopd
Gas Production	248 mmscfd
Storage Capacity	1,000,000 bbls

FY2019: EPC(I) (as of end-December 2019)

	FPSO Carioca MV30	FPSO Guanabara MV31	FPSO MIAMTE MV34	FPSO Almirante Barroso MV32	FPSO Anita Garibaldi MV33	FPSO Barossa
Client	Petrobras 	Petrobras 	Eni Mexico 	Petrobras 	Petrobras 	ConocoPhillips 
Contract	EPCI + Time Charter (21 yrs)	EPCI + Time Charter (22 yrs)	EPCI + Time Charter (15 years + 5 one-year extension options)	EPCI + Time Charter (21 yrs)	EPCI + Time Charter (25 yrs)	EPCI
Delivery (Planned)	2020	2021	2021	2022	2022	2023
Field	Sépia	Mero	Area 1 Block	Búzios	Marlim	Barossa
Location	Brazil 	Brazil 	Mexico 	Brazil 	Brazil 	Australia 
Water Depth	2,200 m	2,100 m	32 m	1,900 m	670 m	260 m
Storage/ Production	1,400,000 bbls 180,000 bopd 212 mmscfd	1,400,000 bbls 180,000 bopd 424 mmscfd	900,000 bbls 90,000 bopd 75 mmscfd	1,400,000 bbls 150,000 bopd 212 mmscfd	1,000,000 bbls 80,000 bopd 248 mmscfd	600 mmscfd
Progress					Order received in 4Q 2019	Order received in 4Q 2019

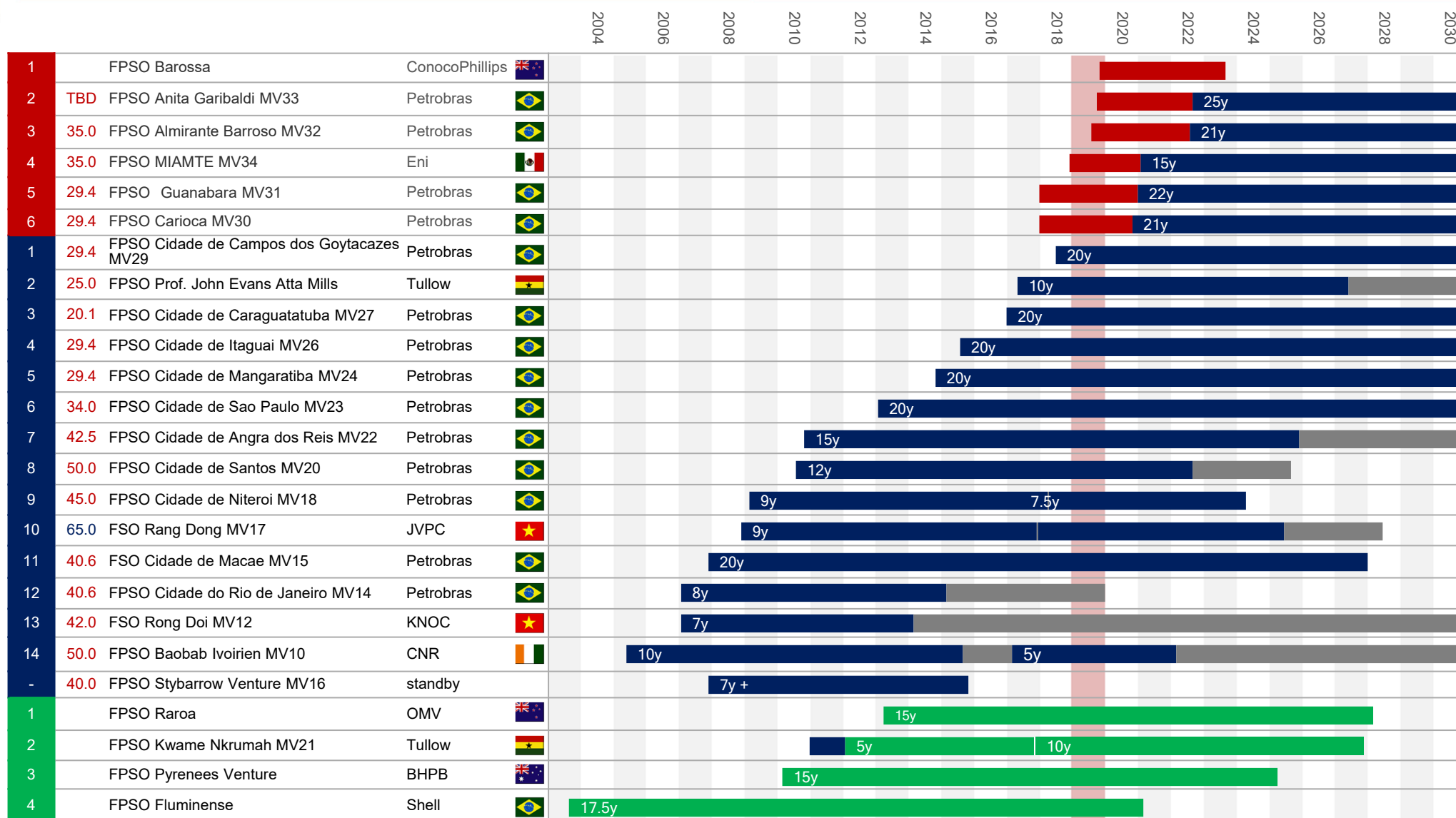
FY2019: EPCI project in Mexico

- Status of the Project
 - Construction costs had increased mainly due to modification of conditions found after the bid and extension of construction period of a subcontractor in Mexico. Loss provision for the project was recorded.
 - It has been settled in 4th quarter. The FPSO will be delivered in 2021.
- Improvement of Risk Management
 - Cold Eye Review to find and correct issues of the project
 - Enhancement of risk management team to prevent recurrence in new projects

EPC(I) / Charter / O&M Period

As of December 2019

■ 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

FY2019: Operation and Maintenance in Brazil

- Repair Cost for Cidade do Rio de Janeiro MV14
 - Some cracks were identified on the hull of FPSO during the demobilization.
 - Under repair in a shipyard in Brazil to repair the cracks and remove residues and coals in order to tow out the FPSO to a scrap yard outside of Brazil for the final decommissioning
 - Recognized JPY17 billion estimated repair costs as extraordinary loss in 4Q 2019
 - The repair works will be completed in the first quarter 2020.
- Other FPSOs and FSO operation in Brazil
 - Special projects will be implemented to FPSOs and FSO which have served long time

FY2019: Progress of Mid-term Business Plan 2020

Evolution of Asset Integrity

MODEC NOAH



M350



- Next Generation New Built FPSO Hulls
- Respond to the requirement of bigger topside and longer duration

Digitalization



- Install advanced analytics- enabled predictive maintenance system in 9 FPSOs
- Promote utilization of data in the design and construction phase as well

Highlight

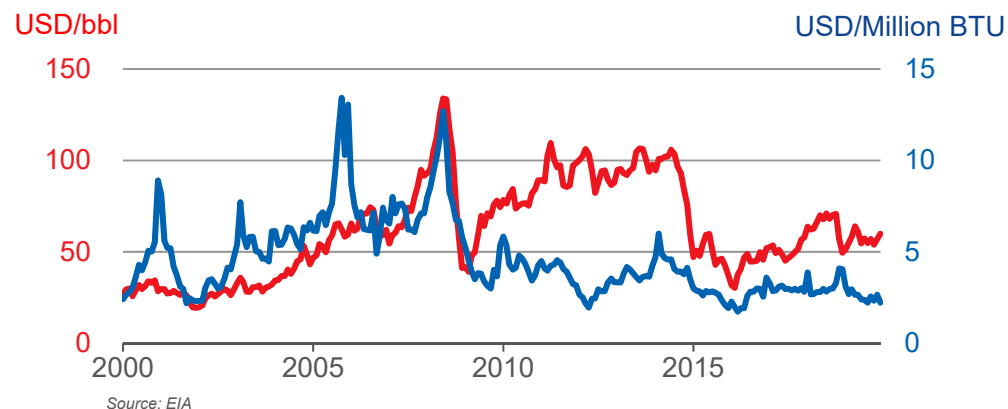
Market Review & Outlook

Financial Results

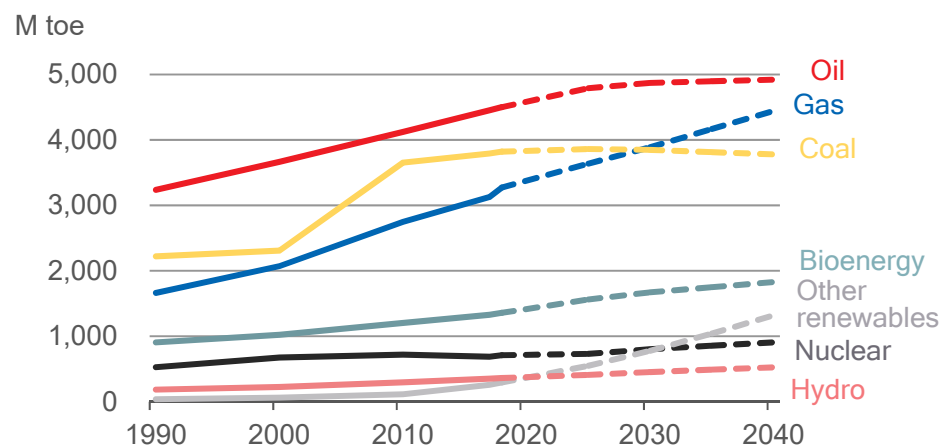
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Market View

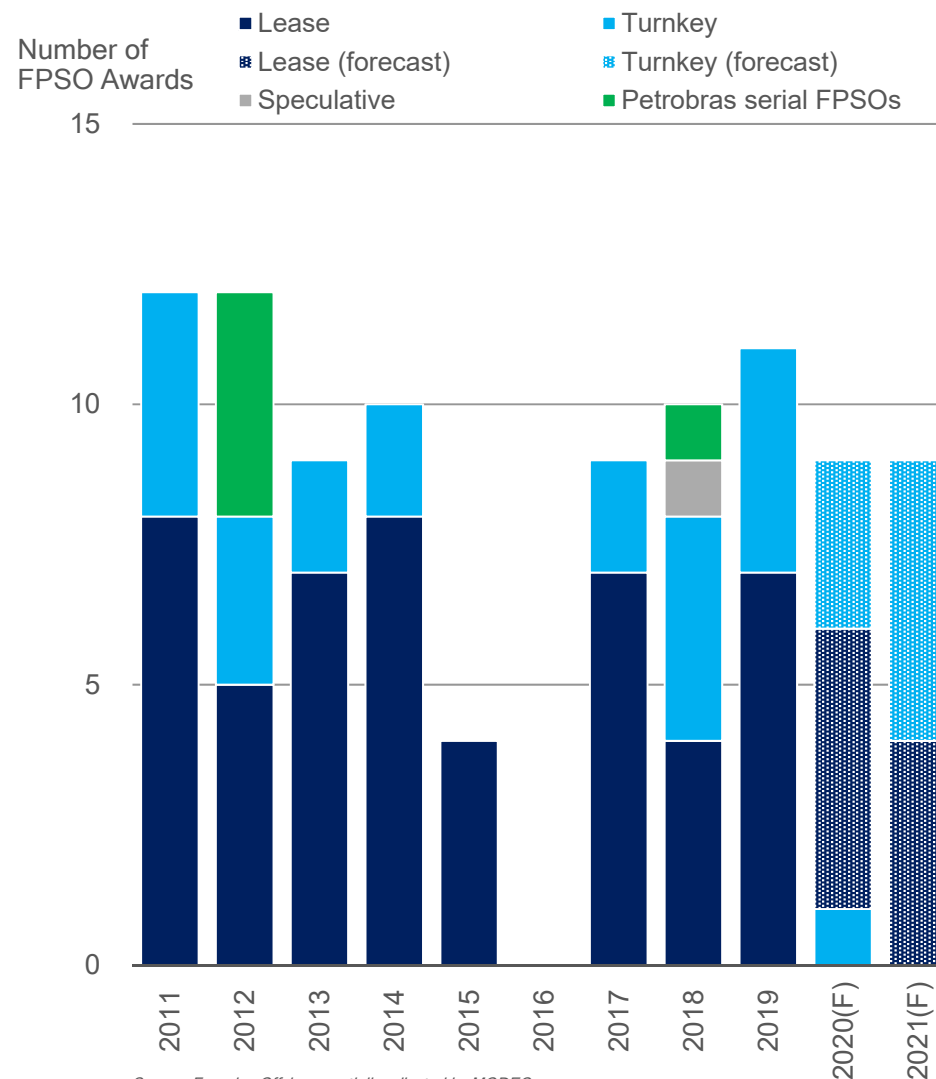
Oil & Natural Gas Prices (WTI/Henry Hub)



Demand by Energy Type



FPSO Awards (Historical + Forecast)



Highlight

Market Review & Outlook

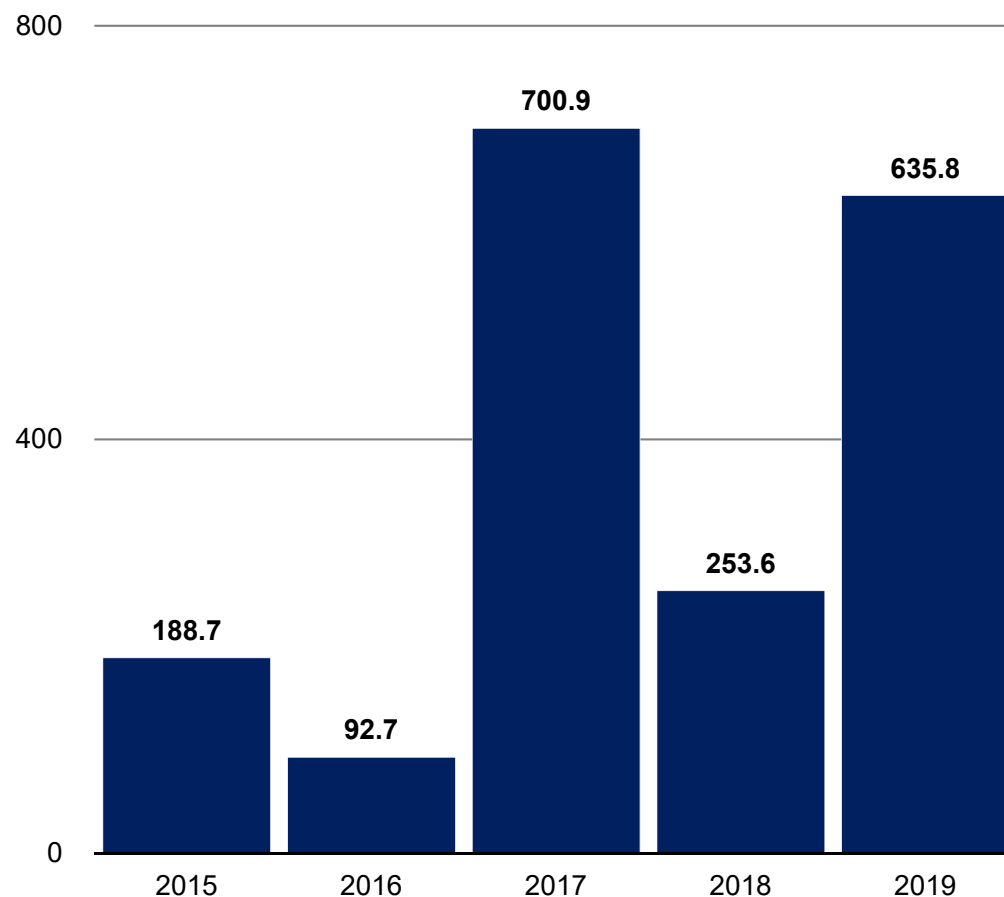
Financial Results



New Orders / Revenue

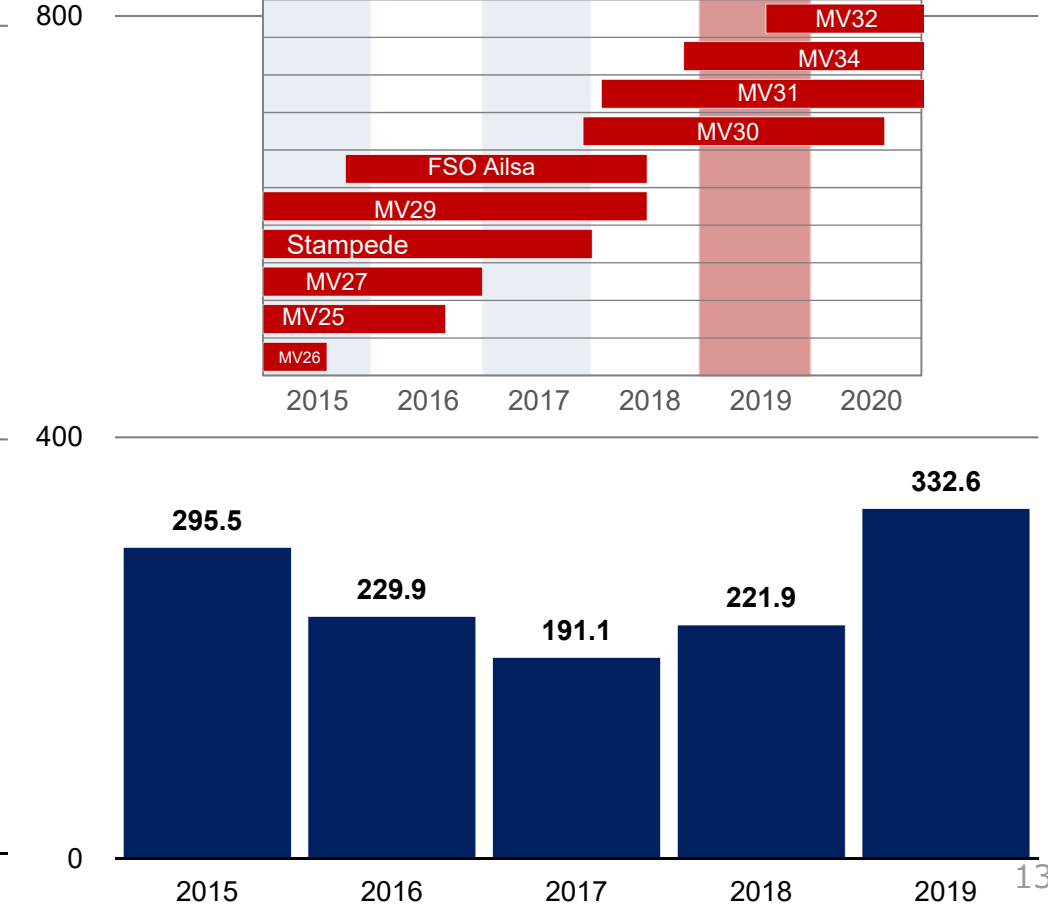
New Orders

Billion JPY



Revenue

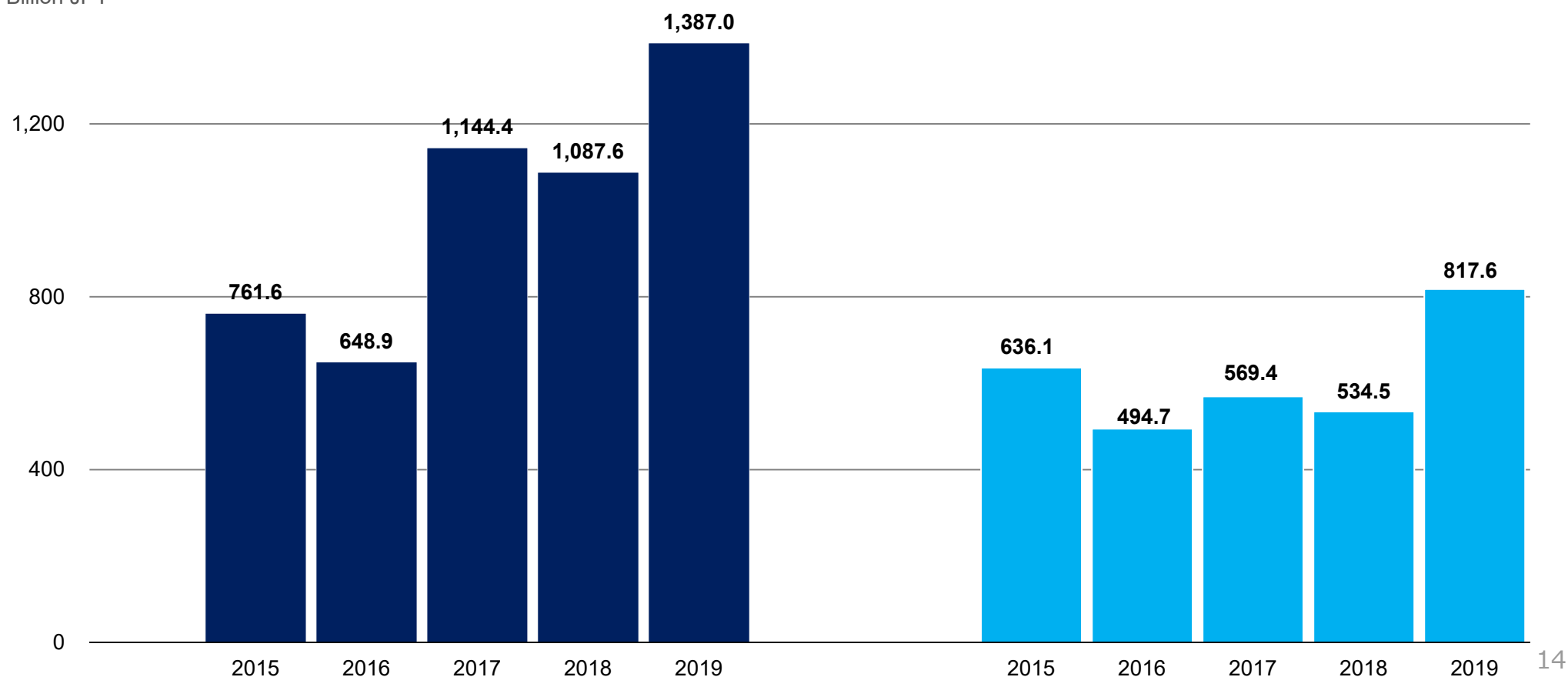
Billion JPY



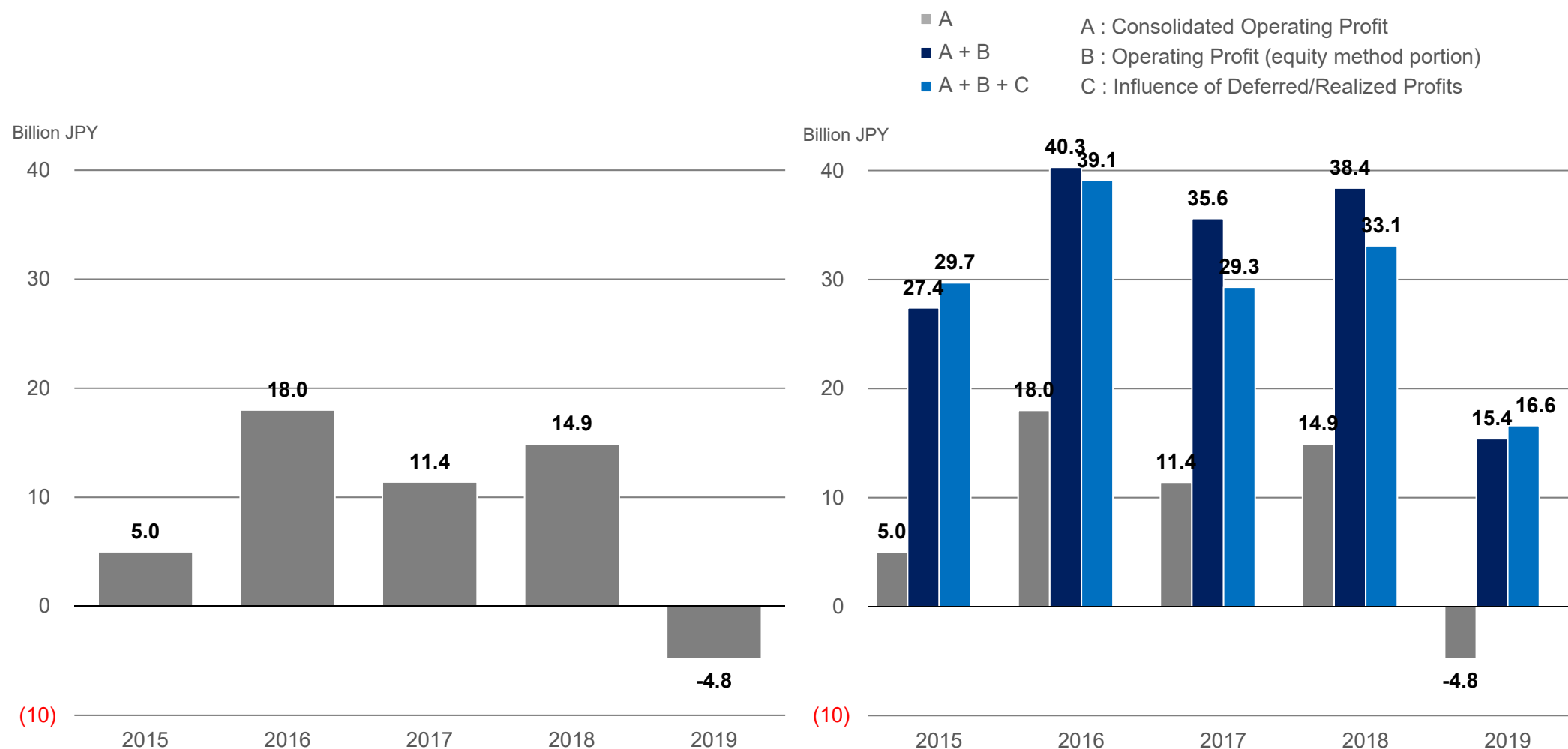
Order Backlogs

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

Billion JPY



Operating Income

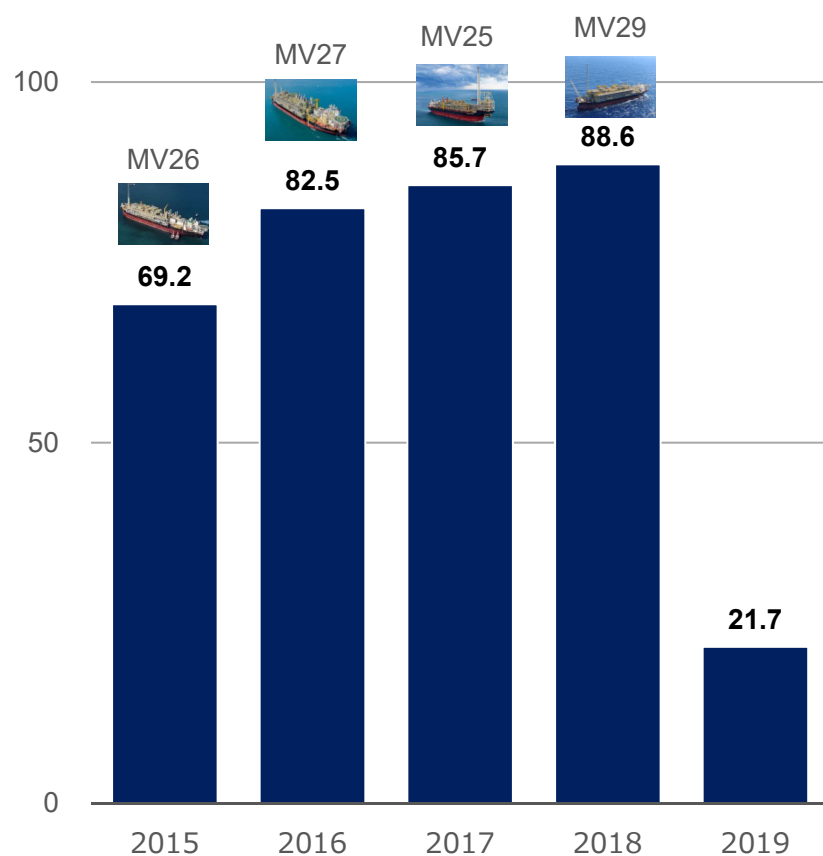


Other Income

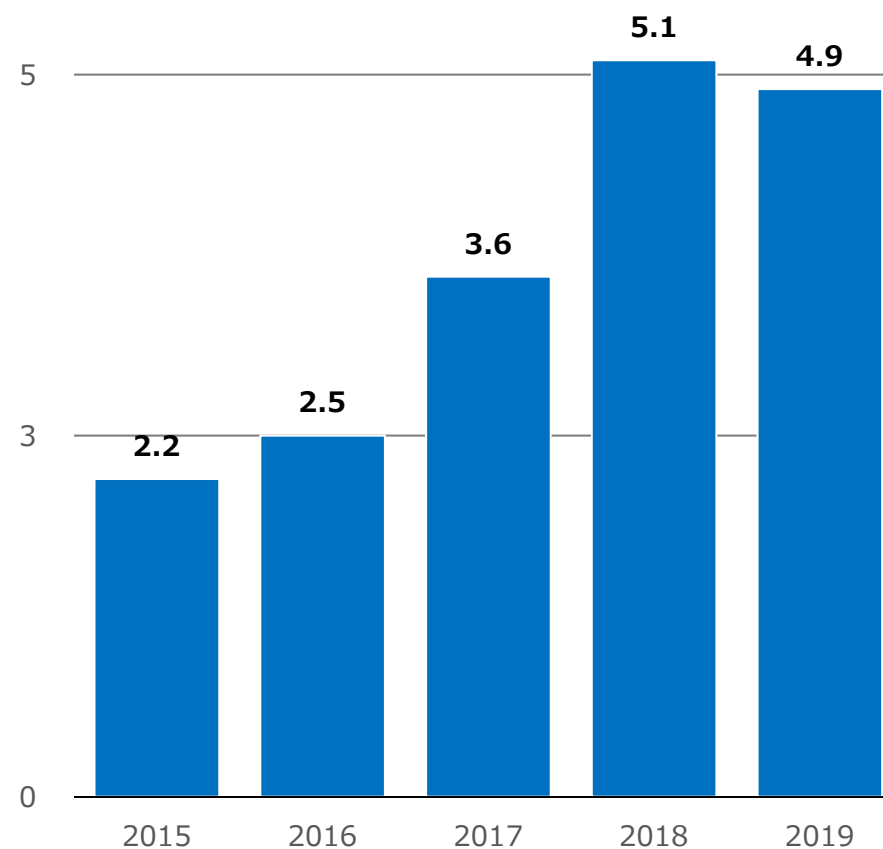
Equity in Earnings of Affiliates

Net Interest Income

Million USD

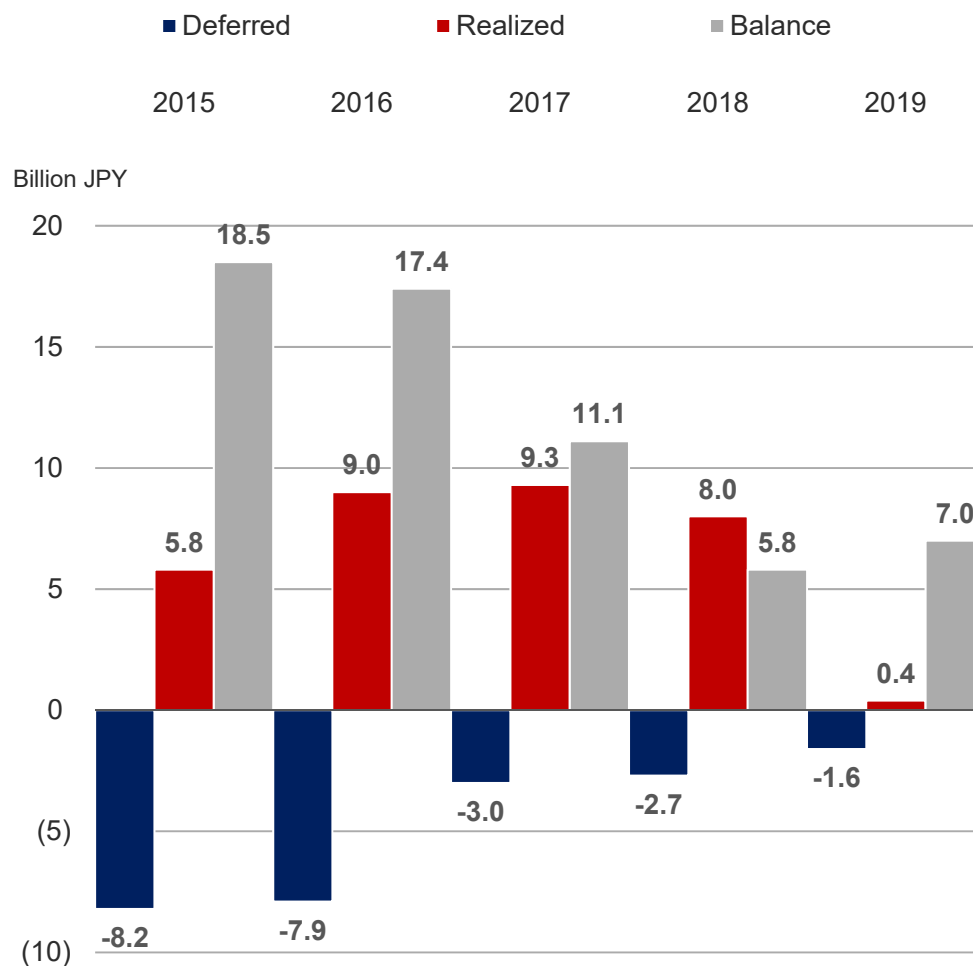


Billion JPY



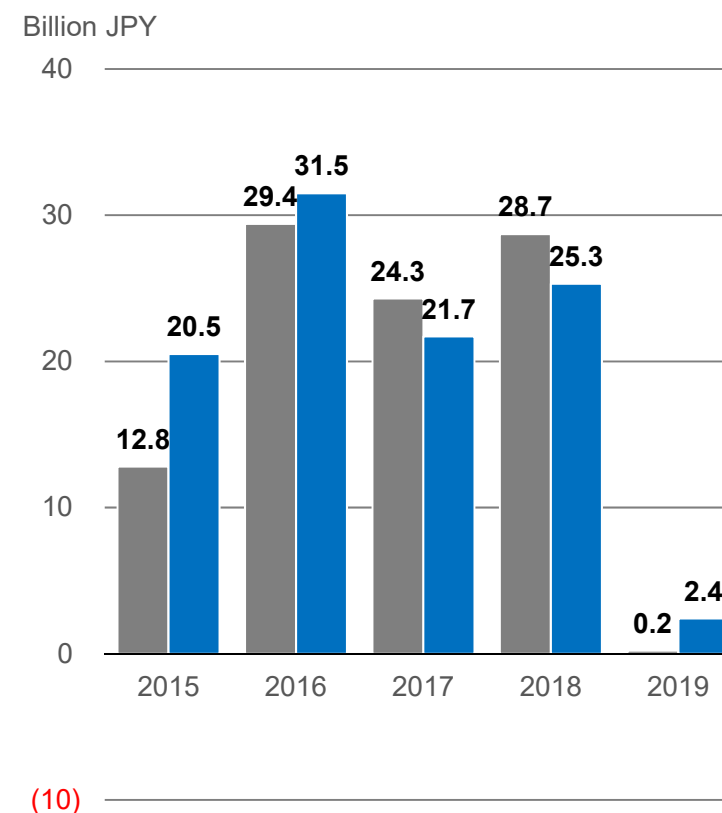
Influence of Deferred/Realized Profits / Ordinary Profits

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



Profit & Loss

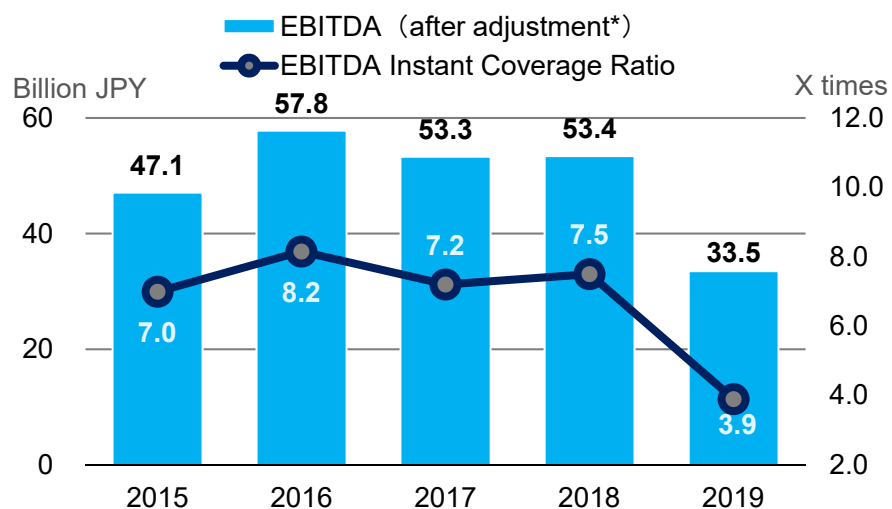
	2018	2019	Variance	Million JPY
Revenue	221,909	332,644	110,735	● Revenue increased due to the progress of EPCI projects
Gross Profit	26,557	7,495	(19,062)	
Selling, General and Administrative Expenses	11,628	12,336	708	● Gross profit decreased comparing to last year mainly because the realization of differed profit and availability fee uplifted the gross profit last year and recorded provision for loss on construction contract for EPCI project for GOM this year
Operating Profit	14,928	(4,841)	(19,769)	
Other Income (A)	16,291	8,393	(7,898)	
Other Expenses (B)	2,440	3,257	817	
Total Other Income/Expenses (C=A-B)	13,851	5,136	(8,715)	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	9,841	2,382	(7,459)	● Equity in earnings of affiliates and unconsolidated subsidiaries decreased mainly due to the increased cost for interest rate swap breakage and change of accounting treatment
(Exchange gain/loss and Gain/loss on revaluation of derivatives included in C)	(1,274)	(1,965)	(691)	
Ordinary Profit	28,779	294	(28,485)	
Extraordinary Profit	-	837	837	● Extraordinary profit recognized due to the sales of scrapped FPSO and gain on liquidation of subsidiaries and affiliates
Extraordinary Loss	-	(16,690)	(16,690)	
Income before Income Taxes and Non-controlling Interests	28,779	(15,558)	(44,337)	● Extraordinary loss recognized due to the recognition of the estimated repair costs for MV14
Profit Attributable to Owners of Parent	21,891	(18,227)	(40,118)	
Exchange Rate (USD)	¥111.02	¥109.54	(¥1.48)	

Balance Sheet

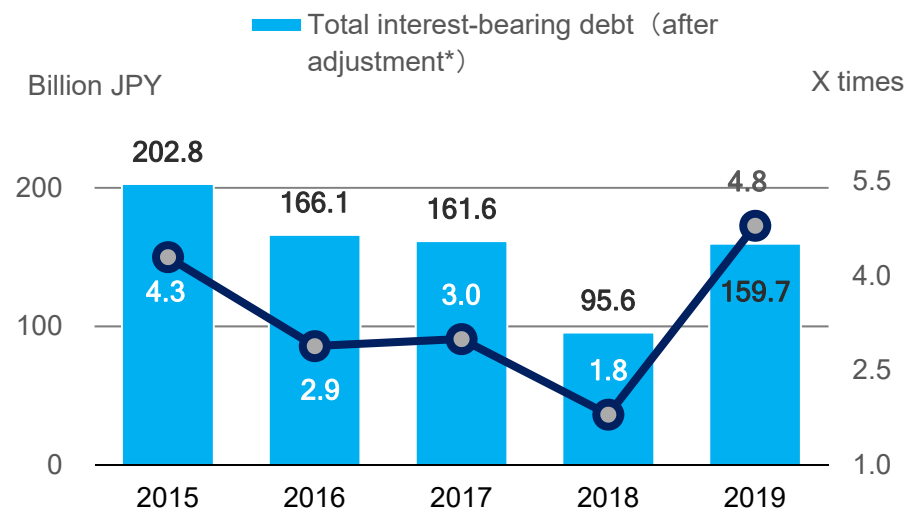
	2018	2019	Variance	Million JPY
Cash and Deposits	51,215	52,381	1,166	
Accounts Receivable - trade	95,065	163,364	68,299	● Accounts receivable increased in line with EPC(I) progress
Short-term Loans Receivable	43,021	8,387	-34,634	● Short-term loans receivable decreased due to collection of construction loan from SPC
Total Current Assets	211,584	247,512	35,928	
Property and Equipment	2,543	5,048	2,505	
Intangible Assets	9,260	9,652	392	
Investments and Other Assets	119,840	120,976	1,136	
Total Fixed Assets	131,644	135,677	4,033	
Total Assets	343,229	383,189	39,960	
	2018	2019	Variance	
Accounts Payable - trade	97,680	150,847	53,167	● Accounts payable - trade increased in line with EPC(I) progress
Current portion of long-term loans payable	6,142	13,931	7,789	
Provision for loss on construction contracts	-	7,146	7,146	● Recorded provision for loss on construction contract for EPCI project for GOM
Provision for repairs	5	10,573	10,568	● Recorded provision for repairs for MV14 estimated repair costs
Total Current Liabilities	144,060	231,860	87,800	
Long-term Loans Payable	24,889	10,827	-14,062	● Long term loan payable decreased due to scheduled payment
Total Long-term Liabilities	34,353	25,962	-8,391	
Total Liabilities	178,414	257,823	79,409	
Retained Earnings	93,571	71,950	-21,621	● Retained earnings decreased due to the net loss 2019 and dividend payment
Total Shareholders Equity	154,446	131,185	-23,261	
Total Accumulated Other Comprehensive Income	-1,781	-9,394	-7,613	● Total accumulated other comprehensive income decreased due to the expansion of losses on hedging derivatives and foreign currency translation adjustments
Minority Interests in Consolidated Subsidiaries	12,148	3,575	-8,573	
Total Net Assets	164,814	125,366	-39,448	
Total Liabilities, Net Assets	343,229	383,189	39,960	

Key Financial Indicators

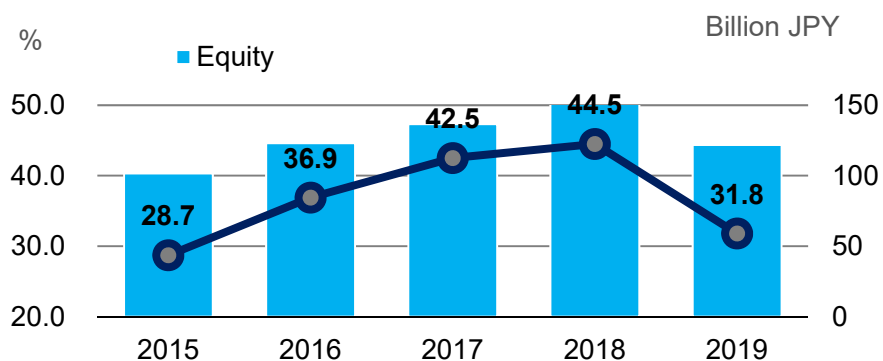
EBITDA



Interest-Bearing Debt



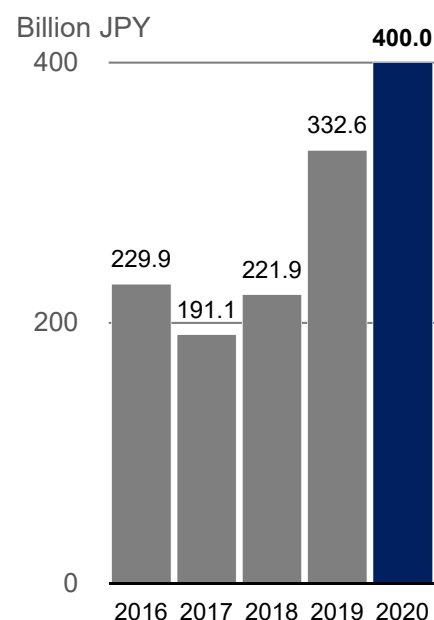
Equity Ratio



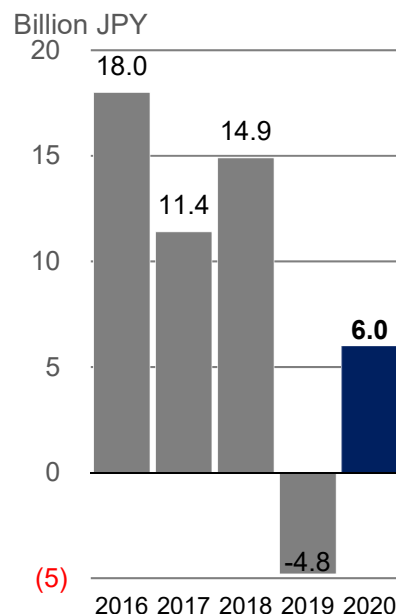
*Adjustment: Adding MODEC group's share in affiliates accounted for by the equity method

FY2020 : Outlook

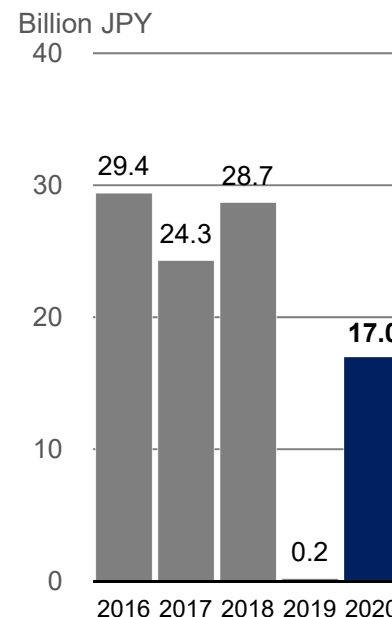
Revenue



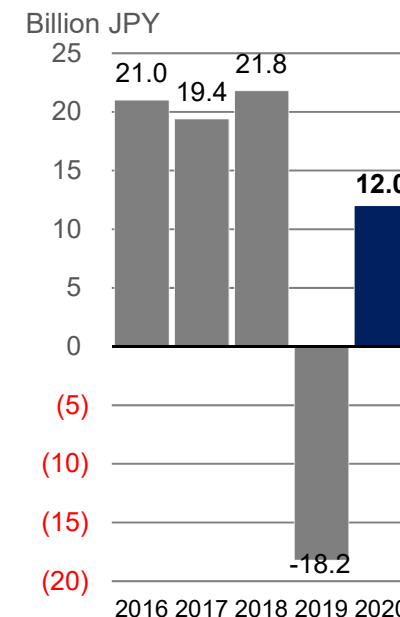
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



- Revenue is expected to hit record a high of JPY 400 billion mainly due to progress of EPCI projects
- Operating profit is expected to remain JPY 6 billion mainly due to special projects implemented to FPSOs/ FSO which have served for long time in Brazil



MODEC

