



MODEC, Inc.
2020 Half-year
Financial Results
Analysts Presentation

August 6, 2020



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 ship's hull is red and black, with the name 'PROF. JOHN EVANS ATTA MILLS' visible. The rig is supported by yellow legs and is connected to the ship by orange chains.

Highlight

Market View & Outlook

Financial Results

A decorative horizontal bar with a blue-to-red gradient, starting from the left and ending with a sharp diagonal split into blue and red sections.

2020 Half-Year : Highlights

- Awarded 2 FPSOs
- 6 FPSOs are under construction
- Revenue is JPY 156.4 billion
- Simulated cost increase due to COVID-19 was included in 1st quarter closing.
- Net loss for 1st half-year is JPY 9.6 billion
- No further downturn is incurred as of end of 2nd quarter.
- Annual dividend : JPY 47.50 per share (unchanged)

2020 Half-Year : New Awards



- Awarded 2 FPSOs



















FPSO Sangomar

Client	Woodside
Contract	Purchase Contract
Field Location	Sangomar Field (Senegal)
Water Depth	780m
Oil Production	100,000 bopd
Gas Production	130 mmscfd
Storage Capacity	1,300,000 bbls

Equinor Bacalhau FPSO

Client	Equinor
Contract	Sales and Purchase Agreement
Field Location	Bacalhau Field (ex Carcara Brazil)
Water Depth	2,050m
Oil Production	220,000 bopd
Gas Production	530 mmscfd
Storage Capacity	2,000,000 bbls

2020 Half-Year : EPC(I) (as of June 2020)

	FPSO Carioca MV30	FPSO Guanabara MV31	FPSO MIAMTE MV34	FPSO Almirante Barroso MV32	FPSO Anita Garibaldi MV33	FPSO Sangomar
Client	Petrobras 	Petrobras 	Eni Mexico 	Petrobras 	Petrobras 	Woodside 
Contract	EPCI + Time Charter (21yrs)	EPCI + Time Charter (22 yrs)	EPCI + Time Charter (15 yrs+5 one- year extension options)	EPCI + Time Charter (21 yrs)	EPCI + Time Charter (25 yrs)	Purchase Contract
Delivery (Planned)	2021	2021	2021	2022	2022	2023
Field	Sépia	Mero	Area 1 Block	Búzios	Marlim	Sangomar
Location	Brazil 	Brazil 	Mexico 	Brazil 	Brazil 	Senegal 
Water Depth	2,200 m	2,100 m	32 m	1,900 m	670 m	780 m
Storage/ Production	1,400,000 bbls 180,000 bopd 212 mmscfd	1,400,000 bbls 180,000 bopd 424 mmscfd	700,000 bbls 90,000 bopd 75 mmscfd	1,400,000 bbls 150,000 bopd 212 mmscfd	1,000,000 bbls 80,000 bopd 248 mmscfd	1,300,000 bbls 100,000 bopd 130 mmscfd
Progress						

EPC(I) / Charter / O&M Period

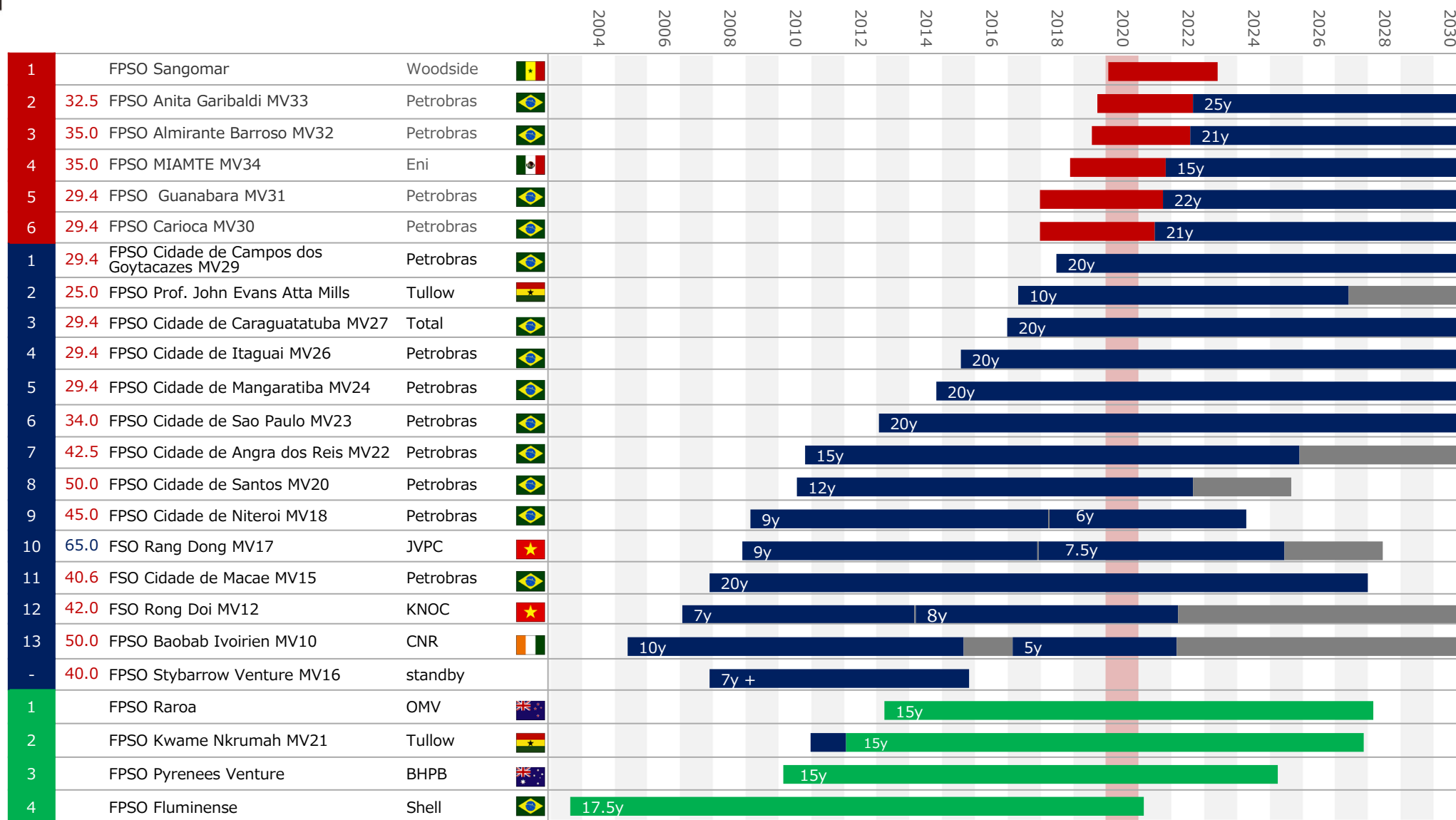
As of June 2020

■ 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

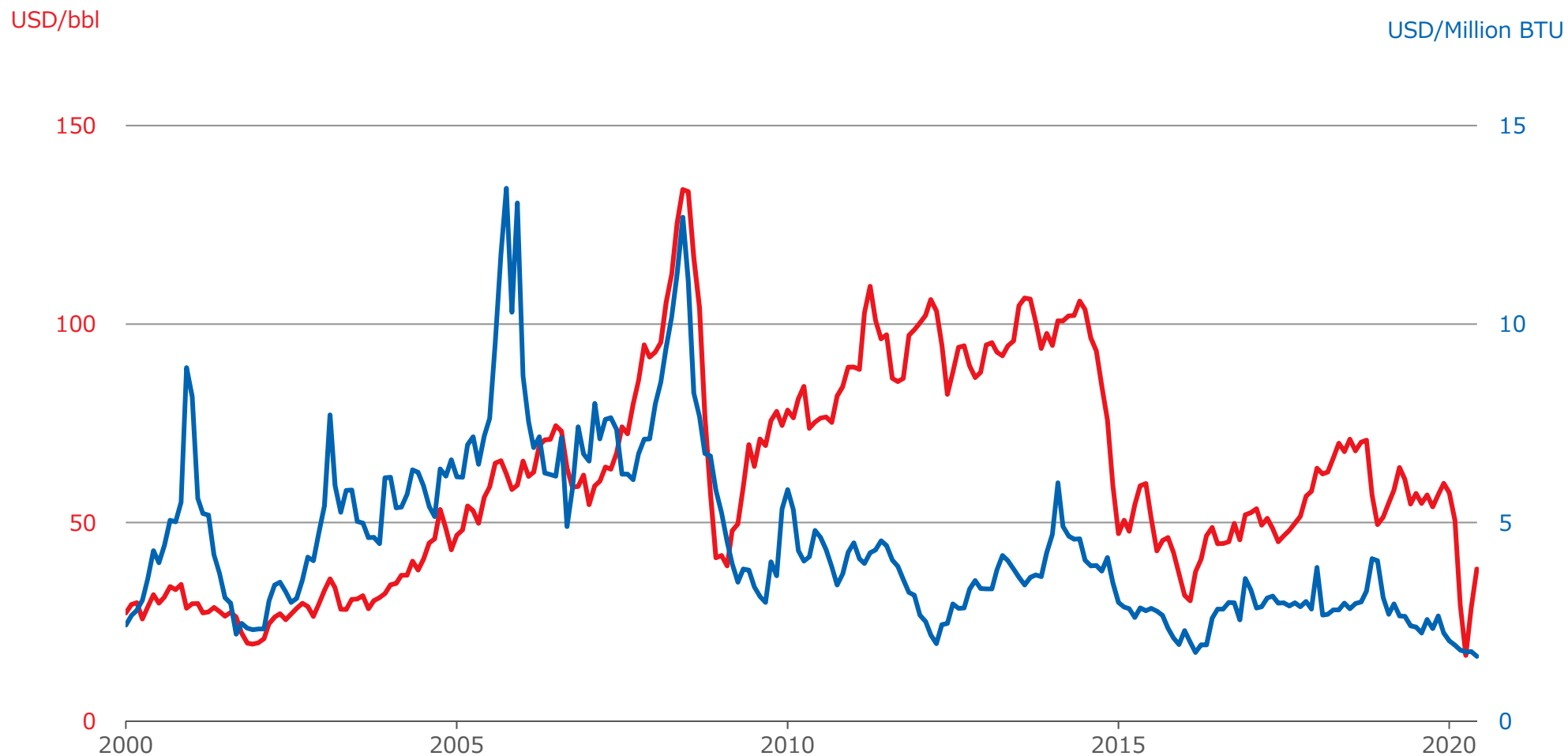
Highlight

Market View & Outlook

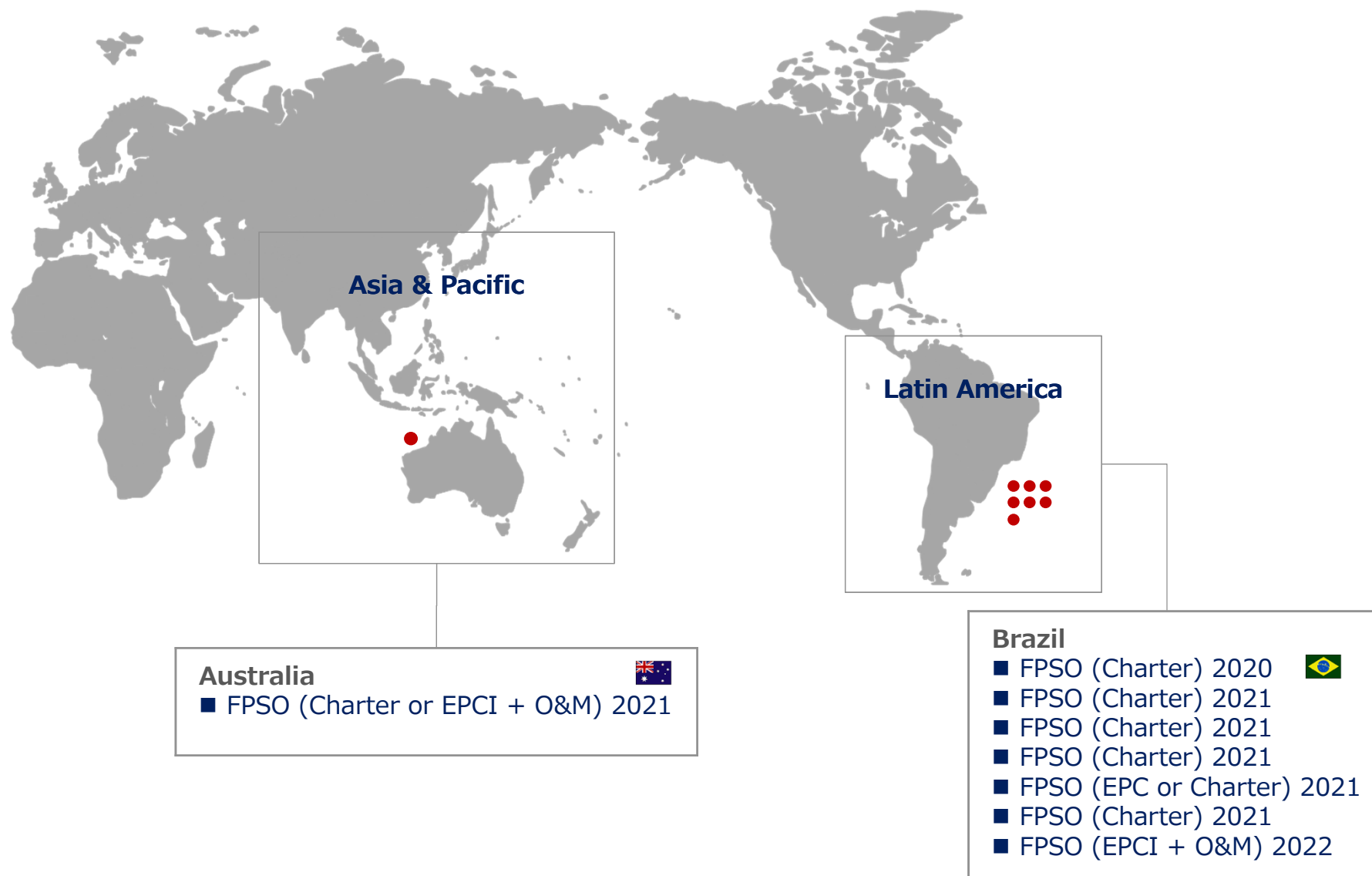
Financial Results

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Oil & Natural Gas Prices (WTI/Henry Hub)

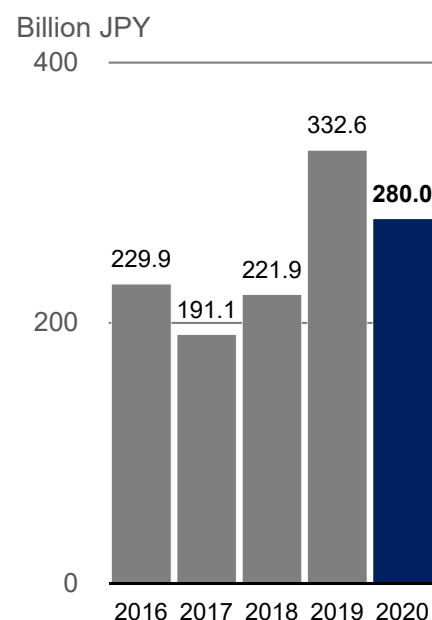


Possible FPS projects (as of Aug 2020)

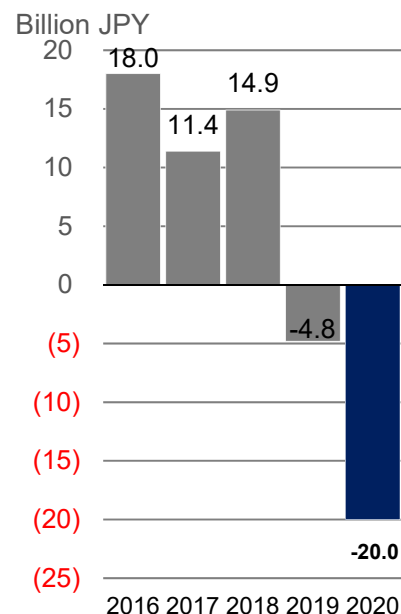


FY2020 : Outlook

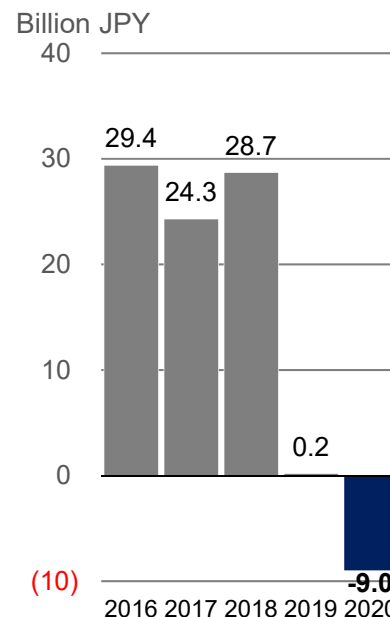
Revenue



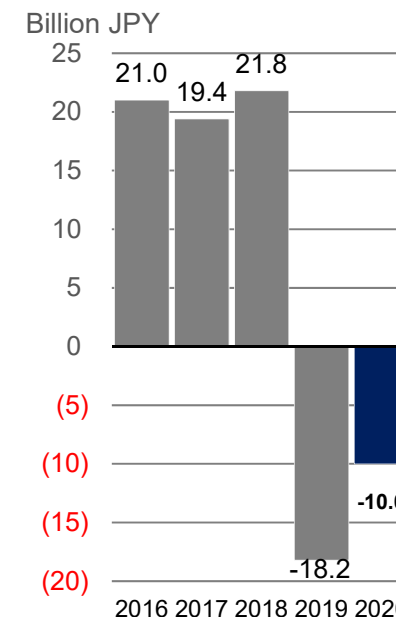
Operating Profit



Ordinary Profit



Profit Attributable to Owners of Parent



- Revenue is forecasted to be JPY 280 billion while there are impacts of project delay due to COVID-19 and delay of oil company's Final Investment Decision (FID) due to decline in oil price
- Operating loss is forecasted to be JPY 20 billion mainly due to cost increase simulated with a COVID-19 impact

Highlight

Market View & Outlook

Financial Results

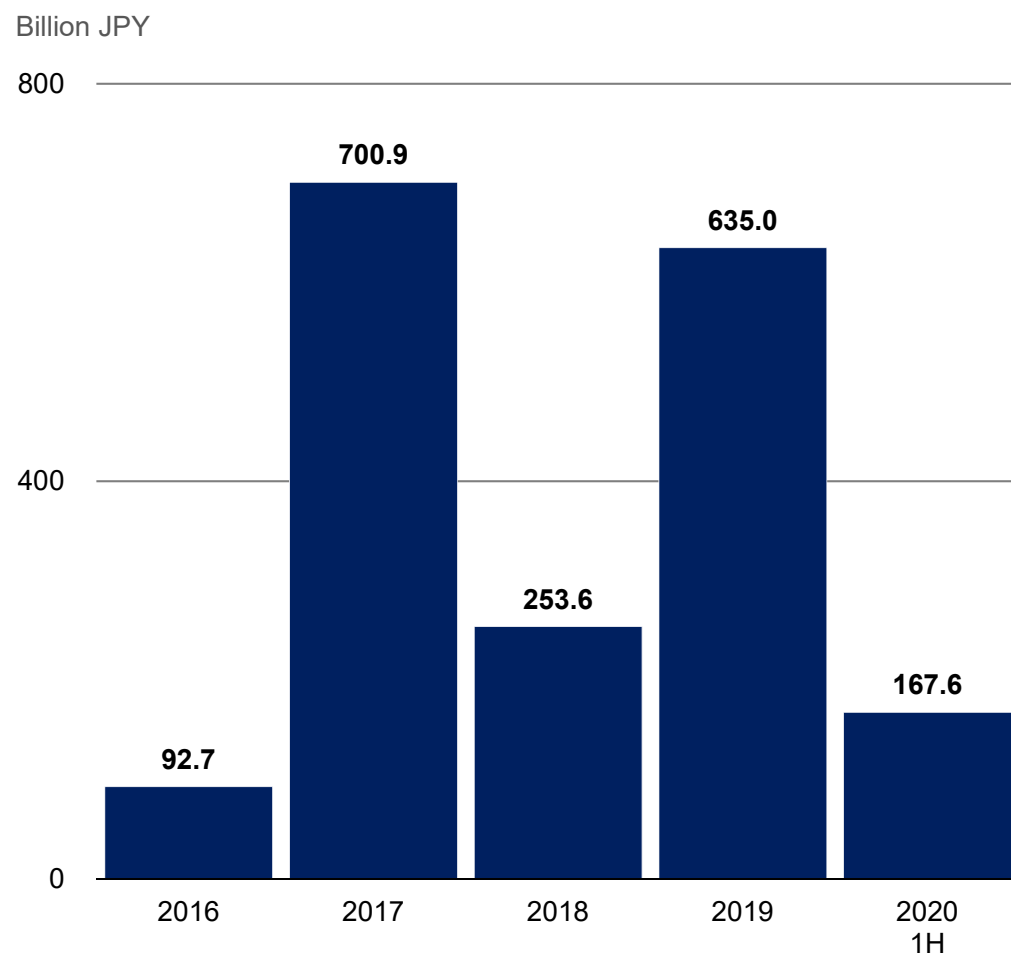


Profit & Loss

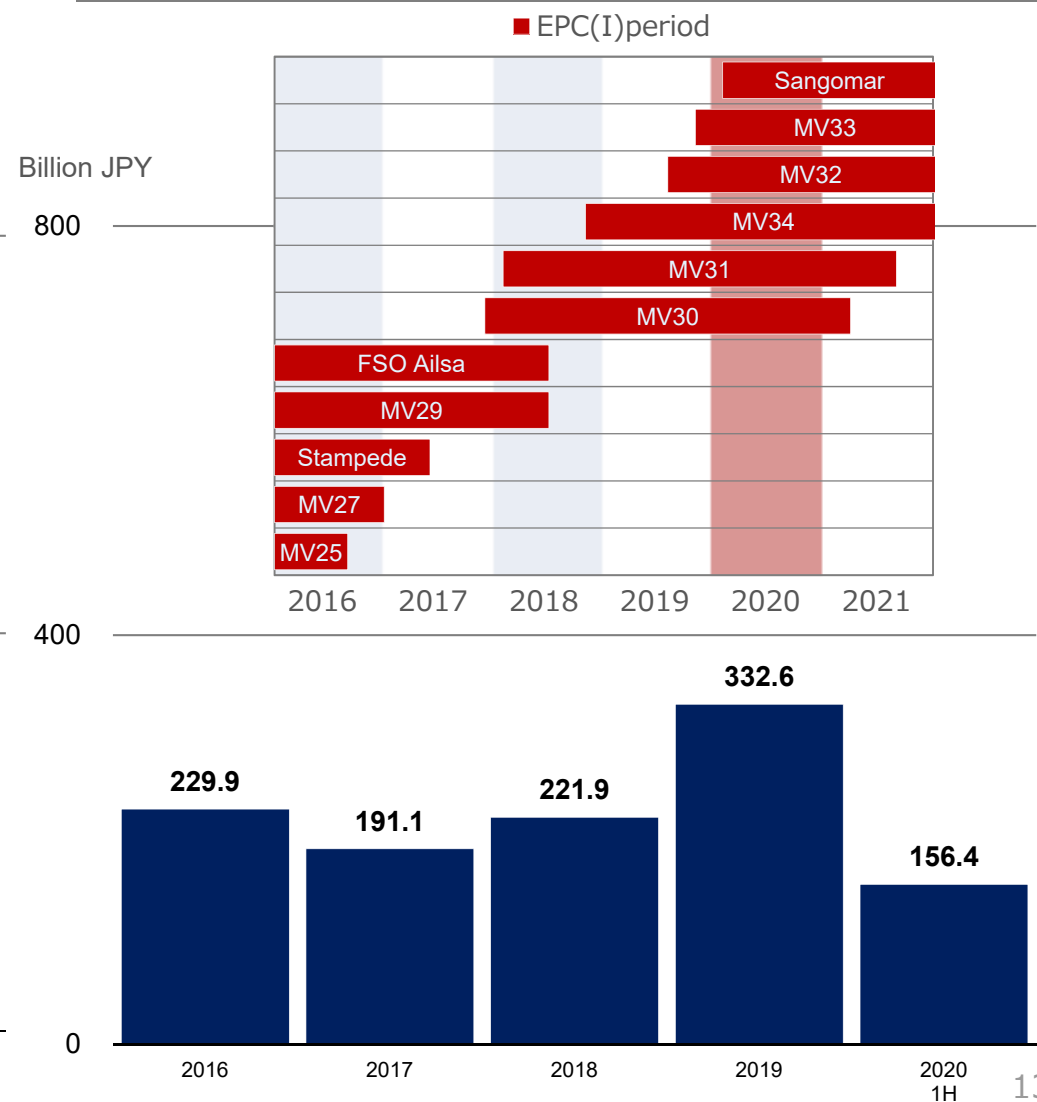
	2019 1H	2020 1H	Variance	Million JPY
Revenue	148,428	156,446	8,018	● Revenue increased due to the progress of EPCI projects
Gross Profit	3,963	(6,321)	(10,284)	● Gross profit decreased due to cost increase simulated with a COVID-19 impact
Selling, General and Administrative Expenses	6,259	5,769	(490)	
Operating Profit	(2,296)	(12,090)	(9,794)	
Other Income (A)	5,707	4,667	(1,040)	
Other Expenses (B)	1,123	1,512	389	
Total Other Income/Expenses (C=A-B)	4,584	3,155	(1,429)	
(Equity in Earnings of Affiliates and Unconsolidated Subsidiaries included in C)	2,731	2,078	(653)	
(Exchange gain/loss and Gain/loss on revaluation of derivatives included in C)	(450)	(723)	(273)	
Ordinary Profit	2,287	(8,935)	(11,222)	
Extraordinary Profit	376	-	(376)	
Extraordinary Loss	-	(447)	(447)	● Expense for change in retirement benefit accounting method was recognized
Income before Income Taxes and Non-controlling Interests	2,664	(9,383)	(12,047)	
Profit Attributable to Owners of Parent	806	(9,645)	(10,451)	
Exchange Rate (USD)	¥107.75	¥107.71	(¥0.04)	

New Orders / Revenue

New Orders



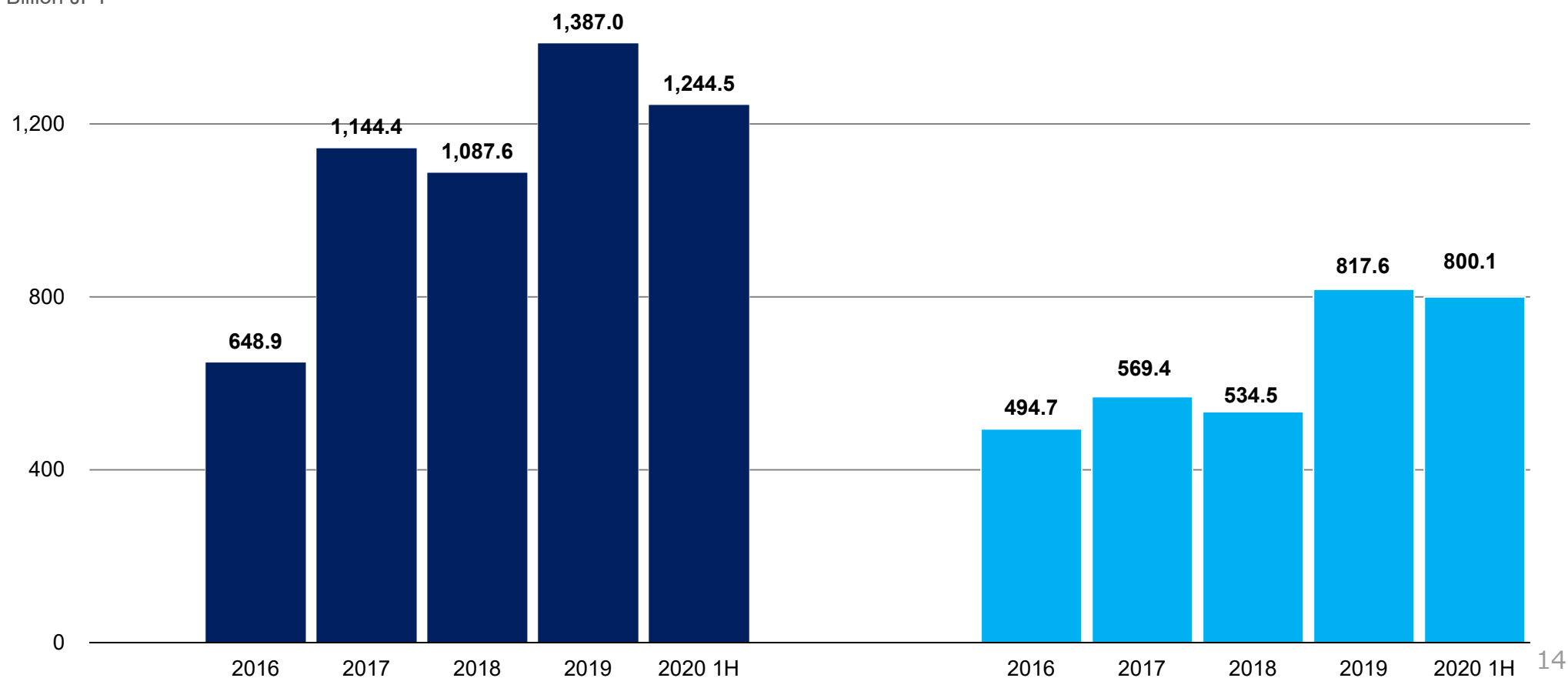
Revenue



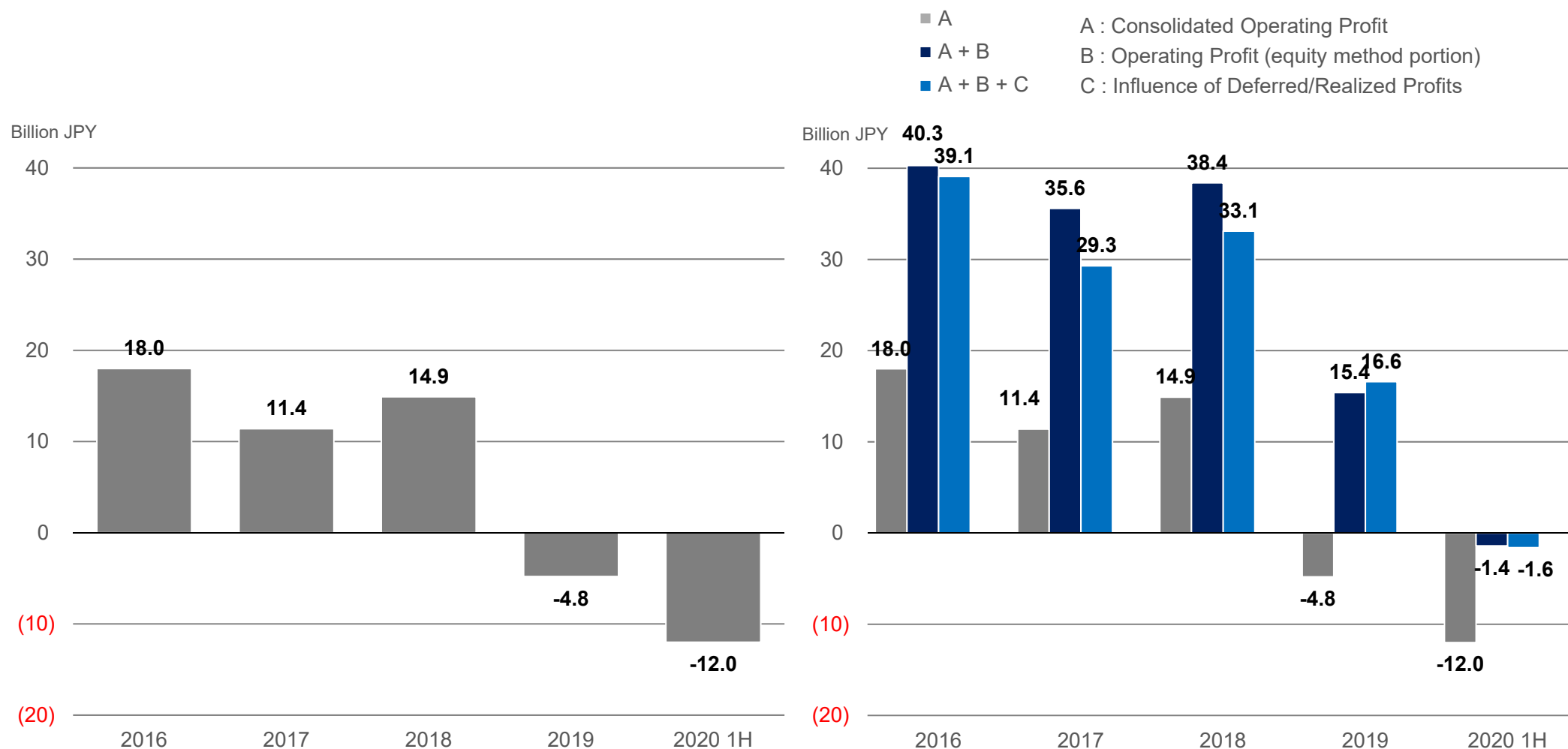
Order Backlogs

■ 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

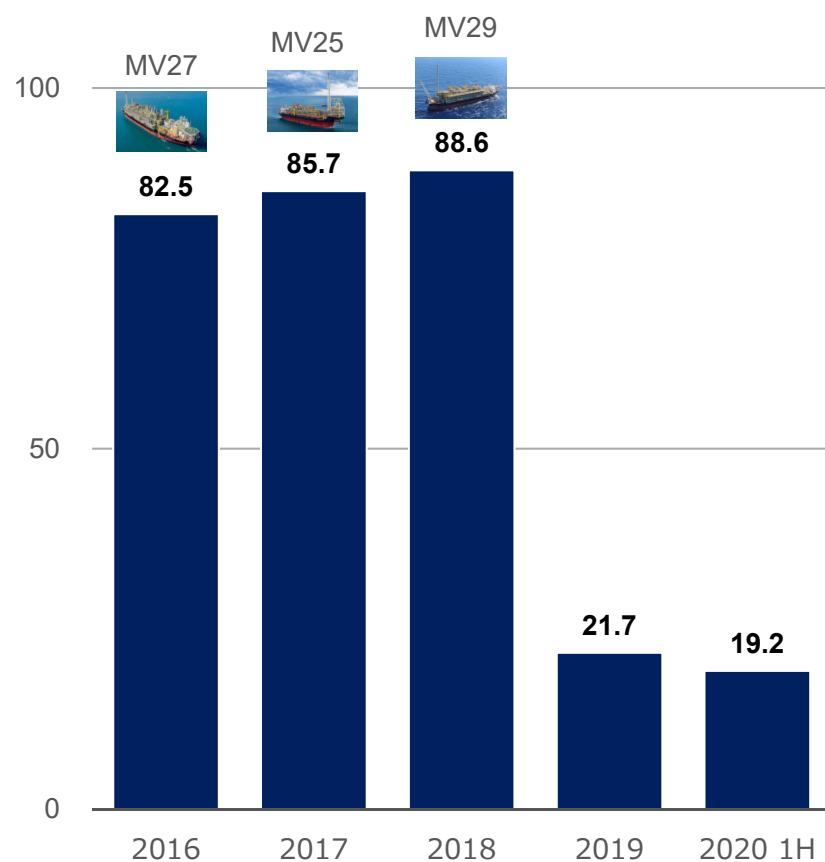


Other Income

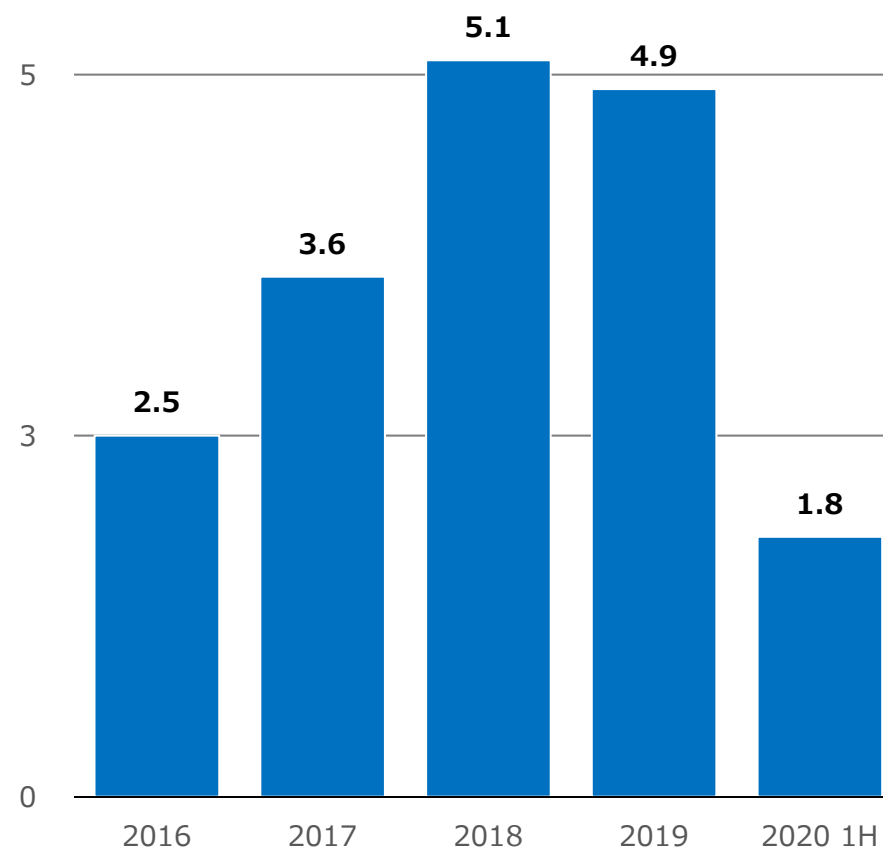
Equity in Earnings of Affiliates

Net Interest Income

Million USD

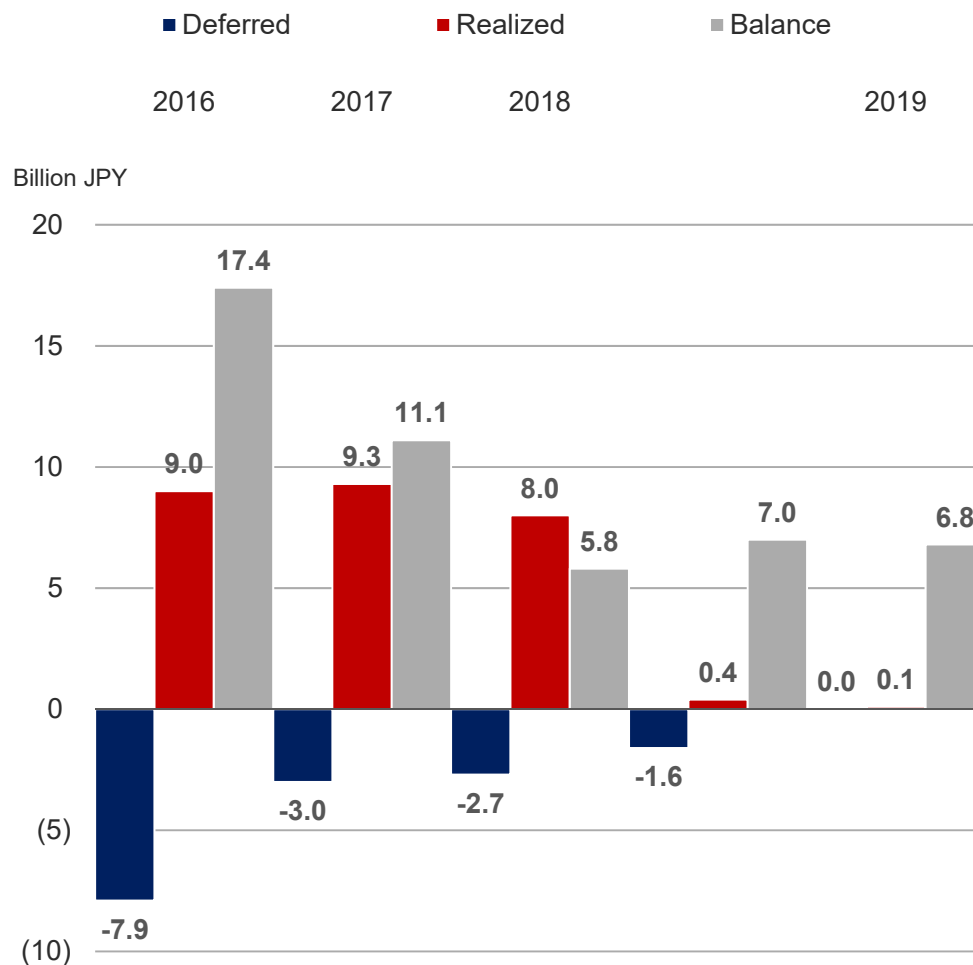


Billion JPY

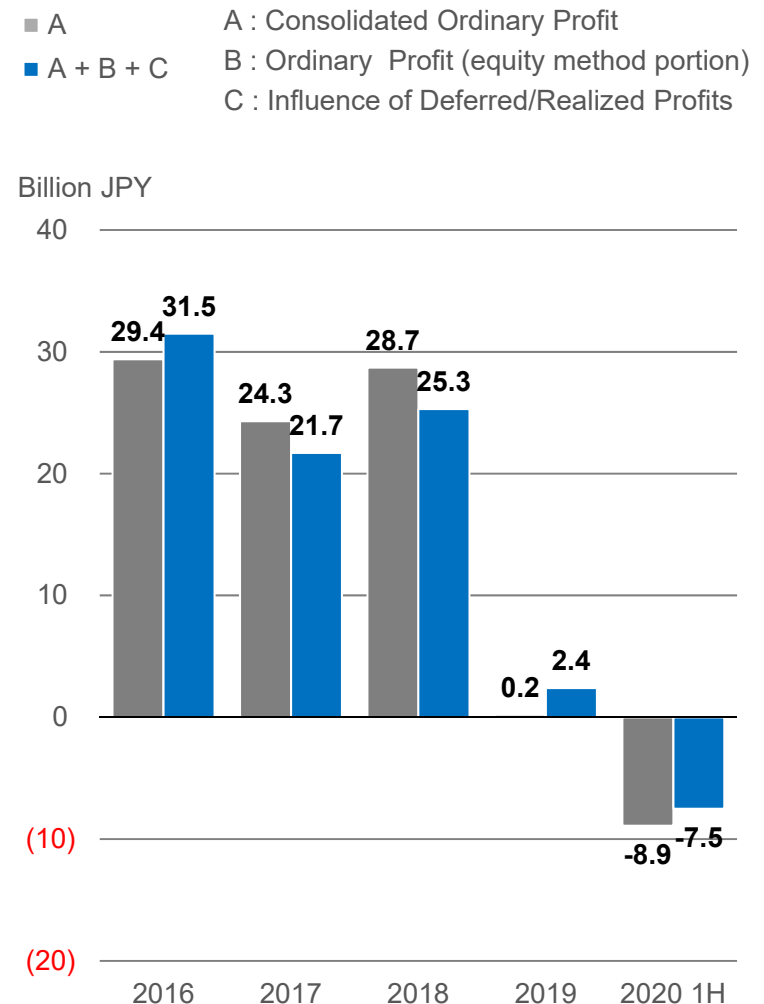


Influence of Deferred/Realized Profits / Ordinary Profits

Influence of Deferred/Realized Profits

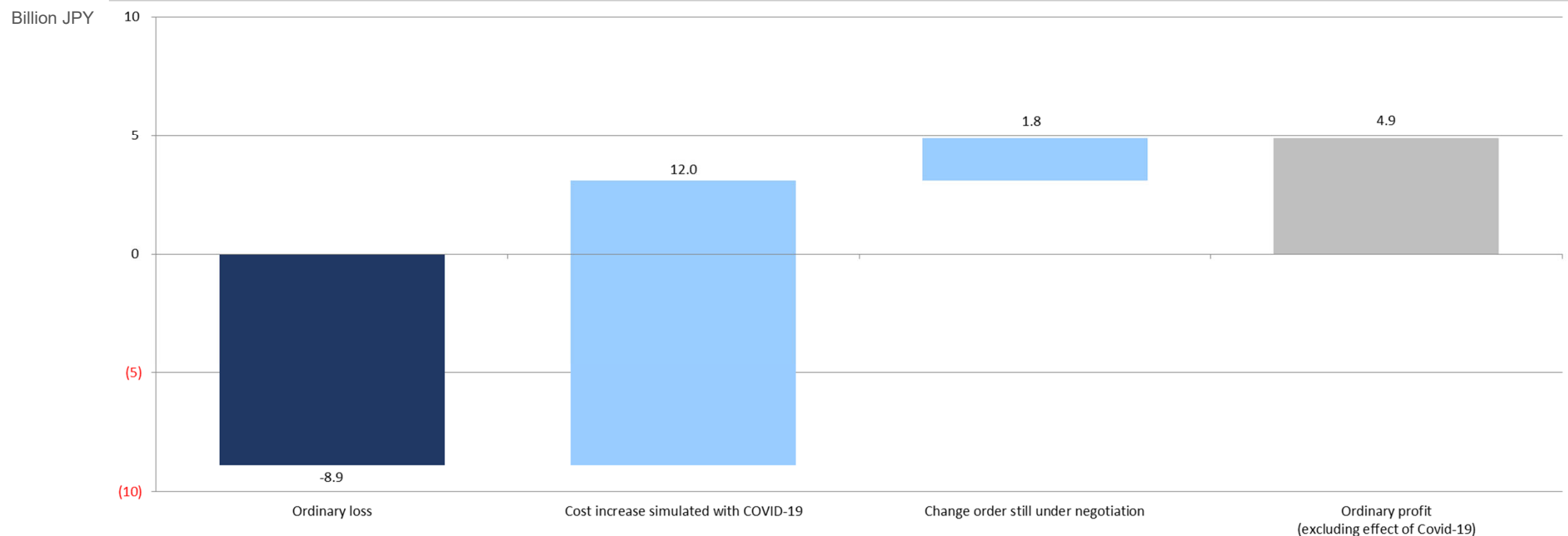


Ordinary Profit (as if consolidating affiliates basis)



Impact of Covid-19

Impact of Covid-19(Jan-June)



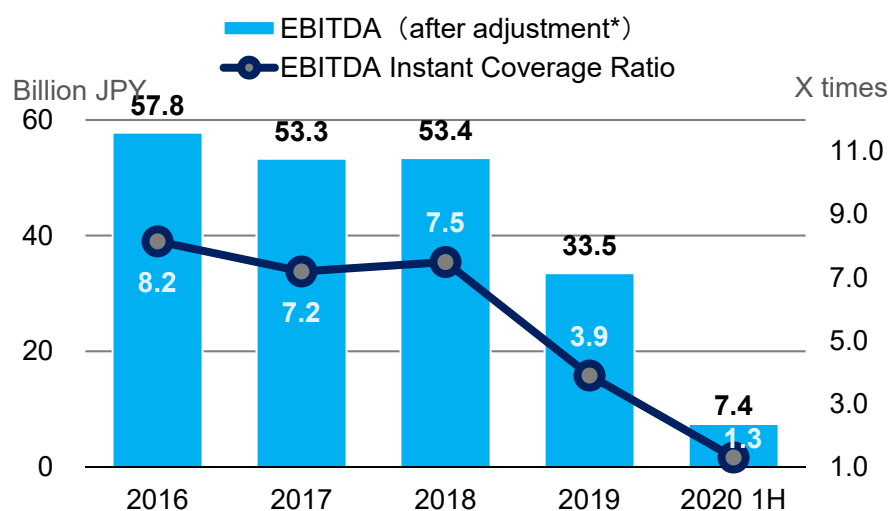
- JPY 12.0 billion of cost increase simulated with a COVID-19 impact and JPY 1.8 billion of costs related to change order still under negotiation were recognized in 1st half-year. Ordinary profit is JPY 4.9 billion excluding two items.
- FPSOs in Charter & Operation service are in operation with emergency plan including test of infection and quarantine of crews going onboard

Balance Sheet

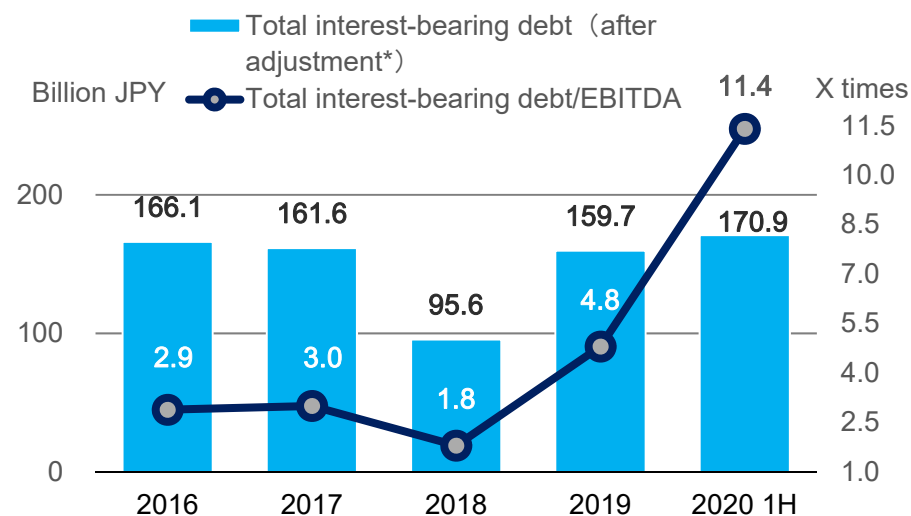
	2019	2020 1H	Variance	Million JPY
Cash and Deposits	52,381	55,599	3,218	
Accounts Receivable - trade	163,364	157,197	-6,167	● Account receivable decreased due to timing difference between recognition of revenue and billing
Short-term Loans Receivable	8,387	12,881	4,494	● Short-term loans receivable increased due to construction loan for MV32 and MV33
Total Current Assets	247,512	247,121	-391	
Property and Equipment	5,048	4,452	-596	
Intangible Assets	9,652	9,951	299	
Investments and Other Assets	120,976	119,652	-1,324	
Total Fixed Assets	135,677	134,056	-1,621	
Total Assets	383,189	381,177	-2,012	
	2019	2020 1H	Variance	
Accounts Payable - trade	150,847	158,502	7,655	● Account Payable increased due to timing difference between recognition of cost and payments
Short-term Loans Payable	-	9,478	9,478	● Short-term loan payable increased for short-term working capital
Current portion of long-term loans payable	13,931	5,777	-8,154	
Provision for loss on construction contracts	7,146	7,549	403	
Provision for repairs	10,573	5,185	-5,388	● Provision for repairs decreased due to reversal of provision in line with actual cost for MV14 repair
Total Current Liabilities	231,860	255,727	23,867	
Long-term Loans Payable	10,827	7,849	-2,978	
Total Long-term Liabilities	25,962	28,830	2,868	
Total Liabilities	257,823	284,558	26,735	
Retained Earnings	71,950	61,035	-10,915	● Retained earnings decreased due to net loss and dividend payment
Total Shareholders Equity	131,185	120,290	-10,895	
Total Accumulated Other Comprehensive Income	-9,394	-27,112	-17,718	● Total accumulated other comprehensive income decreased due to loss on hedging derivatives and foreign currency translation adjustments
Minority Interests in Consolidated Subsidiaries	3,575	3,441	-134	
Total Net Assets	125,366	96,619	-28,747	
Total Liabilities, Net Assets	383,189	381,177	-2,012	

Key Financial Indicators

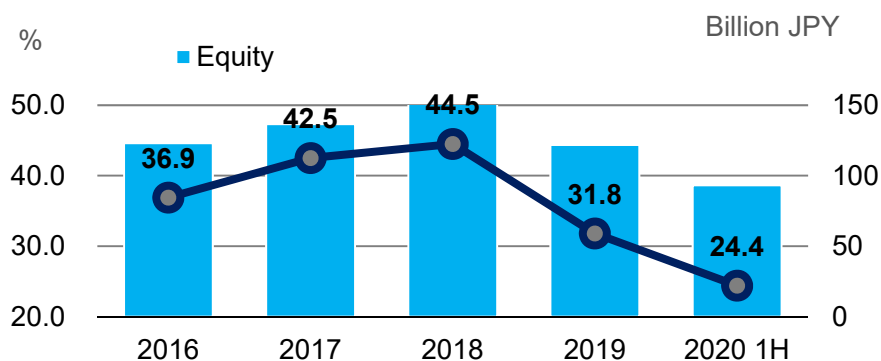
EBITDA



Interest-Bearing Debt



Equity Ratio



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



MODEC

