PIONEERING A NEW SOURCE OF CAPITAL FOR FPSOs

THE OFFSHORE INNOVATION DEAL OF THE YEAR

Transaction: *MV24 Capital B.V. MODEC Operated FPSO – US $1.1 billion 144A / Reg S Bond*

Winners: *Citigroup, Mizuho Securities, Morgan Stanley and SMBC Nikko*

Counsel: *King & Spalding and Tostes Associados, White & Case and Stocche Forbes*

FPSOs are a bright spot in the offshore market. In recent years, the growing number of FPSO charter projects has put increasing pressure on the capacity of the ECAs and banks that typically finance them. For MODEC and the broader market, unlocking new sources of funding is essential to continue developing these projects and efficiently accessing the world's energy resources in the decades to come.

Enter Citigroup, who the sponsors of MV24 engaged to develop and execute a strategy that would allow them to efficiently access the deep international 144A/Reg S infrastructure market. As sole ratings advisor, Citi developed the thesis that FPSOs are essential to monetize the fields where they are deployed - and therefore, for fields with attractive economics, there is value and alignment of interest beyond the traditional lens of assessing the contract only. The MV24 was a perfect candidate. Completed in 2014 and generating around 5% of Brazil's daily oil production, it holds a long-term availability-based charter with Petrobras and its partners in the Lula-Iracema pre-salt field (Shell and Galp.)

The resulting ratings, one notch above Petrobras and Brazil, is first ever case of an inaugural project rating above its direct contract counterparty. Positioning FPSOs as an essential and defensive infrastructure asset contributed to positive demand at approximately two-times the issue amount of $1.1 billion from a broad range of international investors. The warm reception also reflected MODEC's highly regarded asset management, operations and maintenance capabilities.

The deal was the first ever 144A for a project bond FPSO, opening up a new and greatly needed pool of capital that will facilitate the next cycle of industry investment. It enabled the sponsors to refinance and reallocate construction bank loans from Japanese Bank for International Cooperation (JBIC) and project finance lenders into more efficient use for funding new development projects and, at the same time, enabled the company to diversity its capital sources.