



MODEC, Inc. 2022 Financial Results Analysts Presentation

February 15, 2023

Highlight

Market View & Outlook

Medium- to long-term initiatives

Financial Results

(Note)

From the end of FY2021, the Company's consolidated financial results have applied International Financial Reporting Standards (IFRS) instead of the conventional Japanese GAAP. In addition, the currency unit has been changed to the US dollar instead of the conventional Japanese yen. As a result, the figures for previous years in this document are handled as below.

- 2020: Compliant with IFRS (US \$)
- Before FY2019: Japanese standard (Japanese yen) figures are converted to US dollars at the midpoint of the market price of telegraph spots for customers at the end of each year.

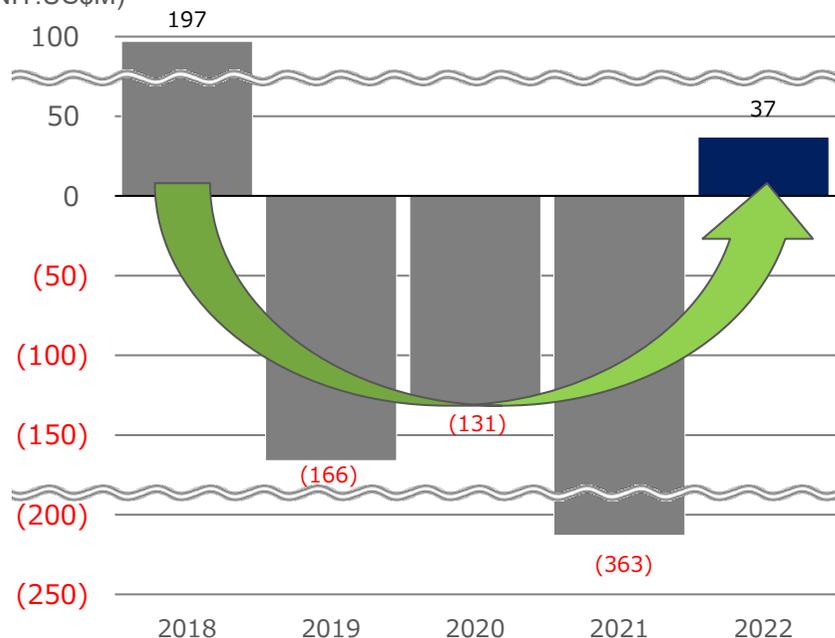
2018: 1 US dollar = 111.02 yen

2019: 1 US dollar = 109.54 yen

FY2022 : Highlights

<Profit Attributable to Owners of Parent>

(UNIT:US\$M)



Secured profitability for the first time in four years

- Progress of construction projects of Woodside Sangomar and Equinor Bacalhau as well as some change orders are recorded.
- Charter of MV31 FPSO Guanabara commenced
- MV34 FPSO MIAMTE commenced recognition of charter income.



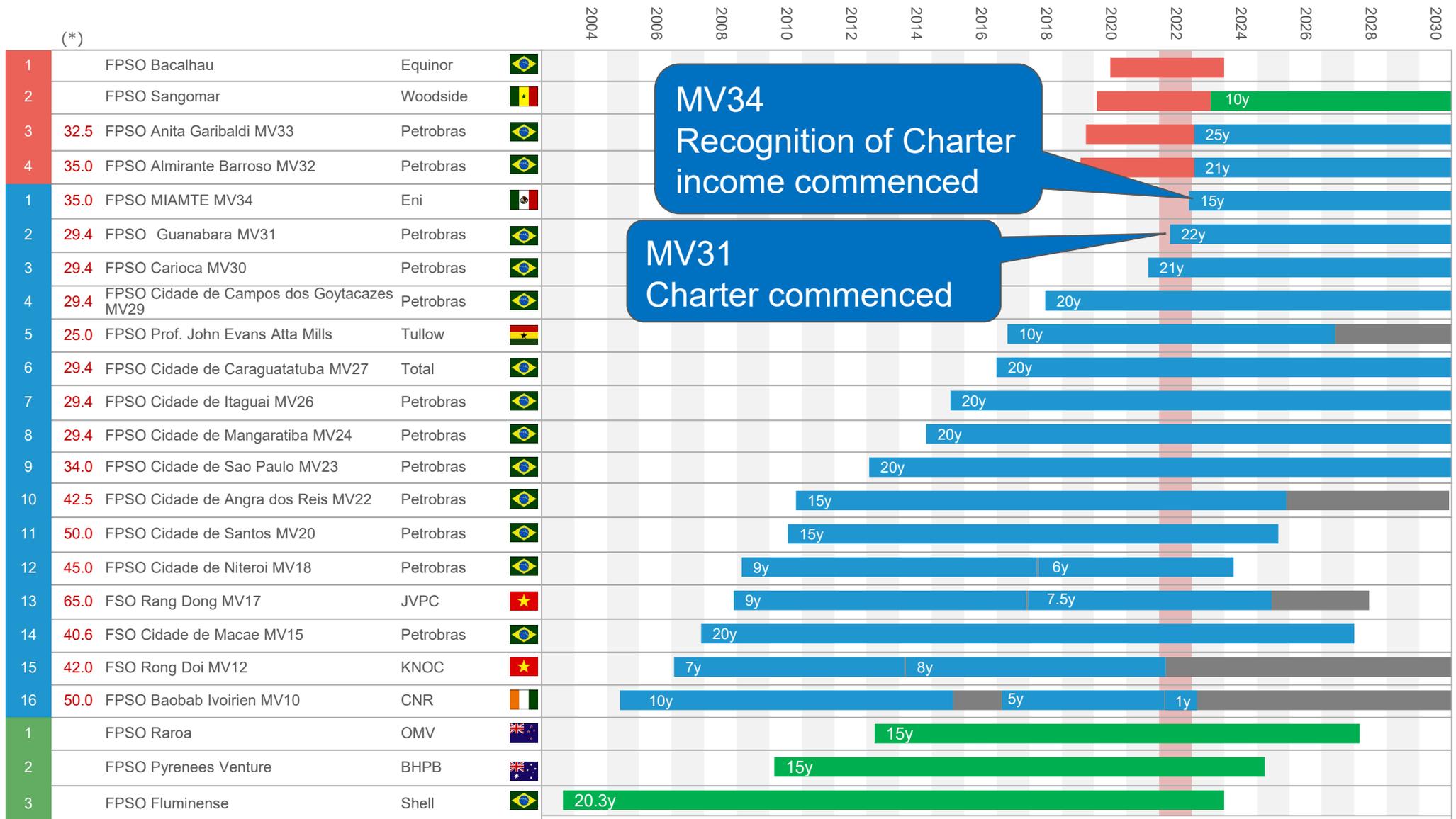
FY2022 : EPC(I) (as of December 2022)

	FPSO Almirante Barroso MV32	FPSO Anita Garibaldi MV33	FPSO Sangomar	FPSO Bacalhau
Client	Petrobras	Petrobras	Woodside	Equinor
Contract	EPCI + Time Charter (21 yrs)	EPCI + Time Charter (25 yrs)	Purchase Contract + O&M (10 yrs+10 one-year extension options)	EPCI + Short term O&M
Delivery (Planned)	2023	2023	2023	2024
Field	Búzios	Marlim	Sangomar	Bacalhau
Location	Brazil	Brazil	Senegal	Brazil
Water Depth	1,900 m	670 m	780 m	2,027 m
Storage/ Production	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	2,000,000 bbls 220,000 bopd 500 mmscfd

EPC(I) / Charter / O&M Period

As of January 2023

- 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

Medium- to long-term initiatives

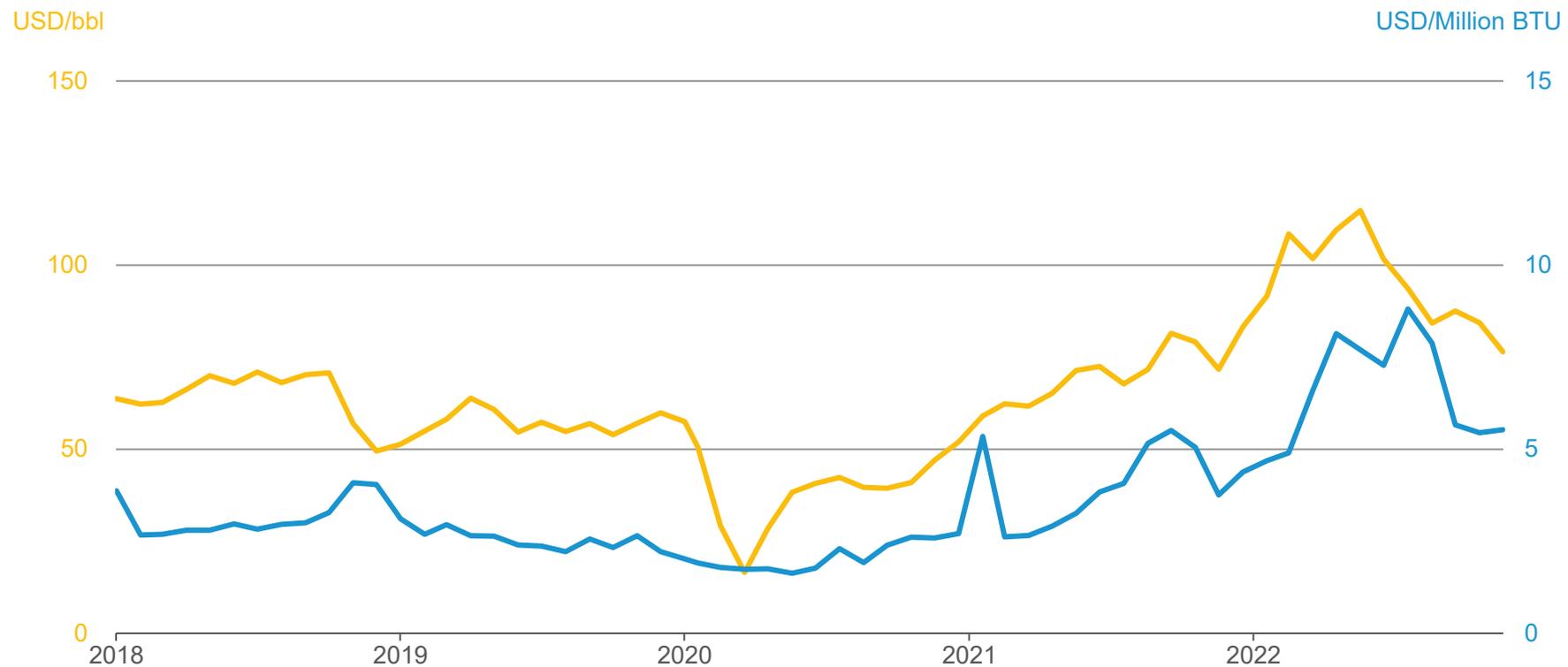
Financial Results



Crude oil & Natural gas price (WTI/Henry Hub)

Although WTI temporarily dropped in the first half of 2020 due to a decline in crude oil demand triggered by the spread of the COVID-19, recently there has been a supply shortage due to factors such as the prolonged invasion of Ukraine by Russia. Concerns have led to price hikes, which affected the development attitudes of oil companies.

Oil & Natural Gas Prices (WTI/Henry Hub)

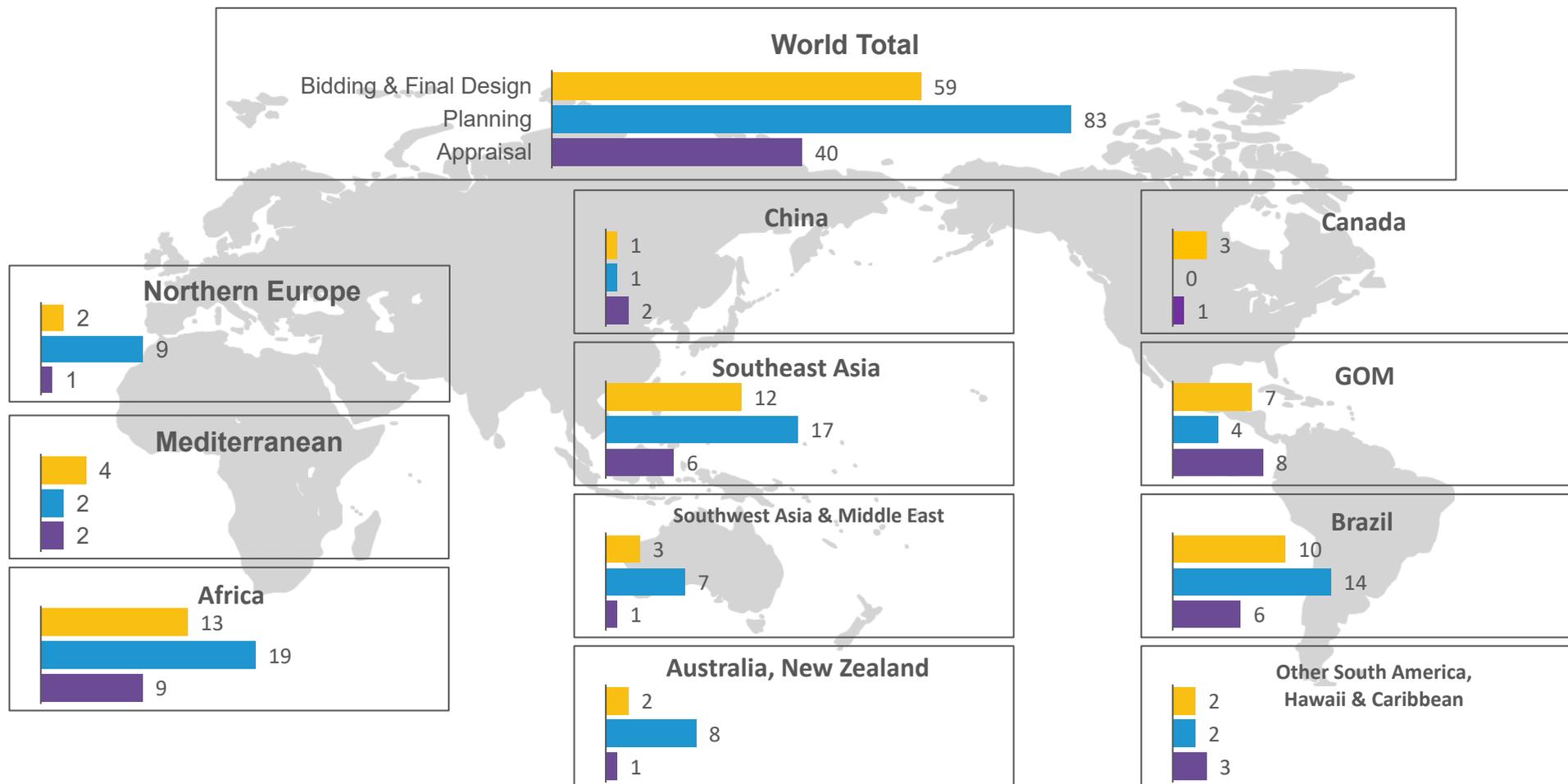


Source: EIA

Floating Production Systems Planned or Under Study

The number of development offshore oil fields in Central and South America, Africa and Southeast Asia remains high.

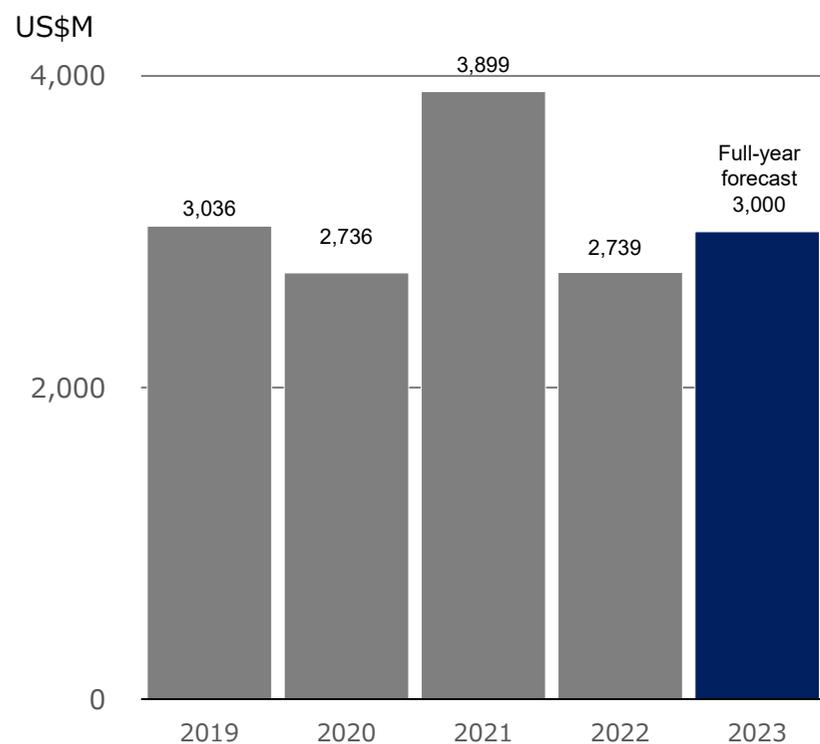
Projects in Planning Pipeline (Appraisal, Planning, and Bidding/Final Design) as of January 2023



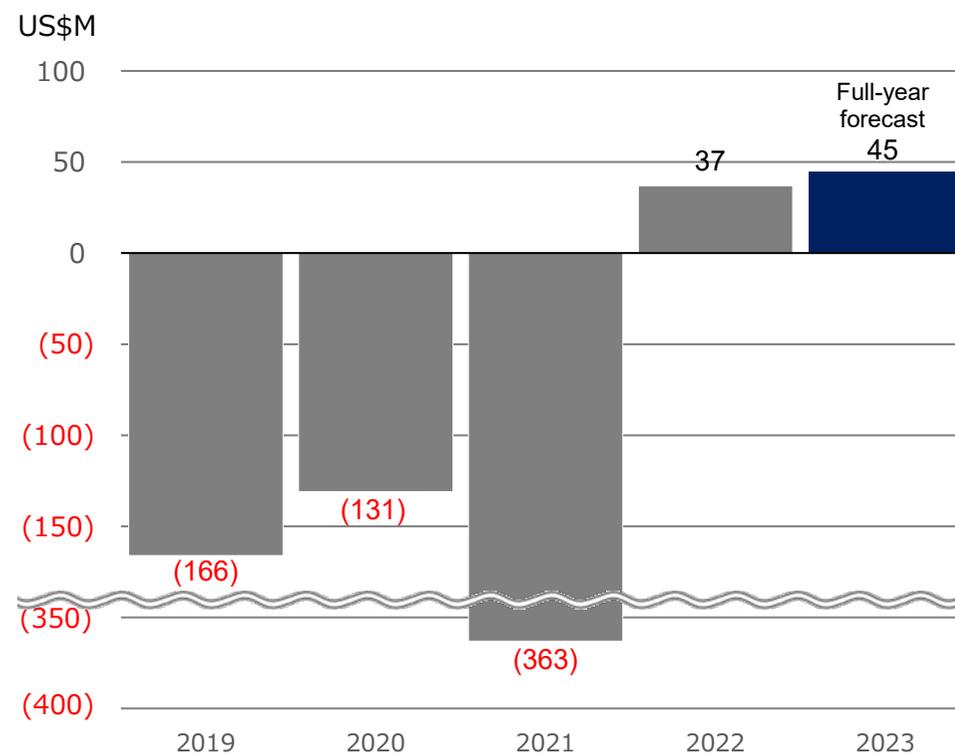
FY2022 : Outlook

- Revenue is expected to be US\$3,000M due to the progress of construction work of Woodside Sangomar, Equinor Bacalhau and new orders to be awarded in 2023.
- Although we expect additional FPSO repair costs, we will secure a net income of US\$45M due to the progress of construction work for new orders to be awarded in 2023 and the additional equity method investment income and interest income generated by charter-in of MV32 and MV33.

Revenue



Profit Attributable to Owners of Parent



Highlight

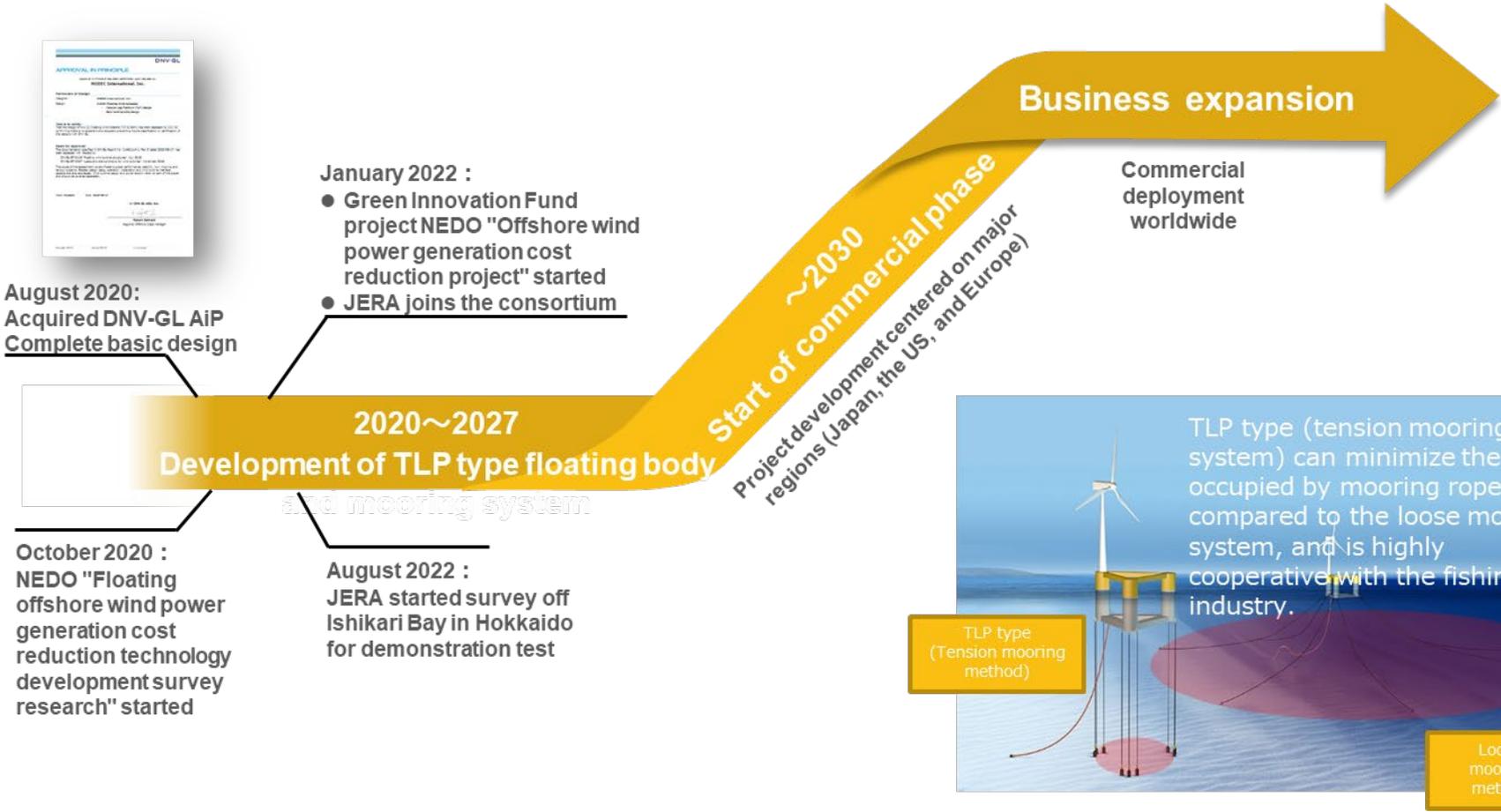
Market View & Outlook

Medium- to long-term initiatives

Financial Results

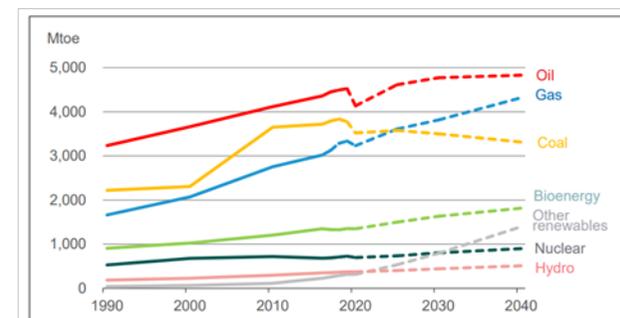
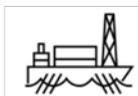


Offshore wind power generation business



Efforts to reduce the carbon footprint of FPSOs

- Oil and gas are expected to continue to be one of the world's major energy sources over the medium to long term.
- MODEC contributes to society by satisfying both energy demand and environmental protection
- Accelerating efforts to reduce the carbon footprint of FPSOs



Source: World Energy Outlook 2012 & 2020 – Stated Policies Scenario (IEA)

Current efforts

- GHG emissions from FPSOs in operation have been published on the website from 2021

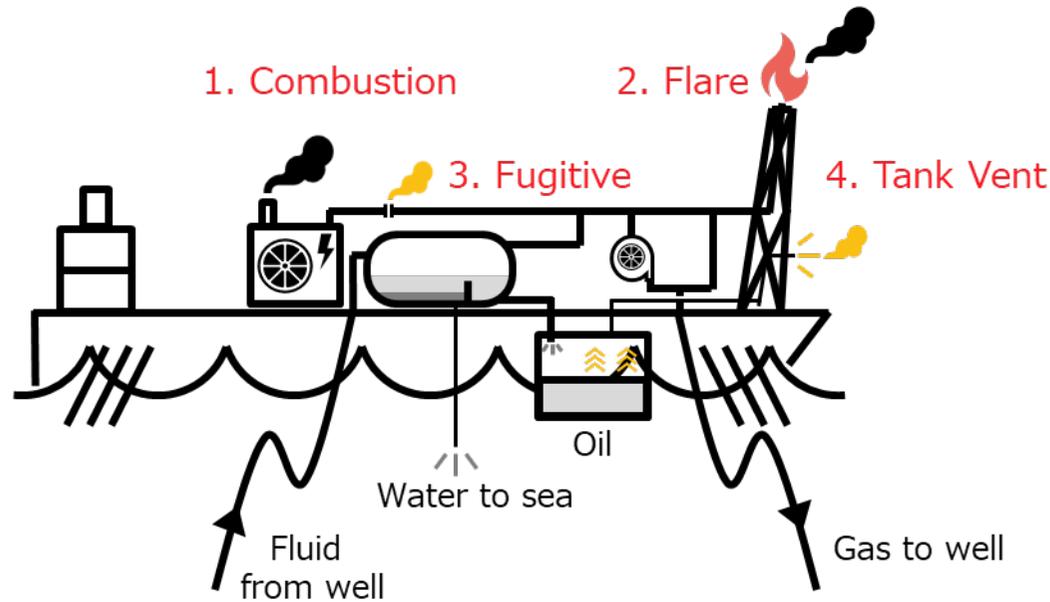
CO2e: Value converted from total GHG to CO2 amount based on global warming potential

	FY 2019	FY 2020	FY 2021
Scope 1	0	0	0
Scope 2	2Kt – CO2e	1Kt – CO2e	1Kt – CO2e
Scope 3	-	-	3.8Mt - CO2e

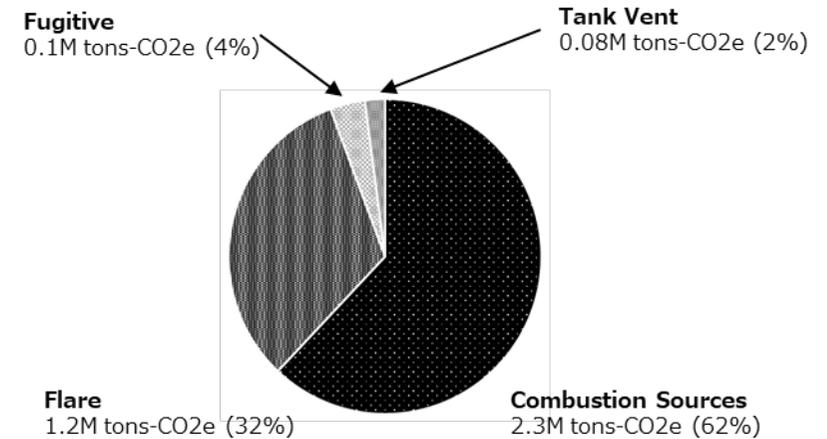
- Equinor Bacalhau FPSO is equipped with a combined cycle power generation system that combines a gas turbine and a steam turbine. It contributes to reducing carbon dioxide emissions during FPSO operation.



Four Major Sources of GHG Emissions



GHG Emissions from All MODEC F(P)SOs (2021)



1. Combustion Sources

Emissions from fuel

- Generator
- Boiler
- etc.

2. Flare

Emissions from Flare

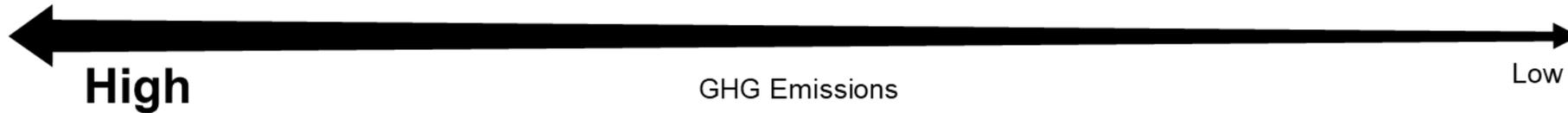
- During emergency shutdown
- etc

3. Fugitive Emissions

Emissions due to leaks [from piping fittings (flanges) or equipment]

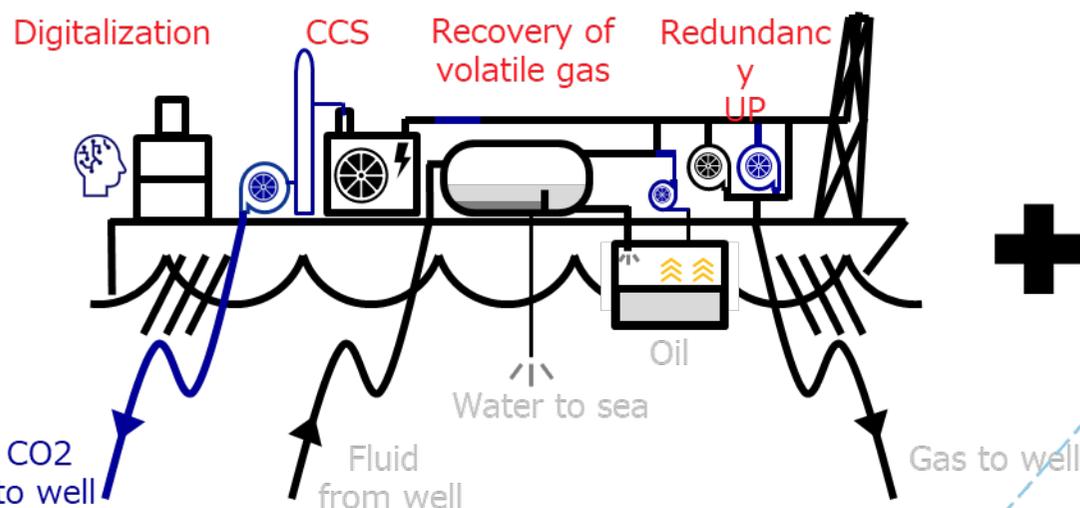
4. Tank Vent

Emissions of volatilized gas from crude oil tanks.



Measures to reduce GHG emissions

Introduction of new technology to new FPSO



Improving **Asset Integrity** in existing FPSO

- Introduction of remote inspection technology (drones, etc.)
- Development of effective repair methods
- Leakage inspection using hand-held equipment, etc.



Improving **Business Value Beyond GHG Reduction**

1. Combustion Sources

- Highly efficient equipment selection (combined cycle)
- Exhaust Gas Capture & Injection (CCS)

2. Flare

- Reduce the frequency of emergency shutdowns by improving **Asset Integrity**

3. Fugitive Emissions

- Leakage reduction by improving **Asset Integrity**
- FPSO design with few leak points

4. Tank Vent

- Introduction of volatile gas recovery system



Highlight

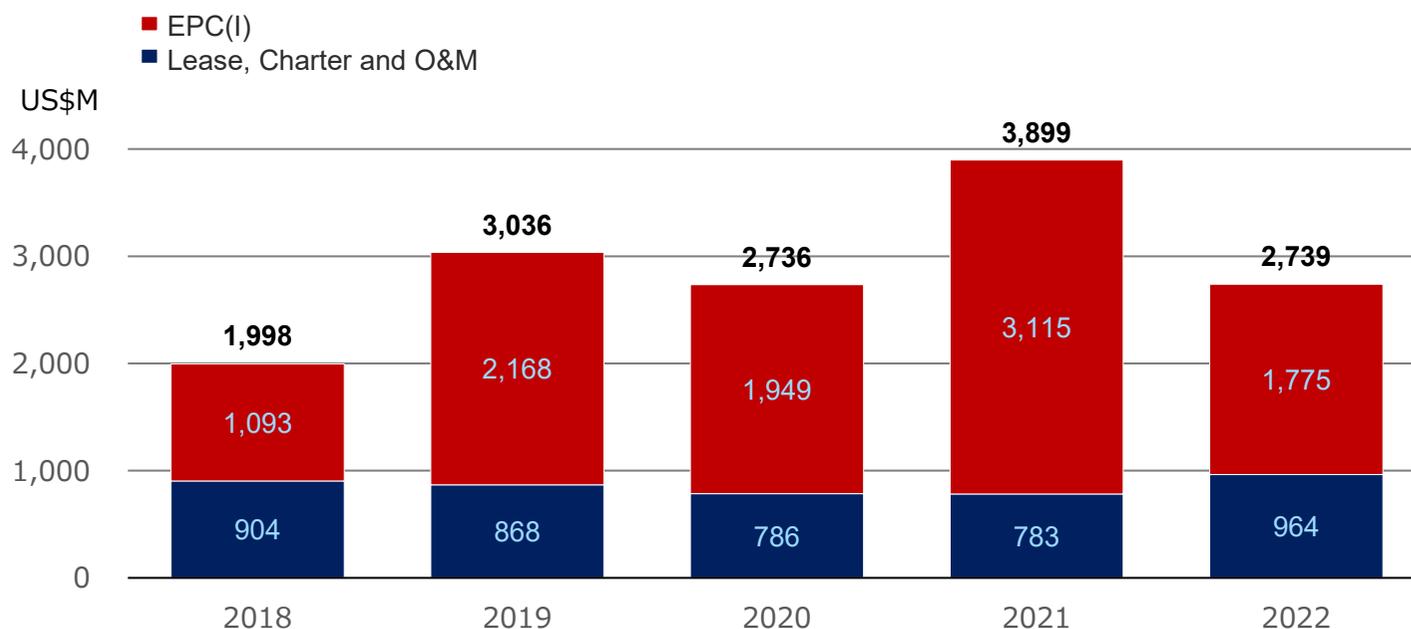
Market View & Outlook

Medium- to long-term initiatives

Financial Results

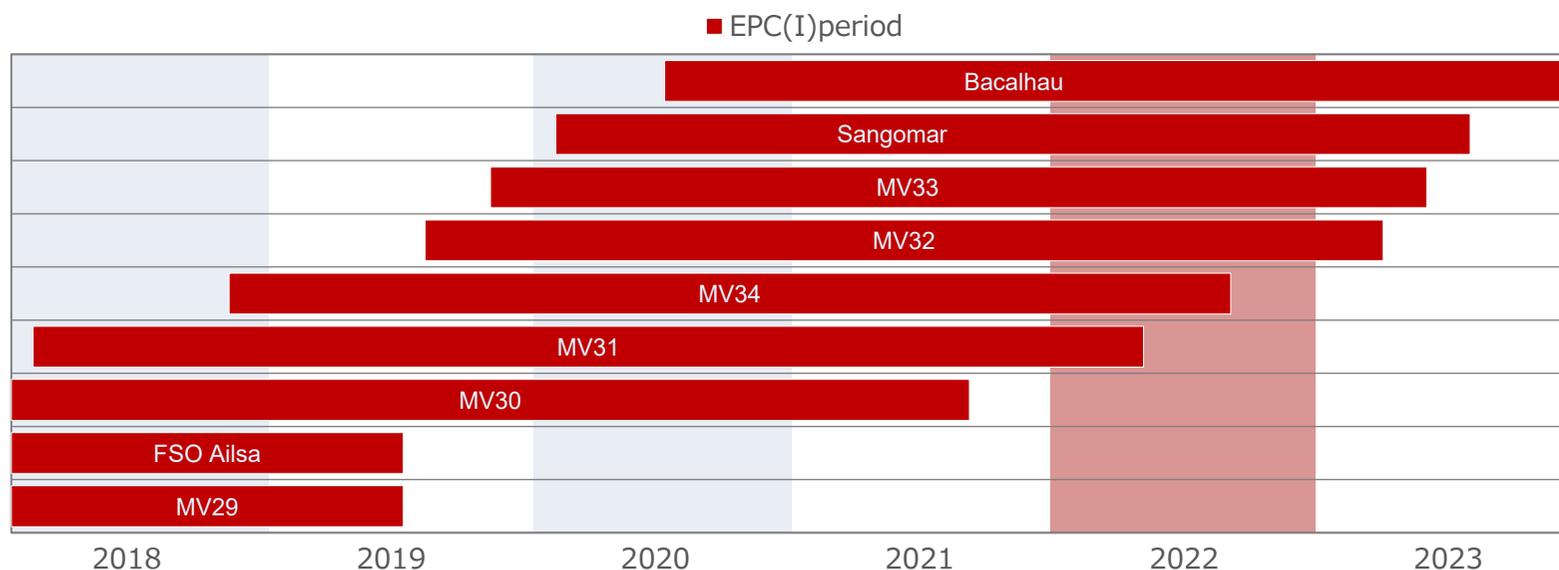


Revenue



Secure 2020 level revenue

- The progress of construction work of Woodside Sangomar and Equinor Bacalhau, and change orders contributed to revenue.
- The progress of construction work of PB projects slow down as the construction work is near its final stage

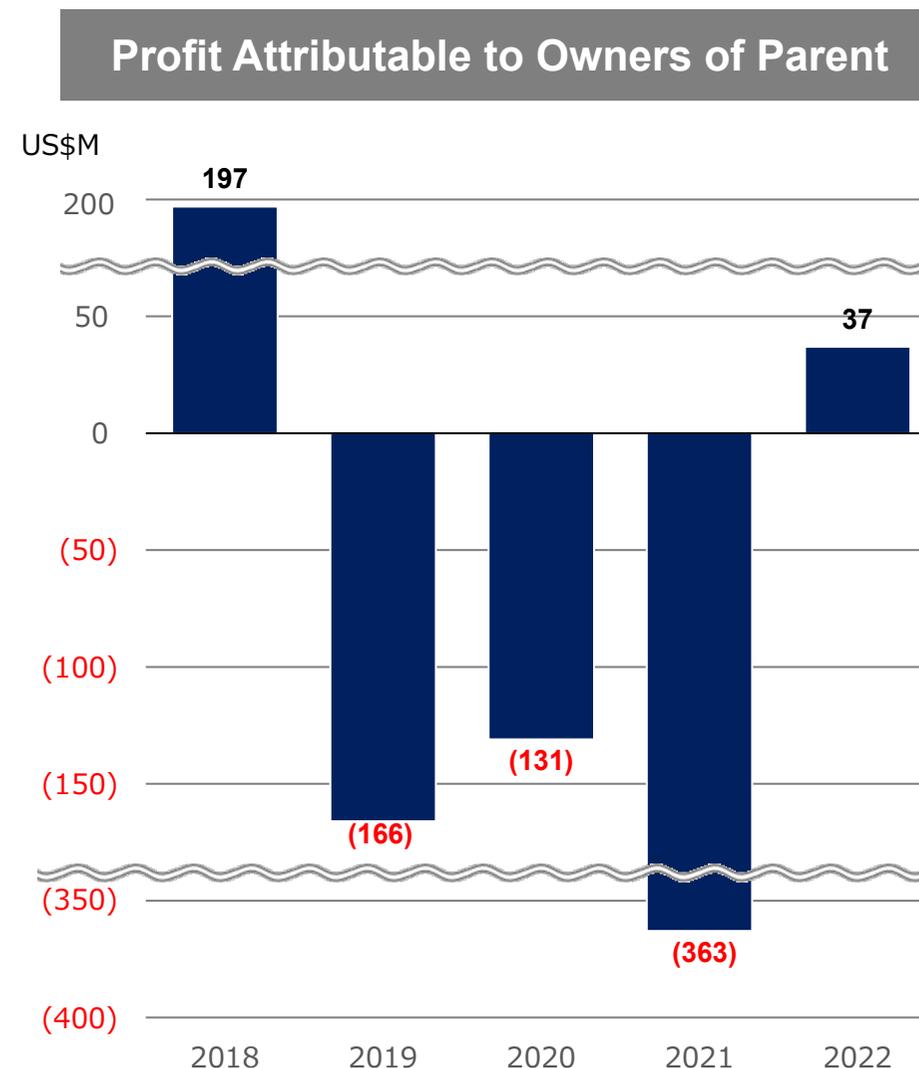
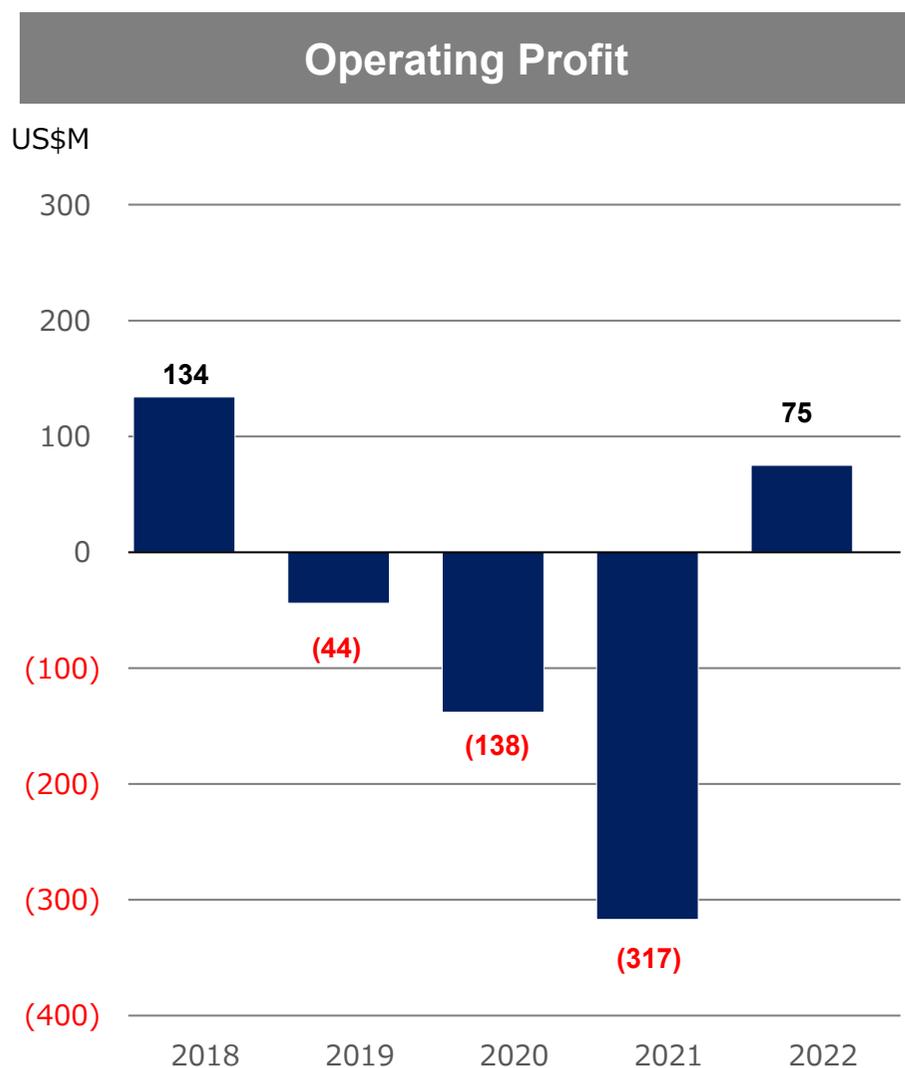


2022 construction revenue (US\$M)

Bacalhau	: 600
Sangomar	: 500
MV32	: 200
MV33	: 100

Operating Profit / Profit Attributable to Owners of Parent

Operating Profit US\$75M / Profit Attributable to Owners of Parent US\$37M / EBIDA US\$126M(refer to P19)

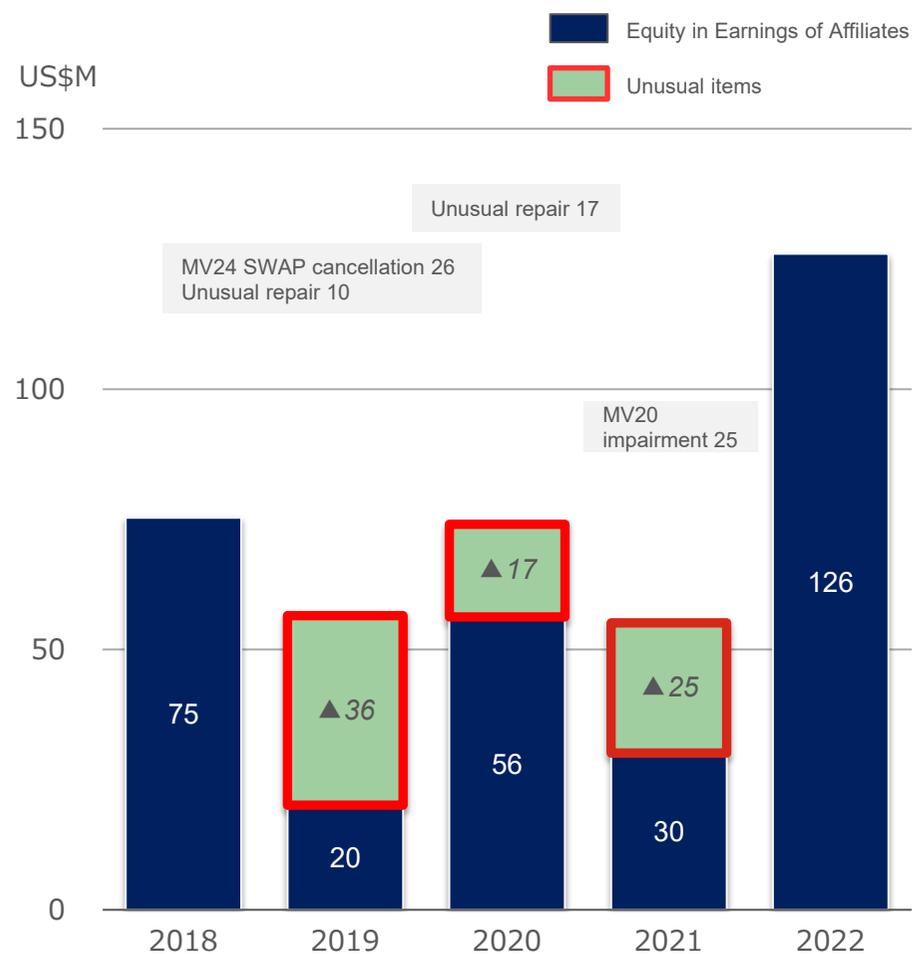


(Note) Shifted to IFRS from FY2020, and record equity in earnings of affiliates, etc. as operating income

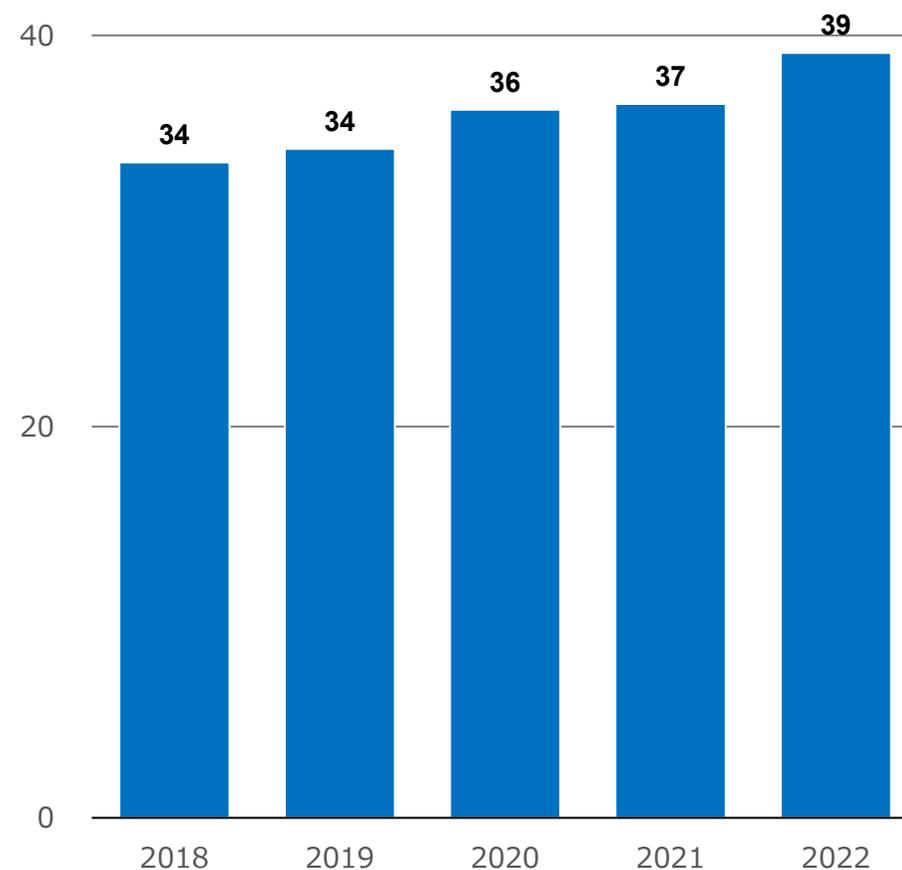
Equity in Earnings of Affiliates / Interest Income

Secured equity method investment income in comparison with the last year which was suffered by shut down of some Brazil fleets. In addition, charter service commencement of MV30 and MV31 also contributes the income.

Equity in Earnings of Affiliates



Interest Income (Charter related)



Adjusted EBITDA

	GAAP	Adj. GAAP(*)
EPCI + O&M Operations	\$ 30MM	\$ 30MM
Charter Operations	\$ 210MM	\$ 124MM
Service Fee (PL / CF)	\$ 38MM	\$ 38MM
Interest received (PL / CF)	\$ 45MM	\$ 40MM
Equity method investment income (PL) / Dividend received (CF)	\$ 127MM	\$ 46MM
SGA (PL)	\$ ▲153MM	\$ ▲153MM
Depreciation (CF)	\$ 39MM	\$ 39MM
Payment by repayment of lease obligations (CF)	\$ ▲21MM	\$ ▲21MM
one-off cost	\$ 106MM	\$ 106MM
Covid-19 impact	\$ 78MM	\$ 78MM
Special Maintenance campaign	\$ 22MM	\$ 22MM
Others	\$ 6MM	\$ 6MM
Adjusted EBITDA	\$ 211MM	\$ 126MM

- Dividends received (Adj. GAAP): Dividends received from SPC
 - ✓ Dividends paid mainly from charter profits up to the previous fiscal year

※ Dividends are paid based on the balance of cash and deposits at each point in time based on the agreement between the sponsors, so there is a difference in the timing of recognition from equity method income.

- Adjust for one-off cost increase factors

Covid-19 impact

Aggregate EPCI construction delays and O&M countermeasure costs due to Covid-19

Special Maintenance Campaign

Aggregated repair work costs using floatel on MV15/18/20

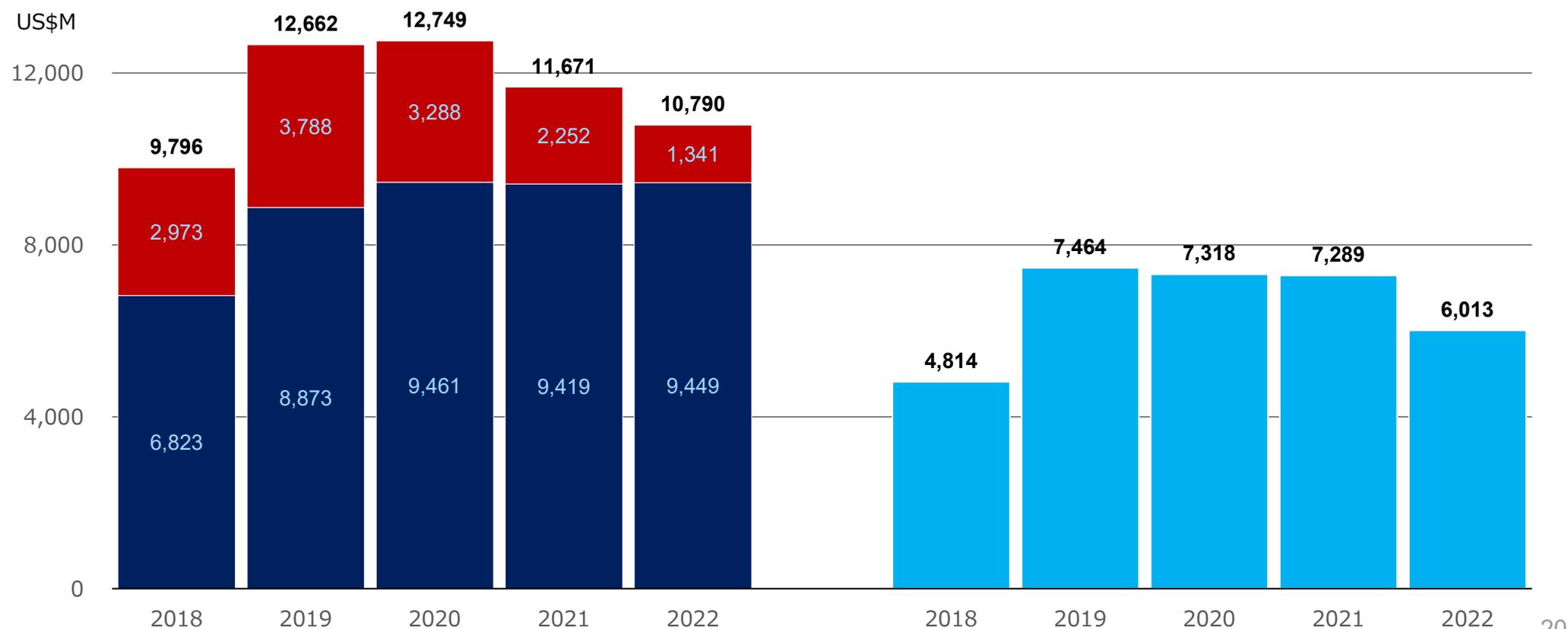
(*) Charter Operations of Adj. GAAP is based on Cashflow

Order Backlogs

- Charter/O&M order backlog remains at a high level with long-term contracts
- Order backlog for construction work will decrease due to progress in existing construction projects. Thus we focus on new project awards.

■ EPC(I)
■ Lease, Charter and O&M

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



Financial position and cash flow

Financial Position

Unit : US\$M	2021.12	2022.12	Variance
Cash and cash equivalents	810	492	-318
Trade & Other receivable	379	478	99
Contract assets	704	257	-447
Investment accounted for using equity method	739	1,114	375
LT loan receivable	398	365	-33
Total assets	3,425	3,136	-289
	2021.12	2022.12	Variance
Trad & Other payable	1,356	921	-435
Contract liabilities	405	499	94
ST Bond & borrowings	426	19	-407
LT Bond & borrowings	55	374	319
Total liabilities	2,870	2,295	-575
Retained earnings	85	131	46
Other components of equity	-115	118	233
Equity attributable to owner of parent	532	811	279
Non-controlling interests	22	29	7
Total equity	554	841	287
Total liabilities and equity	3,425	3,136	-289
D/E ratio	0.8 times	0.5 times	-0.3points

Cash flow

Unit : US\$M	2021.12	2022.12	Variance
Cash flows from operating activities	152	-208	-360
Cash flows from investing activities	-220	-56	164
Free cash flows	-68	-265	-197



Thank you